

RECORDATION NO. 14325 B
Filed 1425

REID & PRIEST
40 WEST 57TH STREET
NEW YORK, N. Y. 10019

RECORDATION NO. 14325
Filed 1425

MAY 22 1984 - 9 10 AM

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WASHINGTON, D.C. INTERSTATE COMMERCE COMMISSION
1111 19TH STREET, N.W.
WASHINGTON, D.C. 20036
202 828-0100

212 603-2000
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INTERSTATE COMMERCE COMMISSION
NEW YORK OFFICE
CABLE ADDRESS: "REIDAPT"
TELEX: 7105816721 RDPT NYK

RECORDATION NO. 14325 C
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Date

Fee \$ 100.00

DIRECT DIAL NUMBER

May 21, 1984

INTERSTATE COMMERCE COMMISSION
ICC Washington, D. C.

Mr. James H. Bayne
Secretary
Interstate Commerce Commission
12th and Constitution Avenue, N.W.
Washington, D.C. 20423

RECORDATION NO. 14325 A
Filed 1425

MAY 22 1984 - 9 10 AM

INTERSTATE COMMERCE COMMISSION

Dear Mr. Bayne:

Enclosed please find one original and one counterpart or certified true copy of each of the following documents, to be recorded pursuant to Section 11303 of Title 49 of the U. S. Code:

(1) Conditional Sale Agreement, a primary document, dated as of May 15, 1984 (the "CSA"), between The Connecticut Bank and Trust Company, National Association (not in its individual capacity but solely as Trustee under a Trust Agreement dated as of May 15, 1984 with Progress Leasing Corporation) and Bethlehem Steel Corporation.

(2) Agreement and Assignment, a secondary document, dated as of May 15, 1984 (the "Agreement and Assignment"), between Bethlehem Steel Corporation, as Builder, and John Hancock Mutual Life Insurance Company, as Assignee.

(3) Lease of Railroad Equipment, a primary document, dated as of May 15, 1984 (the "Lease"), between System Fuels, Inc., as lessee (the "Lessee") and The Connecticut Bank and Trust Company, National Association (not in its individual capacity but solely as Trustee under a Trust Agreement dated as of May 15, 1984 with Progress Leasing Corporation), as lessor (the "Lessor").

(4) Assignment of Lease and Agreement, a secondary document, dated as of May 15, 1984 (the "Assignment of Lease"), between The Connecticut Bank and Trust Company, National Association, as Assignor (acting solely in its capacity as Trustee under a Trust Agreement dated as of May 15, 1984 with Prog-

ress Leasing Corporation) and John Hancock Mutual Life Insurance Company, as Assignee, and the Consent to such Assignment of Lease by System Fuels, Inc. ("Consent").

We request that the Agreement and Assignment be cross-indexed under the name of The Connecticut Bank and Trust Company, National Association, and that the Assignment of Lease be cross-indexed under the name of System Fuels, Inc.

The names and addresses of the parties to the CSA, the Agreement and Assignment, the Lease and the Assignment of Lease are as follows:

Trustee	The Connecticut Bank and Trust Company, National Association One Constitution Plaza Hartford, Connecticut 06115
Builder & Assignor under Agreement and Assignment	Bethlehem Steel Corporation Freight Car Division - Division General Manager Johnstown, Pennsylvania 15907
Assignee under Agreement and Assignment	John Hancock Mutual Life Insurance Company Attention: Bond and Corporate Finance Department, T-57 John Hancock Place P. O. Box 111 Boston, Massachusetts 02117
Lessee	System Fuels, Inc. 225 Baronne Street New Orleans, Louisiana 70112 (Attention of Treasurer)
Lessor	The Connecticut Bank and Trust Company, National Association One Constitution Plaza Hartford, Connecticut 06115
Assignee under Assignment of Lease	John Hancock Mutual Life Insurance Company Attention: Bond and Corporate Finance Department, T-57 John Hancock Place P. O. Box 111 Boston, Massachusetts 02117

The CSA, the Agreement and Assignment, the Lease and the Assignment of Lease cover the following equipment ("Units of Equipment"):

320 100-ton rotary dump coal cars, manufactured by Bethlehem Steel Corporation (the "Builder").

A.A.R. Mechanical Designation: GT

Builder's Specifications: Bethcar specification Nos. DF 3400-564

Lessee's Identification Nos.: SFIX 8005 through 8007; SFIX 2575 through 2891 (both inclusive)

Identifying Marks: Each Unit of Equipment shall be marked on each side, in letters not less than one inch in height, with the words "OWNED BY A BANK OR TRUST COMPANY AS TRUSTEE AND SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTER-STATE COMMERCE COMMISSION."

A fee of \$100.00 is enclosed. Please stamp and return the original copy of each document, together with a notation or receipt indicating the Recordation Number and the date and time of filing (if convenient for you, this information may be stamped on the extra copy of this transmittal letter furnished herewith).

A short summary of the documents to appear in the index follows:

(1) Conditional Sale Agreement between The Connecticut Bank and Trust Company, National Association (not in its individual capacity but solely as Trustee under a Trust Agreement dated as of May 15, 1984 with Progress Leasing Corporation), One Constitution Plaza, Hartford, Connecticut 06115 and Bethlehem Steel Corporation, Freight Car Division-Division General Manager, Johnstown, Pennsylvania 15907, dated as of May 15, 1984, and covering 320 100-ton rotary dump coal cars.

(2) Lease of Railroad Equipment between The Connecticut Bank and Trust Company, National Association (not in its individual capacity but solely as Trustee under a Trust Agreement dated as of May 15, 1984 with Progress Leasing Corporation), as Lessor,

May 21, 1984

One Constitution Plaza, Hartford, Connecticut 06115 and System Fuels, Inc., as Lessee, 225 Baronne Street, New Orleans, Louisiana 70112, dated as of May 15, 1984, and covering 320 100-ton rotary dump coal cars.

(3) Agreement and Assignment between Bethlehem Steel Corporation, as Builder, Freight Car Division-Division General Manager, Johnstown, Pennsylvania 15907 and John Hancock Mutual Life Insurance Company, as Assignee, Attention: Bond and Corporate Finance Department, T-57, John Hancock Place, P.O. Box 111, Boston, Massachusetts 02117, dated as of May 15, 1984, and covering 320 100-ton rotary dump coal cars, and connected to the Conditional Sale Agreement with Recordation No. _____.

(4) Assignment of Lease and Agreement between The Connecticut Bank and Trust Company, National Association, as Assignor (acting solely in its capacity as Trustee under a Trust Agreement dated as of May 15, 1984 with Progress Leasing Corporation), One Constitution Plaza, Hartford, Connecticut 06115 and John Hancock Mutual Life Insurance Company, as Assignee, Attention: Bond and Corporate Finance Department, T-57, John Hancock Place, P.O. Box 111, Boston, Massachusetts 02117, and the Consent to such Assignment of Lease and Agreement by System Fuels, Inc., 225 Baronne Street, New Orleans, Louisiana 70112, all dated as of May 15, 1984, and covering 320 100-ton rotary dump coal cars, and connected to the Lease of Railroad Equipment with Recordation No. _____.

Very truly yours,

REID & PRIEST

By: _____

John S. Bacon
John S. Bacon, Esq.

Documents from 14325-B
Missing

L-1

LEASE OF RAILROAD EQUIPMENT, dated as of May 15, 1984, between SYSTEM FUELS, INC., a Louisiana corporation (the "Lessee"), and THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, acting not in its individual capacity but solely as Trustee (the "Trustee") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with PROGRESS LEASING CORPORATION (the "Owner").

WHEREAS pursuant to a Participation Agreement dated as of the date hereof (the "Participation Agreement") among the Lessee, the Lessee Stockholders (as defined in the Participation Agreement), the Trustee, the Owner, and John Hancock Mutual Life Insurance Company (hereinafter, with its successors and assigns, called the "Vendor"), the Trustee is entering into a Conditional Sale Agreement dated as of the date hereof (the "CSA") with BETHLEHEM STEEL CORPORATION, a Delaware corporation (the "Builder"), wherein the Builder has agreed to manufacture, sell and deliver to the Trustee the units of railroad equipment described in Appendix A hereto;

WHEREAS at the date of execution of this Agreement, no unit of the railroad equipment has been placed in service;

WHEREAS the Builder is assigning its interests in the CSA pursuant to an Agreement and Assignment dated as of the date hereof (the "CSA Assignment") to the Vendor;

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

WHEREAS the Trustee will assign this Lease for security to the Vendor pursuant to an Assignment of Lease and Agreement (the "Lease Assignment") dated as of the date hereof and the Lessee will acknowledge and consent thereto pursuant to the Consent in the form attached to the Lease Assignment (the "Consent");

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee,

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LEASE OF RAILROAD EQUIPMENT

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the Trustee hereby leases the Units to the Lessee upon the following terms and conditions:

§ 1. NET LEASE

This Lease is a net lease. The Lessee's obligation to pay all rentals and other amounts hereunder shall be absolute and unconditional and, except as herein specifically provided, the Lessee shall not be entitled to any abatement of rent or such other amounts or reduction thereof or setoff against rent or such other amounts, including, but not limited to, abatements, reductions, counterclaims, recouplements or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Trustee or the Owner under this Lease or the CSA, including the Lessee's rights by subrogation thereunder to the Builder or the Vendor, or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Trustee or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, 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 Units 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 Trustee, the Owner or the Vendor for any reason whatsoever. Nothing in this Section 1 shall constitute a waiver by the Lessee of any rights to sue for damages or specific performance for breach of any obligations undertaken by the Trustee hereunder or by the Trus-

day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York or New Orleans, Louisiana are authorized or obligated to remain closed.

3.3. Instructions To Pay Vendor and Trustee. Upon execution and delivery of the Lease Assignment and until the Vendor shall have advised the Lessee in writing that all sums due from the Trustee under the CSA have been fully satisfied and discharged, the Trustee irrevocably instructs the Lessee to make all the payments pursuant to §§ 3.1 (except as otherwise contemplated by the Lease Assignment), 7.1 and 7.9 hereof to the Vendor, for the account of the Trustee, with instructions to the Vendor (a) first, to apply on each such payment date the payment then due hereunder to satisfy the obligations of the Trustee then payable on such payment date under the CSA, in the case of payments pursuant to § 3.1 hereof, as shown in the Schedule referred to in Paragraph 4.4 of the CSA, and, in the case of payments pursuant to § 7.1 or 7.9 hereof, pursuant to Article 7 of the CSA, and (b) second, so long as no event of default under the CSA shall have occurred and be continuing, to pay the balance, if any, of such payments promptly on such payment date to the Trustee or to the order of the Trustee in immediately available funds at such place as the Trustee shall specify in writing. If the Lease Assignment is not executed and delivered, or if the Lessee shall have been advised by the Vendor in writing that all sums due from the Trustee under the CSA have been fully discharged and satisfied, then all payments provided for in this Lease shall be made to the Trustee.

3.4. Payment in Immediately Available Funds. The Lessee agrees to make each payment provided for herein as contemplated by § 3.1, in funds which are immediately available at or prior to 11:00 a.m. in the city where such payment is to be made, in the manner specified in Paragraph 15 of the Participation Agreement.

3.5. Adjustment of Rent. If any one or more of the changes, events and conditions described in this § 3.5 should occur, the rental payments specified in § 3.1 hereof, and the applicable percentages of Purchase Price specified in Appendices B and C hereto for the determination of Casualty Values and Termination Values, shall be adjusted either upward or downward to such rental payments and percentages of Purchase Price as, in the reasonable opinion of the Owner, shall be required to yield to the Owner the same periodic after-tax cash flow, the same

after-tax rate of return and the same periodic income for book accounting purposes (collectively, the "Owner's Return") as the Owner expected to realize in respect of the transactions contemplated by this Lease at the time of the execution hereof, and, in each such case, the Lessor and the Lessee shall enter into an appropriate supplement to this Lease evidencing such adjustments. Said changes, events and conditions are as follows:

(i) With respect to any Unit, there is enacted an amendment to the Tax Laws, as hereinafter defined, including an amendment which causes a change in the rate of tax imposed on the Owner, there is promulgated any temporary, proposed or final regulation, or any amendment of existing regulations under the Tax Laws, or there is published any administrative interpretation of the Tax Laws or any regulation, or any judicial interpretation or decision is handed down thereunder, which amendment, regulation, administrative interpretation or judicial interpretation or decision, as the case may be, is enacted or effective on or before the Closing Date for such Unit under the CSA;

(ii) Either the date on which Units are delivered under the CSA and accepted under this Lease or the number of Units delivered on any such date differ from the estimated delivery dates and quantities set forth in Appendix A hereto and, as a result thereof, any Units are delivered within a quarterly period for purposes of calculating the federal estimated tax payments of the Owner (or of an affiliated group, within the meaning of section 1504 of the Code, as defined in the Participation Agreement, of which the Owner is a member if consolidated returns are filed for such affiliated group for federal income tax purposes) which is different from the quarterly period in which delivery and acceptance would have been made if such Units had been delivered as set forth in Appendix A hereto;

(iii) The Units are settled for under the CSA on dates or in numbers of Units other than settlement for 104 Units on dates from and including May 28, 1984 to and including June 11, 1984, an additional 104 Units on dates from and including June 8, 1984 to and including June 22, 1984 and an additional 112 Units on dates from and including June 22, 1984 to and including July 6, 1984; and

(iv) The aggregate amount of costs, fees, disbursements and expenses paid by the Owner pursuant to Paragraph 13 of the Participation Agreement is other than an amount equal to 1.5% of the aggregate Purchase Price of the Units accepted for leasing hereunder, subject to the limitation on the Owner's liability for such costs, fees, disbursements, and expenses set forth in Paragraph 13 of the Participation Agreement.

The term "Tax Laws" as used herein means the Code, as defined in the Participation Agreement, and the Florida corporate income tax law.

It is understood that no downward adjustment shall be made if such downward adjustment would result in the "income and proceeds from the Equipment" (as defined in Section 4.8 of the CSA) being insufficient to pay the CSA Indebtedness, the interest and the premium, if any, payable thereon.

§ 4. TERM OF LEASE

4.1. Beginning and Termination; Survival. The term of this Lease as to each Unit shall begin on the date of delivery of such Unit under the CSA and, subject to the provisions of §§ 7, 13 and 16 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due pursuant to § 3.1 hereof. The obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 6, 7, 10, 11, 12 and 17 hereof) shall survive the expiration or other termination of the term of this Lease.

4.2. Rights and Obligations of Lessee Subject to CSA. Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the CSA and if a Declaration of Default shall have been made under the CSA and not rescinded, the Vendor may terminate this Lease (or rescind its termination) in accordance with the terms of the CSA without affecting the indemnities which by the provisions of this Lease survive the termination of its term, all as provided herein; provided, however, that so long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments (as defined in the Lease Assignment) in accordance with the Lease Assignment, this Lease may not be terminated and the

Lessee shall be entitled to the rights of possession, use and assignment provided under § 15 hereof.

§ 5. IDENTIFICATION MARKS

5.1. Identifying Numbers; Legend; Changes. The Lessee will cause each Unit to be kept numbered with the identification number set forth in Appendix A hereto, or, in the case of any Unit not there listed, such identification number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "OWNED BY A BANK OR TRUST COMPANY AS TRUSTEE AND SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION", or other appropriate words designated by the Trustee, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Trustee's and the Vendor's title to and property in such Unit and the rights of the Trustee under this Lease and the rights of the Vendor under the CSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked on both sides thereof and will replace promptly any such words which may be removed, defaced or destroyed. The Lessee will not change the identification number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Trustee and filed, recorded and deposited by the Lessee in all public offices where this Lease, the CSA, the Lease Assignment and the CSA Assignment shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished to the Vendor and the Trustee an opinion of counsel to the effect that such statement has been so filed, recorded and deposited, that such filing, recordation and deposit will protect the Vendor's and the Trustee's interests in such Unit and that no filing, recording, deposit or giving of notice with or to any other Federal, state or local government or agency thereof is necessary to protect the interests of the Vendor and the Trustee in such Unit.

5.2. Insignia of Lessee. The Units may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates, but the Lessee will not allow the name of any other person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership.

§ 6. TAXES

6.1. General Tax Indemnification. Whether or not any of the transactions contemplated hereby are consummated, the Lessee assumes responsibility for and agrees to pay, and agrees to protect, save, keep harmless and indemnify on an after-tax basis the Trustee (in both its individual and fiduciary capacities), the Owner and the Vendor and their successors and assigns (the "Indemnified Persons") against, all taxes, levies, imposts, duties, assessments, fees, withholdings and other governmental charges of any nature whatsoever, including, without limitation, penalties, fines and interest (all such taxes, levies, imposts, duties, assessments, fees, withholdings, governmental charges, penalties, fines and interest being hereinafter called "Taxes"), imposed on, incurred by or asserted against any Indemnified Person or any Unit in whole or in part on account of, or with respect to, this Lease or the CSA or any document referred to herein or therein or any of the transactions contemplated hereby or thereby or the manufacture, purchase, acceptance or rejection of the Units or any portion thereof or the ownership, delivery, non-delivery, leasing, releasing, subleasing, possession, use, transfer of title, operation, maintenance, repair, condition, sale, return or other disposition of the Units or any portion thereof or any indebtedness with respect thereto or the rentals, receipts, earnings or gains arising therefrom; excluding, however, (i) Taxes of the United States or any state or political subdivision thereof and (if and to the extent such Indemnified Person, in its sole discretion exercised in good faith, determines that it is entitled to, and can utilize on a current basis, a credit therefor against its United States Federal income taxes) Taxes of any foreign country or subdivision thereof, imposed on or measured solely by the net income or excess profits or items of tax preference of the Indemnified Person (not including the Trustee in its fiduciary capacity), other than (1) Taxes arising out of or imposed in respect of the receipt of indemnification payments pursuant to this Lease, (2) any such Taxes which are in direct substitution for Taxes which the Lessee would otherwise be obligated to pay or reimburse as herein provided and (3) the aggregate of all such state or local Taxes measured by net income but only to the extent they exceed the amount of any such Taxes which would be payable to the state and locality in which the Indemnified Person has its principal place of business without apportionment to any other state, provided that such Taxes of any foreign country or subdivision thereof incurred as a result of the indemnified party being taxed by such foreign country or subdivision on its worldwide

income without regard to the transactions contemplated by this agreement shall be excluded whether or not the indemnified party is entitled to a credit against its United States Federal income taxes; (ii) Taxes imposed on or measured by any fees or compensation received by the Trustee for its services in acting as Trustee under the Trust Agreement; (iii) Taxes which are imposed on or measured solely by the net income of the Indemnified Person if and to the extent that such Taxes are in substitution for or reduce the Taxes payable by any other person which the Lessee has not agreed to pay or indemnify against pursuant to this § 6; (iv) Taxes imposed with respect to any period commencing after the date on which this Lease shall terminate and the Units shall be redelivered to the Trustee in accordance with the terms of this Lease and not relating to events or matters prior to such time; and (v) Taxes imposed as a direct result of a voluntary transfer or other voluntary disposition by the Trustee or the Owner (other than any transfer pursuant to § 7.3 or any transfer to the Lessee pursuant to § 16.2), or any transfer or disposition by the Trustee or the Owner resulting from bankruptcy or other proceedings for the relief of debtors in which the Trustee or the Owner is the debtor, whether voluntary or involuntary, of any interest in any Unit or interest in rentals under this Lease unless, at the time of any such transfer or disposition, an Event of Default shall have occurred and be continuing; provided, however, that such exclusion shall not apply to any Taxes that are by their terms enacted or adopted as a direct substitute for any taxes, fees or other charges that are now or hereafter in effect, which otherwise would have been imposed on such Indemnified Person and which are Taxes indemnified against under this § 6.1. The Lessee shall pay all Taxes for which it assumes liability hereunder when such Taxes are due and will indemnify each Indemnified Person to the extent required by this § 6.1 within 30 days after receipt of a written request by such Indemnified Person for indemnification specifying the amount to be paid, the basis on which such amount was determined and the nature of the Taxes in question; provided, however, that if any Taxes are being contested in accordance with § 6.3 hereof, any payment shall be made at the time therein provided.

In the event that the Trustee shall become obligated to make any payment to the Builder or the Vendor or otherwise pursuant to any corresponding provision of the CSA not covered by the foregoing paragraph of this § 6.1, the Lessee shall pay such additional amounts (which shall also be deemed Taxes hereunder) to the Trustee as will

enable the Trustee to fulfill completely its obligations pursuant to said provision.

6.2. Reports or Returns. In the event any returns, statements or reports with respect to Taxes are required to be made, the Lessee will make such returns, statements and reports in such manner as to show the interest of the Trustee and the Vendor in the Units, send a copy of such returns, statements or reports to the Trustee and the Vendor and, after notice to the Trustee and the Vendor (which may be in the form of a statement sent with such copies to the effect that the same will be filed, barring objection, within a specified period of time), file such returns, statements or reports; provided, however, that the Trustee shall, with respect to any state or political subdivision thereof of the United States of America, file such returns, statements and reports relating to sales or use taxes, and taxes, fees, and charges on or measured by the Trustee's earnings or gross receipts arising from the Units, or the value added by the Trustee thereto, as the Lessee or the Trustee shall determine are required to be filed, and as shall be prepared by the Lessee, and shall remit the amount thereof upon payment by the Lessee to the Trustee (such payment to be made promptly upon demand by the Trustee therefor) of such taxes, fees and charges except as provided above. To the extent that the Trustee has information necessary to the preparation of such returns, statements and reports, it will furnish such information to the Lessee.

To the extent that the Lessee may be prohibited by law from performing in its own name the duties required by this § 6.2, the Trustee hereby authorizes the Lessee to act in the name of the Trustee and on its behalf; provided, however, that the Lessee shall indemnify and hold the Trustee (in both its individual and fiduciary capacities) harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action by the Lessee pursuant to this authorization.

The Lessee shall, whenever reasonably requested by the Trustee, submit to the Trustee copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to the Trustee of the Lessee's performance of its duties under this § 6.2. The Lessee shall also furnish promptly upon request such data as is necessary to permit compliance with the requirements of taxing jurisdictions.

6.3. Claims; Contests. If any taxing authority shall assert in writing liability for any Taxes or propose an increase in the liability of any Indemnified Person for any such Taxes (such assertion or such proposed increase being hereinafter called a "Claim"), indemnification for which would be required under this § 6, the Indemnified Person will promptly notify the Lessee of such Claim in writing. If the Lessee delivers to such Indemnified Person written notice of its desire to contest such Claim within 30 days after receipt of notice from such Indemnified Person, such Claim will be contested in accordance with this § 6.3, except to the extent such Claim represents amounts payable to the Builder or the Vendor under Article 6 of the CSA. The Trustee will permit the Lessee to contest such claims under Article 6 of the CSA in accordance with the rights and obligations of the Trustee thereunder. In addition, the Lessee agrees to advance on an interest-free basis the amount of any advance the Trustee would have been required to make (but for the operation of Section 23.2 of the CSA) to an Indemnified Person pursuant to the fourth sentence of Section 6.2 of the CSA. The Indemnified Person shall have the exclusive right to conduct the contest unless such right is waived in writing, in which event the contest and all preparations therefor shall be the sole responsibility of the Lessee; in either case, such contest shall be conducted entirely at the Lessee's expense. Such Indemnified Person will cooperate with any reasonable request made by the Lessee in connection therewith; provided, however, that such Indemnified Person may in its sole discretion determine in what court or other forum such contest will be conducted and whether such contest will proceed by payment of the Taxes in contemplation of a suit for refund, and such Indemnified Person shall not be required to take any action pursuant to this § 6.3 unless and until the Lessee shall have agreed to indemnify such Indemnified Person in a manner satisfactory to such Indemnified Person for any liability or loss which such Indemnified Person may incur as a result of contesting the validity of any Claim and shall have agreed to pay such Indemnified Person on demand all costs and expenses which such Indemnified Person may incur in connection with contesting such Claim (including fees and disbursements of counsel). If in any such contest the decision is made to pay the Taxes and sue for a refund, the Lessee will advance to such Indemnified Person on an interest-free basis sufficient funds to pay the Taxes which are to be contested. Upon receipt by any Indemnified Person of a refund of any Taxes paid by the Lessee pursuant to this § 6.3, so long as an Event of Default or an event which with the giving of notice or the lapse of time or both would constitute such an Event of Default shall not be continuing, the amount of such refund and any interest paid to such Indemnified Person with respect thereto shall be paid to the Lessee forthwith upon receipt by such Indemnified Person; provided, that any disallowance or reduction of such refund subsequent to the year of

realization by such Indemnified Person shall be treated as Taxes and subject to the provisions of this § 6.3.

The Lessee covenants and agrees to pay all amounts due under any subsection of this § 6 free of any Taxes and to indemnify each Indemnified Person against any Taxes imposed by reason of any payment made by the Lessee so that the Indemnified Person to whom or for whose benefit the payment is made shall receive an amount which, net of any Taxes or other charges required to be paid by such Indemnified Person in respect thereof, shall be equal to the amount of payment otherwise required hereunder.

6.4. Survival. In the event that the Lessee becomes liable for the payment or reimbursement of any Taxes pursuant to this § 6, such liability shall continue, notwithstanding the expiration of this Lease, until all such Taxes are paid or reimbursed by the Lessee. For purposes of this § 6, the term "Indemnified Person" when referring to a corporation shall mean and include, in addition to such corporation, each member of the affiliated group of corporations making a consolidated return of which any corporation is a member, and each such person's successors and assigns.

§ 7. PAYMENT FOR CASUALTY OCCURRENCES; INSURANCE;
ECONOMIC OBSOLESCENCE

7.1. Definition of Casualty Occurrence; Payments. In the event that any Unit of equipment shall be or become worn out, lost, stolen, destroyed, or, in the opinion of the Lessee, irreparably damaged, from any cause whatsoever during the term of this Lease or any renewal term hereof or until such Unit is returned pursuant to § 14 or 17 hereof, or the Purchase Price of any Unit shall have been refunded by the Builder pursuant to the terms of its patent indemnity therefor, or any Unit shall be taken or requisitioned by condemnation or otherwise by the United States Government for a stated period which shall exceed the then remaining term of this Lease or by any other governmental entity resulting in loss of possession by the Lessee for a period of one year during the term of this Lease or during any renewal term hereof (a "Casualty Occurrence"), the Lessee shall, upon obtaining knowledge of such Casualty Occurrence, promptly and fully notify the Trustee and the Vendor with respect thereto. Any damaged Unit shall be deemed irreparably damaged, even though such damage may be fully reparable, if such Unit shall not have been fully repaired within a reasonable period of time. On the semiannual rental payment date next succeeding the

date on which the Lessee gives such notice of a Casualty Occurrence (each such date being hereinafter called a "Casualty Payment Date"), the Lessee shall pay to the Trustee a sum equal to the Casualty Value (as defined in § 7.5 hereof) of any such Unit as of such Casualty Payment Date, plus the semiannual rental in respect of such Unit due on such rental payment date; provided, however, that in the event of a Casualty Occurrence during the period in which any Unit is being returned pursuant to § 14 or 17 hereof, the related Casualty Payment Date shall be the date 30 days after such Casualty Occurrence. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, complete destruction or return to the Builder of such Unit) the Trustee shall be entitled to recover possession of such Unit.

In addition to the occurrences constituting a Casualty Occurrence under the preceding paragraph, if any Unit shall have been taken or requisitioned by the United States Government or any other governmental entity and such taking or requisition shall not theretofore constitute a Casualty Occurrence as aforesaid, such taking or requisition shall be deemed a Casualty Occurrence if the same shall be continuing at the end of the term of this Lease, in which event the Lessee shall pay the semiannual rental in respect of such Unit due on the rental payment date at the end of the term of this Lease and promptly and fully notify the Trustee with respect to such Casualty Occurrence and pay the Trustee, as the Casualty Value therefor, an amount equal to 20% of the Purchase Price of such Unit. Following such payment, the Lessee shall be entitled to receive any condemnation payments in respect of such Unit up to an amount equal to such Casualty Value and any balance of such payments shall be the property of, and promptly paid to, the Trustee. In the event such Unit shall be returned by the governmental entity prior to the time the Lessee shall have been reimbursed by such application of condemnation payments in an amount equal to such Casualty Value, then the Lessee shall dispose of such Unit as agent for the Trustee, and shall retain the proceeds of such disposition to the extent that the aggregate of the amounts so retained and the condemnation payments theretofore received by the Lessee shall equal such Casualty Value, and the balance of such proceeds shall be promptly paid to the Trustee. In the event such Unit shall be returned by the governmental entity following the time the Lessee shall have been reimbursed by such application of condemnation payments in an amount equal to such Casualty

Value, such Unit shall be returned by the Lessee to the Trustee in the manner provided in § 17 hereof.

7.2. Requisition. In the event of any requisition for use by the United States Government or by any other governmental entity of any Unit which does not constitute a Casualty Occurrence, all of the Lessee's obligations (including the obligation to pay rent therefor) under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred. All payments received by the Trustee or the Lessee from the United States Government or from such other governmental entity for the use of such Unit during such requisition shall be paid over to, or retained by, the Lessee provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing.

7.3. Lessee Agent for Disposal. The Trustee hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence, or any component of any such Unit, before and after expiration of the Lease, at the best price obtainable on an "as is, where is" basis. Upon effecting any such disposition, the Lessee shall promptly deliver to the Trustee a certificate stating the sale price obtained for such Unit or component thereof. Provided that the Lessee has previously paid the Casualty Value of such Unit to the Trustee, and provided that no Event of Default or event which with the giving of notice or the lapse of time or both would constitute an Event of Default shall have occurred and be continuing, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall promptly pay any excess to the Trustee. The Lessee shall be entitled to credit against the Casualty Value payable in respect of any Unit returned to the Builder pursuant to the patent indemnity provisions of the CSA an amount equal to any payment made by the Builder to the Trustee in respect thereof under the CSA.

7.4. Payments After Expiration of Lease. If the date upon which the making of the payment by the Lessee under § 7.1 hereof in respect of any Unit is required as aforesaid shall be after the term of this Lease or any renewal term hereof in respect of such Unit has expired, no rental for such Unit shall accrue after the end of such term.

7.5. Amount of Casualty Value. The Casualty Value of each Unit as of the Casualty Payment Date on which payment is to be made as aforesaid shall be an

amount equal to that percentage of the Purchase Price of such Unit as is set forth in Appendix B hereto (as such Appendix may be amended in accordance with Paragraph 12 of the Participation Agreement or § 3.5 hereof) opposite such Casualty Payment Date (or, if such Casualty Payment Date shall not be specified in Appendix B, opposite the immediately preceding Casualty Payment Date specified therein), increased for recapture, if any, of investment tax credit as set forth in Appendix B together with all related penalties and interest thereon.

7.6. No Release. Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

7.7. Insurance To Be Maintained. (1) The Lessee will at all times prior to the return of the Units to the Trustee (including, without limitation, during any storage period provided for in this Lease), at its own expense, cause to be carried and maintained (A) public liability insurance with respect to third party personal injury and property damage and (B) property insurance in respect of the Units at the time subject hereto in amounts at least equal at all times to the aggregate Casualty Value of such Units as computed on the next succeeding semi-annual rental payment date; provided, however, that the Lessee may, in the case of property insurance, self-insure such Units to the extent that such self-insurance is (x) consistent with prudent industry practice and, in any event, (y) in an amount (considered in relation to the then current value of such Units) no greater than the amount of self-insurance maintained with respect to other similar equipment, if any, then owned or leased by the Lessee (considered in relation to the then current value of such similar equipment); and provided, further, that public liability insurance may carry such deductibles as are consistent with prudent industry practice. Except as otherwise provided in the provisos to the foregoing sentence all such public liability insurance and all such property insurance in respect of the Units shall be carried in such amounts, for such risks, with such deductibles and with such insurance companies as shall be (I) satisfactory to the Trustee and the Vendor and, in any event, (II) consistent with prudent industry practice and at least comparable in amounts to the insurance coverage carried by, and against risks customarily insured for by, similar owners or lessees in respect of equipment owned or leased by them similar in nature to the Units. The pro-

ceeds of any such property insurance as is required hereunder shall be payable to the Vendor, the Trustee, the Owner and, so long as no Event of Default or no event which with the giving of notice or the lapse of time or both would constitute such an Event of Default hereunder has occurred and is continuing, the Lessee, as their respective interests may appear, so long as the indebtedness, if any, evidenced by the CSA shall not have been paid in full, and thereafter to the Trustee, the Owner and, so long as there is no Event of Default hereunder, the Lessee as their respective interests may appear. Any policies of insurance required to be carried in accordance with this paragraph shall (i) require at least 30 days' prior notice in writing by the insurance carrier to the Trustee, the Owner and the Vendor as a prerequisite to the effectiveness, as against such parties, of any cancellation or termination thereof or material change in coverage, (ii) name the Trustee, the Owner and the Vendor as additional named insureds as their respective interests may appear and (iii) waive any right to claim any premiums or commissions against the Owner, the Trustee and the Vendor. In the event such policies shall contain breach of warranty provisions, such policies shall provide that in respect of the interests of the Trustee, the Owner and the Vendor in such policies the insurance shall not require contributions from other policies held by the Trustee, the Owner or the Vendor, shall not be invalidated by any action or inaction of the Lessee or any other person and shall insure the Trustee, the Owner and the Vendor regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Lessee or by any other person. Prior to the first date of delivery of any Unit pursuant to the CSA, and thereafter not less than 15 days prior to the expiration dates of the expiring policies carried pursuant to this § 7.7, the Lessee shall deliver to the Owner and the Vendor certificates issued by the insurer(s) for the insurance required to be maintained pursuant to this § 7.7; provided, however, that if the delivery of any certificate is delayed, the Lessee shall deliver an executed binder with respect thereto and shall deliver the certificate upon receipt thereof.

(2) In the event that the Lessee shall fail to maintain insurance as herein provided, the Owner or the Trustee may at its option provide such insurance (giving the Lessee prompt written notice thereof) and, in such event, the Lessee shall, upon demand from time to time, reimburse the Owner or the Trustee, as the case may be, for the cost thereof together with interest on the amount of the cost to the Owner or the Trustee of such insurance

which the Lessee shall have failed to maintain, at the rate per annum specified in § 19 hereof.

7.8. Insurance Proceeds and Condemnation Payments. If the Trustee shall receive (directly or from the Vendor) any insurance proceeds or condemnation payments in respect of any Units suffering a Casualty Occurrence or involved in a Termination (as defined in § 7.9 hereof), the Trustee shall pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value or the Termination Value (as defined in § 7.9 hereof), as the case may be, with respect to any such Units theretofore paid by the Lessee; provided, however, that no Event of Default or event which with the giving of notice or the lapse of time or both would constitute such an Event of Default shall have occurred and be continuing and the Lessee shall have made payment of the Casualty Value or the Termination Value, as the case may be, thereof, and accrued rentals in respect of such Units, to the Trustee. Any balance of such proceeds or condemnation payments shall remain the property of the Trustee. All insurance proceeds received by the Trustee (directly or from the Vendor) in respect of any Unit not suffering a Casualty Occurrence shall promptly be paid to the Lessee upon proof satisfactory to the Trustee that any damage to such Unit in respect of which such proceeds were paid has been fully repaired; provided that no Event of Default or event which with the giving of notice or the lapse of time or both would constitute such an Event of Default shall have occurred and be continuing.

7.9. Economic Obsolescence. In the event that, during the term of this Lease, excluding, however, any renewal thereof, the Lessee shall, in the reasonable judgment of its Board of Directors (such judgment to be evidenced by a resolution of the Board of Directors of the Lessee, to be certified by an officer of the Lessee and delivered to the Trustee), determine that (i) all of the Units then subject to this Lease have become economically obsolete in the Lessee's business and have been or must be replaced by more modern units or alternative methods of transportation or (ii) 100, 200 or all of the Units then subject to this Lease are surplus to the Lessee's requirements, the Lessee shall have the right, at its option and on at least 180 days' prior written notice to the Trustee and the Vendor, to terminate (a "Termination") this Lease with respect to such Units (subject to the survival of the obligations described in § 4.1 hereof) on any rental payment date specified in such notice (the termination date specified in any such notice being hereinafter called a "Termination Date"); provided, however, that (i) no

Termination Date shall be earlier than September 1, 1994, (ii) no Event of Default or other event which after the lapse of time or notice or both would become an Event of Default shall have occurred and be continuing, (iii) on such Termination Date the Units subject to such Termination shall be in the same condition as if being redelivered pursuant to § 14.1 hereof and (iv) on such Termination Date the Lessee shall have complied with all of its obligations contained in this § 7.9. If any such Termination is with respect to less than all of the Units then subject to this Lease, the notice of such Termination shall include the identification numbers of such units.

Unless the Trustee elects to retain such Units as provided in the last paragraph of this § 7.9, during the period from the 120th day after the giving of such notice until the fifth business day preceding a Termination Date, the Lessee shall use its best efforts to obtain bids for the purchase of the Units subject to such Termination, and the Lessee shall, at least five business days prior to such Termination Date, certify to the Trustee and the Vendor the amount of each such bid and the name and address of the party (which shall not be a corporation or individual affiliated with the Lessee or any party from whom the Lessee or any such affiliate intends thereafter to lease the Units) submitting such bid. On the Termination Date the Trustee shall sell the Units subject to such Termination for cash to the bidder who shall have submitted the highest bid prior to the Termination Date; provided that if such highest bid shall be less than the Termination Value of such Units, the Lessee may at its discretion direct that all such bids shall be rejected, in which case the Trustee shall reject such bids and no sale of such Units shall be completed on such Termination Date. The total sale price realized shall be retained by the Trustee.

On any such Termination Date, the Lessee shall pay to the Trustee (i) the excess, if any, of the Termination Value of the Units subject to such Termination as of such date over the sale price of such Units after deduction from such sale price of all sales, use and transfer taxes applicable to such Units sold and all other expenses incurred by the Trustee in connection with such sale, (ii) an amount equal to the prepayment premium, if any, payable pursuant to Section 7.4 of the CSA on such date in respect of the CSA Indebtedness to be prepaid by the Trustee on such date, (iii) the rental payment due on such Termination Date and (iv) any other amounts then payable by the Lessee under this Lease. The Termination Value of the Units as of the Termination Date on which payment is to be made shall be that percentage of the aggregate Purchase Price of the Units as is set forth in Appendix C hereto (as such Appendix may be

amended in accordance with Paragraph 12 of the Participation Agreement or § 3.5 hereof) opposite such date.

If the Lessee shall have directed that all bids be rejected or no sale shall occur on the date scheduled therefor as provided above, this Lease shall continue in full force and effect without change; provided, however, that the Lessee, on behalf of the Trustee, may attempt to sell the Units at some later date upon 180 days' prior written notice to the Trustee and following the procedure set forth above. Upon a Termination, the Lessee shall return the Units subject to such Termination pursuant to § 17 hereof.

In the event of any such sale and the receipt by the Trustee of the amounts above described, the obligation of the Lessee to pay rent pursuant to § 3 hereof in respect of the Units subject to such Termination on each rental payment date shall continue to and including the Termination Date for such Units but shall then terminate. The Trustee and the Owner shall have the right but shall be under no duty to solicit bids, to inquire into the efforts of the Lessee to obtain bids or otherwise to take any action or incur any cost or expense in connection with any sale pursuant to this § 7.9, other than the duty to transfer or to cause to be transferred all of the Trustee's right, title and interest in and to the Units subject to such Termination to the purchaser named in the highest bid. Any sale pursuant to this § 7.9 shall, upon receipt of the payments described above in this § 7.9, be free and clear of all of the Lessee's rights to, and the Vendor's rights in, the Units subject to such Termination, but otherwise shall be made without warranties other than against the Trustee's acts.

If the Lessee shall exercise its option to terminate this Lease with respect to all or a portion of the Units under this § 7.9, the Trustee may, notwithstanding such election by the Lessee, by written notice to the Lessee given not more than 90 days after any termination notice is given to the Trustee and the Vendor, elect to retain the Units subject to such Termination, in which case the Lessee shall not be obligated to pay the Termination Value thereof to the Trustee; provided, however, that the Trustee may not make such election unless it can demonstrate, to the reasonable satisfaction of the Vendor and the Lessee within said 90-day period, that it has made firm arrangements with a creditworthy entity to cause the amounts payable in accordance with Paragraph 7.2 of the CSA to be paid on the Termination Date; and, provided, further, however, that this Lease

shall not be terminated as to such Units unless the amounts payable in accordance with Paragraph 7.2 of the CSA are actually paid to the Vendor on the Termination Date pursuant to Article 7 of the CSA. In the event the Trustee shall so elect to retain the Units subject to such Termination and shall have made the payments with respect thereto required pursuant to Article 7 of the CSA, the Lessee shall pay to the Trustee an amount equal to the amount specified in clause (ii) of the third preceding paragraph and shall assemble and deliver the Units subject to such Termination to the Trustee in accordance with the provisions of § 17 hereof.

§ 8. REPORTS

On or before April 30 in each year, commencing with the calendar year 1985, the Lessee will furnish to the Owner and the Vendor a statement (a) representing and warranting as at the preceding December 31 the total number, description and identification numbers of all Units then leased hereunder and covered by the CSA, the total number, description and identification numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending repairs (other than running repairs) and representing and warranting such other information regarding the condition and state of repair of the Units as the Owner or the Vendor may reasonably request and (b) representing and warranting that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5.1 hereof and by the CSA have been preserved or replaced. In the event that the Lessee has, at any time during the period covered by such statement, been self-insuring the Units to any extent, such statement shall represent and warrant as to the extent of such self-insurance and that the requirements of § 7.7 with respect to self-insurance have at all such times been met. In the event that any Units were subject to a sublease at the end of the period covered by such statements, such statements shall represent and warrant that to the best of the Lessee's knowledge, after reasonable inquiry, the Units subject to such sublease are being maintained and kept in accordance with paragraph (2) of § 15.2 hereof (it being understood that the giving of such certificate shall not relieve the Lessee from its obligations under paragraph (2) of § 15.2 hereof). The Trustee, the Vendor and the Owner shall each have the right by its agents to inspect the Units and the Lessee's records with respect thereto at such reasonable

times as the Trustee, the Vendor or the Owner may request during the continuance of this Lease.

§ 9. DISCLAIMER OF WARRANTIES

NEITHER THE TRUSTEE NOR THE OWNER MAKES, HAS MADE OR SHALL BE DEEMED TO MAKE OR HAVE MADE ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN, COMPLIANCE WITH SPECIFICATIONS, OPERATION OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS OR ANY COMPONENT THEREOF DELIVERED TO THE LESSEE HEREUNDER, AND NEITHER THE TRUSTEE NOR THE OWNER MAKES ANY WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS OR ANY COMPONENT THEREOF FOR ANY PARTICULAR PURPOSE NOR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, NOR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT OR ANY COMPONENT THEREOF, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Trustee and the Lessee, are to be borne by the Lessee; but the Trustee hereby irrevocably 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 of and for the account of the Trustee and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Trustee may have against the Builder under the provisions of Items 3 and 4 of Annex A of the CSA and against the manufacturer, supplier and/or installer of any accessions, additions, replacements and/or alterations to any of the Units; provided, however, that if at any time an Event of Default shall have occurred and be continuing, or if a condition exists or an event has occurred which with the lapse of time and/or the giving of notice would constitute an Event of Default, the Trustee may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Trustee and the Owner 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 Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith, including strict liability in tort; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as

between the Lessee and the Trustee that the Units 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 Trustee, the Owner or the Vendor based on any of the foregoing matters.

§ 10. LAWS AND RULES

10.1. Compliance. The Lessee agrees, for the benefit of the Trustee and the Vendor, to comply in all material respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units (all such laws and rules to such extent hereinafter called "Applicable Laws"), and in the event that such Applicable Laws require any alteration, replacement or addition of or to any part on any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such Applicable Laws in any reasonable manner which does not, in the opinion of the Trustee or the Vendor, adversely affect the property or rights of the Trustee or the Vendor under this Lease or under the CSA.

10.2. Reports by Trustee. The Lessee agrees to prepare and deliver to the Trustee and the Vendor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Trustee and the Vendor) any and all reports (other than income tax returns) to be filed by the Trustee with any Federal, state or other regulatory authority by reason of the ownership by the Trustee of the Units or the security interest of the Vendor therein or the leasing thereof to the Lessee. To the extent the Trustee receives any written notice with respect to any such report, the Trustee will promptly notify the Lessee thereof.

§ 11. MAINTENANCE

11.1. Units in Good Operating Order. The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit (including any parts installed

on or replacements made to any Unit and considered an accession thereto as hereinbelow provided) which is subject to this Lease in good operating order, repair and condition, ordinary wear and tear excepted, in accordance with the interchange rules of the American Association of Railroads and in the same condition as other similar equipment owned or leased by similar owners or lessees, and in any event in the same condition as other similar equipment, if any, owned or leased by the Lessee.

11.2. Additions and Accessions. (1) The Lessee, at its own cost and expense, may from time to time make such other additions, modifications and improvements to the Units during the term of this Lease as are readily removable without causing material damage to the Units (and do not adversely and materially affect the value of the Units). The additions, modifications and improvements made by the Lessee under the preceding sentence shall be owned by the Lessee, except to the extent such additions, modifications or improvements are described in § 11.2(3) hereof.

(2) The Lessee, at its own cost and expense, may from time to time make such other additions, modifications and improvements to the Units as are in accordance with the requirements set forth in Rev. Proc. 79-48, 1979-39 I.R.B. 27, and which, in addition, do not in the opinion of the Owner and the Vendor (i) materially alter the structure or weight of such Units, (ii) materially change the maintenance requirements with respect to such Units, (iii) adversely affect the resale value of such Units or (iv) materially change the use or purpose of such Units.

(3) Any and all parts installed on and additions and replacements made to any Unit (i) which are not readily removable without causing material damage to such Unit, (ii) the cost of which is included in the Purchase Price of such Unit, (iii) in the course of ordinary maintenance of the Units, (iv) which are required for the operation or use of such Unit by the interchange rules of the Association of American Railroads or by the regulations of the Interstate Commerce Commission, the Department of Transportation or any other applicable regulatory body or (v) pursuant to § 11.2(2) hereof, shall constitute accessions to such Unit, and full ownership thereof free from any lien, charge, security interest or encumbrance (except for those created by the CSA) shall immediately be

vested in the Trustee and the Vendor as their respective interests may appear in the Unit itself.

§ 12. INDEMNIFICATION

12.1. Indemnified Persons; Indemnified Matters.

The Lessee shall pay, and shall protect, indemnify and hold the Indemnified Persons harmless from and against any and all causes of action, suits, penalties, claims, demands or judgments of any nature whatsoever which may be imposed on, incurred by or asserted against any Indemnified Person (including any or all liabilities, obligations, damages, costs, disbursements and expenses (including without limitation attorneys' fees and expenses of any Indemnified Person) relating thereto) in any way relating to or arising, or alleged to arise, out of this Lease, the CSA or the Units (except any such causes of action, suits, penalties, claims, demands or judgments resulting from any acts done by such Indemnified Person in violation of the covenants, terms or provisions of the Lease or the CSA), including without limitation those in any way relating to or arising or alleged to arise out of (i) the manufacture, construction, purchase, acceptance, rejection, ownership, delivery, nondelivery, lease, possession, use, operation, condition, sale, return or other disposition of any Unit or portion thereof; (ii) any latent and other defects whether or not discoverable by any Indemnified Person or the Lessee; (iii) any claim for patent, trademark or copyright infringement; (iv) any claims based on strict liability in tort; (v) any injury to or the death of any person or any damage to or loss of property on or near the Units or in any manner growing out of or concerned with, or alleged to grow out of or be connected with, the ownership, use, replacement, adaptation or maintenance of the Units or of any other equipment in connection with the Units (whether owned or under the control of the Trustee, the Lessee or any other person) or resulting or alleged to result from the condition of any thereof except to the extent any such injury, death, damage or loss arises from the negligence or wilful misconduct of the Indemnified Person; (vi) any violation, or alleged violation, of any provision of this Lease or of any agreement, law, rule, regulation, ordinance or restriction, affecting or applicable to the Units or the leasing, ownership, use, replacement, adaptation or maintenance thereof, except to the extent any such violation arises from the negligence or wilful misconduct of the Indemnified Person; or (vii) any claim arising out of any of the Trustee's obligations under the Lease Assignment or the Vendor's retention of a security interest under the CSA or the Lease Assignment

except to the extent such claim arises from the negligence or wilful misconduct of the Trustee or the Vendor (all of which matters hereinabove set forth in this § 12.1 being hereinafter called the "Indemnified Matters"). The Lessee shall be obligated under this § 12.1, irrespective of whether any Indemnified Person shall also be indemnified with respect to the same matter under any other agreement by any other person, and the Indemnified Person seeking to enforce the indemnification may proceed directly against the Lessee under this § 12.1 without first resorting to any such other rights of indemnification. In case any action, suit or proceeding is brought against any Indemnified Person in connection with any Indemnified Matter, such Indemnified Person shall provide prompt written notice thereof to the Lessee, but the failure to give such notice shall not relieve the Lessee from any liability which it would have under this § 12.1 unless such failure materially prejudiced the Lessee in its ability to defend the claims, and the Lessee may, at the Lessee's expense, resist and defend such action, suit or proceeding, or cause the same to be resisted or defended by counsel selected by the Lessee and approved by such Indemnified Person (which approval shall not unreasonably be withheld) and, in the event of any failure by the Lessee to do so, the Lessee shall pay all costs and expenses (including, without limitation, attorneys' fees and expenses) incurred by such Indemnified Person in connection with such action, suit or proceeding; provided that the Lessee shall not be liable for any settlement of any such action, suit or proceeding effected without its consent. In the event the Lessee is required to make any indemnification payment under this § 12, the Lessee shall pay such Indemnified Person an amount which, after deduction of all taxes required to be paid by such Indemnified Person in respect of the receipt thereof (after giving credit for any savings in respect of any such taxes by reason of deductions, credits or allowances in respect of the payment of the expense indemnified against, and of any other such taxes as determined in the sole discretion of the Indemnified Person), shall be equal to the amount of such payment. The Lessee and the Trustee each agrees to give each other written notice of any claim or liability hereby indemnified against promptly upon obtaining knowledge (knowledge on the part of the Trustee being actual knowledge of an officer or employee in its Corporate Trust Department) thereof. Upon the payment in full of any indemnities as contained in this § 12 by the Lessee, and provided that no Event of Default (or other event which with lapse of time or notice or both would constitute an Event of Default) shall have occurred and be continuing, the Lessee shall be subrogated to any right of such Indemnified Person (except

against another Indemnified Person) in respect of the Indemnified Matter against which indemnity has been given. Any payments received by such Indemnified Person from any person (except the Lessee) as a result of any matter with respect to which such Indemnified Person has been indemnified by the Lessee pursuant to this § 12.1 shall be paid over to the Lessee to the extent necessary to reimburse the Lessee for indemnification payments previously made in respect of such matter. Nothing in this § 12.1 shall constitute a guarantee by the Lessee of the CSA Indebtedness of the Trustee under the CSA or a guarantee of the residual value of any Unit.

The Lessee hereby waives all claims and causes of action it may have at any time against any Indemnified Person in any way relating to or arising from or alleged to relate to or arise from, this Lease, the CSA or the Units except for any such claims and causes of action that result from the gross negligence or wilful misconduct of such Indemnified Person.

12.2. Indemnification of Builder. The Lessee further agrees to indemnify, protect and hold harmless the Builder as a third party beneficiary hereof from and against any and all liability, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Builder because of the use in or about the construction or operation of any of the Units of any article or material specified by the Lessee and not manufactured by the Builder or of any design, system, process, formula or combination specified by the Lessee and not developed or purported to be developed by the Builder which infringes or is claimed to infringe on any patent or other right. The Lessee will give notice to the Builder of any claim known to the Lessee from which liability may be charged against the Builder hereunder.

12.3. Survival. The indemnities contained in this § 12 shall survive the expiration or termination of this Lease with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination and are expressly made for the benefit of, and shall be enforceable by, any Indemnified Person. None of the indemnities in this § 12 shall be deemed to create any rights of subrogation in any insurer or third party against the Lessee or the Trustee therefor, from or under any Indemnified Person, whether because of

any claim paid or defense provided for the benefit thereof or otherwise.

§ 13. DEFAULT

13.1. Events of Default; Remedies. If, during the continuance of this Lease or any extension or renewal hereof, one or more of the following events (each such event being herein sometimes called an "Event of Default") shall occur:

(A) default shall be made in payment of any amount provided for in §§ 3, 7.1, 7.9 or 16 hereof, and such default shall continue for five days;

(B) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any thereof, and the Lessee shall, for more than 30 days after demand in writing by the Trustee or the Vendor, fail to secure a reassignment or retransfer to the Trustee and the Vendor of such Lease, interest or right;

(C) the Lessee shall, for more than 30 days after the Trustee shall have demanded in writing performance thereof, fail or refuse to comply with any other covenant, agreement, term or provision of this Lease, the Participation Agreement or the Consent, on its part to be kept and performed, or to make provision satisfactory to the Trustee and the Vendor for such compliance;

(D) any representation and warranty made by the Lessee herein or by the Lessee or any Lessee Stockholder in the Participation Agreement or in any certificate or statement furnished to the Trustee, the Vendor or the Owner pursuant to or in connection with any such agreement proves untrue in any material respect as of the date of issuance or making thereof; provided, however, that if the event or condition which resulted in such incorrectness is susceptible of remedy in the reasonable judgment of the Vendor and the Trustee, such incorrectness shall not constitute an Event of Default if the Lessee or Lessee Stockholder, as the case may be, shall be diligently, to the satisfaction of the Trustee and the Vendor, attempting to remedy such event or condition;

(E) a petition for reorganization under Title 11 of the United States Code, as now constituted or

as it may hereafter be amended, shall be filed by or against the Lessee or any Lessee Stockholder, unless (i) 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), or (ii) (a) in the case of the Lessee, all the obligations of the Lessee under this Lease, the Consent and Participation Agreement, or, in the case of such Lessee Stockholder, all its obligations under the Participation Agreement, shall have been and shall continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees, within 60 days after the filing of such petition, or (b) in the case of such Lessee Stockholder, (I) all the remaining Lessee Stockholders assume all such Lessee Stockholder's obligations under the Participation Agreement, pro rata in accordance with their relative proportionate ownership of the Lessee as set forth in Section 3(o) of the Participation Agreement (but, assuming for purposes of such pro ration, that such remaining Lessee Stockholders own, in the aggregate, 100% of the Lessee), in a writing delivered to the Trustee and the Vendor within 10 days following the end of the period specified above, (II) at the time of such assumption, there shall be no event or condition with respect to any such remaining Lessee Stockholder which with the lapse of time would constitute an Event of Default under clause (E) or (F) of this § 13.1 and (III) the obligations of any other Lessee Stockholder under the Participation Agreement shall not have been previously assumed by any remaining Lessee Stockholders pursuant to clause (E) or (F) of this § 13.1; or

(F) any other proceedings shall be commenced by or against the Lessee or any Lessee Stockholder for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder, under the Consent or under the Participation Agreement or of such Lessee Stockholder under the Participation Agreement under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder

or under the Consent or the Participation Agreement or any modification of the obligations of such Lessee Stockholder under the Participation Agreement), unless (i) 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), or (ii) (a), in the case of the Lessee, all the obligations of the Lessee under this Lease, the Consent and the Participation Agreement, or in the case of such Lessee Stockholder, all its obligations under the Participation Agreement, shall have been and shall continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 60 days after any such proceedings have commenced, or (b) in the case of such Lessee Stockholder, (I) all the remaining Lessee Stockholders assume all such Lessee Stockholder's obligations under the Participation Agreement, pro rata in accordance with the proportionate ownership of the Lessee among such remaining Lessee Stockholders assuming the relative proportion of ownership of the Lessee resulting from the ownership of the Lessee set forth in Section 3(o) of the Participation Agreement, in a writing delivered to the Trustee and the Vendor within 10 days following the end of the period specified above, (II) at the time of such assumption, there shall be no event or condition with respect to any such remaining Lessee Stockholder which with the lapse of time would constitute an Event of Default under clause (E) or (F) of this § 13.1 and (III) the obligations of any other Lessee Stockholder under the Participation Agreement shall not have been previously assumed by the remaining Lessee Stockholders pursuant to clause (E) or (F) of this § 13.1;

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

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

(b) by notice in writing to the Lessee terminate this Lease with respect to all of the Units,

whereupon all rights of the Lessee to the use of such Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Trustee may by its agents enter upon the premises of the Lessee or other premises, insofar as the Lessee may be lawfully authorized to so permit, where any of such Units may be located, without judicial process if this can be done without breach of the peace and in accordance with due process of law, and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Trustee shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days, based on a 30-day month, from and including the date the rental period begins to and excluding the termination date and the denominator is the total number of days, based on a 30-day month, in such full rental period) in respect of such Units and also to recover forthwith from the Lessee as liquidated damages for loss of a bargain and not as a penalty whichever of the following amounts that the Owner in its sole discretion shall specify: (i) a sum, with respect to each Unit, which represents (x) the excess of (A) the present value, at the time of such termination, of the entire unpaid balance of all rentals for such Unit which would otherwise have accrued hereunder from and including the date of such termination to and excluding the last day of the term of this Lease as to such Unit, such present value to be computed on the basis of a 10% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, over either (B) the then present value of the rental which the Trustee reasonably estimates to be obtainable for such Unit during such period, such present value to be computed on the basis of a 10% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated or, (C) if such

Unit is sold, the net proceeds of the sale, plus (y) any damages and expenses, including reasonable attorneys' fees, in addition thereto which the Trustee shall have sustained by reason of the breach of any covenant, representation or warranty of this Lease other than for the payment of rental or (ii) an amount, with respect to each Unit, equal to the excess, if any, of the Casualty Value of such Unit as of the semiannual rental payment date on or next preceding the date of termination over the amount the Trustee reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event the Trustee shall have sold any Unit, the Trustee, in lieu of collecting any amounts payable by the Lessee pursuant to the preceding clause (ii) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Trustee, and the Lessee shall pay to the Trustee on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit as of the semiannual rental payment date on or next preceding the date of termination over the net proceeds of such sale.

13.2. Remedies Not Exclusive; Waiver. The remedies in this Lease provided in favor of the Trustee shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

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

13.4. Notice of Event of Default. The Lessee agrees to furnish the Trustee, the Owner and the Vendor, 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 § 13.4, 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.

§ 14. RETURN OF UNITS UPON DEFAULT

14.1. Return of Units. If this Lease shall terminate in respect of any of the Units pursuant to § 13 hereof or pursuant to Article 16 of the CSA, the Lessee shall forthwith deliver possession of such Units to the Trustee. Each Unit so delivered shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, (ii) meet the standards then in effect under the interchange rules of the Association of American Railroads and/or the applicable rules of any governmental agency or other organization with jurisdiction and (iii) have attached or affixed thereto any special device considered an accession thereto as provided in § 11 hereof and have removed therefrom at the Lessee's expense any such device not so considered an accession. For the purpose of delivering possession of any Unit or Units as above required, the Lessee shall at its own cost, expense and risk:

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

(b) cause such Units to be stored, on such tracks, at the risk of the Lessee without charge for insurance, rent or storage, pending the sale, lease or other disposal of such Units by the Trustee; and

(c) cause the same to be transported to any reasonable place as directed by the Trustee.

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Trustee 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 Units. During any such storage period, the Lessee will, at its own cost and expense, maintain and keep the Units in good order and repair and will permit the Trustee or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Trustee and, if received by the Lessee, shall be promptly turned over to the Trustee. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 10 days after such termination, the Lessee shall, in addition, pay to the Trustee for each day thereafter an amount equal to the amount, if any, by which (x) .027744% of the Purchase Price of such Unit exceeds (y) the actual earnings received by the Trustee from such Unit for each such day.

14.2. Trustee Appointed Agent of Lessee. Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 14, the Lessee hereby irrevocably appoints the Trustee 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 Unit to the Trustee, to demand and take possession of such Unit in the name and on behalf of the Lessee from whosoever shall be in possession of such Unit at the time.

§ 15. ASSIGNMENT, POSSESSION AND USE

15.1. Assignment; Consent. This Lease shall be assignable in whole or in part by the Trustee.

15.2. Lessee's Rights To Use the Units, To Permit Use Thereof by Others and To Sublease the Units. (1) So long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments in accordance with the Lease Assignment, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease and the CSA. Without the prior written consent of the Trustee and the Vendor, the Lessee shall not assign or transfer its

leasehold interest under this Lease in the Units or any of them except as provided in paragraph (2) of this § 15.2; and the Lessee shall not, without the prior written consent (not to be unreasonably withheld) of the Trustee and the Vendor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of paragraph (2) of this § 15.2. The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Trustee or the Vendor or resulting from claims against the Trustee or the Vendor not related to the transactions contemplated by the Participation Agreement) upon or with respect to any Unit, including any accession thereto, or the interest of the Trustee, the Vendor or the Lessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises.

(2) So long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments in accordance with the Lease Assignment, the Lessee shall be entitled (A) to enjoy the possession and use of the Units by it or any affiliate upon lines of railroad owned or operated by it or any such affiliate or upon lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is regularly operated pursuant to contract and shall be entitled to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, and (B) during the original term of this Lease (but not during any extended term hereof), and so long as no event exists which with the giving of notice or the lapse of time or both would constitute such an Event of Default, to sublease the Units for a term (including any renewals) that does not exceed one year and does not extend beyond September 1, 2002, and, upon the prior written consent (not to be unreasonably withheld) of the Trustee and the Vendor, to sublease the Units, for a term (including any renewals) that exceeds one year or extends beyond September 1, 2002, but only subject to the terms of this Lease and the CSA. The Lessee shall not assign, sublease, use or permit the assignment, sublease or use of any Unit outside the United States of America, nor shall the Lessee assign or sublease to, or permit the sublease or use of the Units by, any person in whose hands such Units would not qualify as "section 38 property" within the meaning of

Section 48 of the Code. The Lessee shall not sublease any Unit to any person which, to the best knowledge of the Lessee after reasonable inquiry with respect thereto, is at the time a party in interest with respect to any employee benefit plan the assets of which were used by the Owner or the Vendor in making its investment pursuant to the Participation Agreement, all within the meaning of the Employee Retirement Income Security Act of 1974. The Lessee shall remain obligated to perform all of its obligations under this Lease notwithstanding any assignment of its rights to, or sublease of, any Unit. The Lessee agrees to maintain and keep, or cause to be maintained and kept, each Unit which is subject to any sublease in good operation, order, repair and condition, ordinary wear and tear excepted, in accordance with the interchange rules of the American Association of Railroads, and in the same condition as other similar equipment owned or leased by similar owners or lessees, and in any event in the same condition as other similar equipment, if any, owned or leased by the Lessee, all in accordance with § 11 hereof. If any sublease permitted by this paragraph has a term ending on September 1, 2002, the Lessee shall furnish to the Owner and the Vendor, on the date 10 business days preceding September 1, 2002, a statement stating that to the best of the Lessee's knowledge, after reasonable inquiry, the Units subject to such sublease are being maintained and kept in accordance with this paragraph (it being understood that the giving of such certification shall not relieve the Lessee from its other obligations in this paragraph). Subject to § 14.1 hereof, the Lessee may receive and retain compensation for the use of any of the Units from railroads or other entities so using such Units. Any sublease permitted by this paragraph may provide that the sublessee, so long as it shall not be in default under such sublease, shall be entitled to the possession of the Units included in such sublease and the use thereof; provided, however, that every sublease permitted by this paragraph shall be (and shall provide that such sublease is) subordinate to this Lease and to the rights and remedies of the Vendor under the CSA and the Trustee under this Lease in respect of the Units covered by such sublease including the right of the Trustee to repossess the Units upon the occurrence of an Event of Default and shall further provide that the sublessee under such sublease agrees to comply in all material respects with Applicable Laws.

15.3. Transfers by Lessee Through Merger, Acquisition or Consolidation. Nothing in this § 15 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the

special device considered an accession thereto as provided in § 11 hereof and have removed therefrom any such device not so considered an accession. During any such storage period the Lessee shall maintain the Units in such manner as owners or lessees of similar units of railroad equipment normally maintain such units owned or leased by them in similar storage circumstances. In the event any Unit is not assembled, delivered and stored as hereinabove provided within 45 days after the expiration or termination of this Lease with respect to such Unit, the Lessee shall pay from time to time upon demand of the Trustee for each day thereafter an amount equal to .027744% of the Purchase Price of such Unit. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Trustee 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 Units.

§ 18. RECORDING

The Lessee, at its own expense, will cause this Lease, the CSA, the CSA Assignment and the Lease Assignment to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303. The Lessee will undertake the filing, registering, deposit and recording required of the Trustee under the CSA. The Lessee in addition will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Trustee or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Trustee's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the CSA, the CSA Assignment and the Lease Assignment; and the Lessee will promptly furnish to the Vendor and the Trustee evidence of each such filing, registering, depositing or rerecording, and an opinion or opinions of counsel for the Lessee with respect thereto, satisfactory to the Vendor and the Trustee. This Lease, the CSA, the CSA Assignment and the Lease Assignment shall be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 prior to the delivery and acceptance hereunder of any Unit.

§ 19. INTEREST ON OVERDUE RENTALS

Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount equal to interest at 14.875% per annum on the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

§ 20. TRUSTEE'S RIGHT TO PERFORM FOR THE LESSEE

If the Lessee fails to perform or comply with any of its agreements contained herein, the Trustee and, to the extent set forth in the Lease Assignment, the Vendor may upon notice to the Lessee and the Owner perform or comply with such agreement, and the amount of the reasonable cost and expenses of the Trustee and the Vendor incurred in connection with such performance or compliance, together with interest on such amount at 14.875% per annum, shall be payable by the Lessee upon demand except as otherwise provided in this Lease. No such performance or compliance by the Trustee or the Vendor shall be deemed a waiver of the rights and remedies of the Trustee or the Vendor or any assignee thereof against the Lessee hereunder.

§ 21. NOTICES

Any notice required or permitted to be given by either party hereto to the other shall be mailed, registered or certified mail, postage prepaid, return receipt requested, shall be effective on the date of receipt as shown on the return receipt, and shall be addressed as follows:

(a) if to the Trustee, at One Constitution Plaza, Hartford, Connecticut 06115, Attention of Corporate Trust Department, with copies to (i) Progress Leasing Corporation, c/o Xerox Credit Corporation, Two Pickwick Plaza, Greenwich, Connecticut 06836, Attention of Vice President-Finance/Administration and (ii) Progress Leasing Corporation, 270 First Avenue South, St. Petersburg, Florida 33701, Attention of President;

(b) if to the Lessee, at 225 Baronne Street,
New Orleans, Louisiana 70112, Attention of Treasurer;
and

(c) if to the Vendor, at

John Hancock Mutual Life Insurance Company
Attention: Bond and Corporate Finance
Department, T-57
John Hancock Place
P. O. Box 111
Boston, Massachusetts 02117

or addressed to any such person at such other address as
such person shall hereafter furnish to the other persons
in writing.

§ 22. SEVERABILITY

Any provision of this Lease which is prohibited
or unenforceable in any jurisdiction shall not invalidate
the remaining provisions hereof, and any such prohibition
or unenforceability in any jurisdiction shall not invali-
date or render unenforceable such provision in any other
jurisdiction.

§ 23. EFFECT AND MODIFICATION OF LEASE

Except for the Participation Agreement, this
Lease exclusively and completely states the rights of the
Trustee and the Lessee with respect to the leasing of the
Units and supersedes all other agreements, oral or writ-
ten, with respect thereto. No variation or modification
of this Lease and no waiver of any of its provisions or
conditions shall be valid unless in writing and signed by
duly authorized signatories for the Trustee and the Les-
see.

§ 24. THIRD-PARTY BENEFICIARIES

Nothing in this Lease shall be deemed to create
any right in any person not a party hereto (other than the
Owner, the Vendor, the Builder and the permitted succes-
sors and assigns of any such person or party) and this
instrument shall not be construed in any respect to be a

contract in whole or in part for the benefit of a third party except as aforesaid.

§ 25. EXECUTION

This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but (as set forth on the cover page of the Lease) the counterpart containing the receipt therefor executed by the Vendor on the signature page hereof shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed. This Lease shall be effective when the counterparts thereof are received by Messrs. Reid & Priest at their offices in New York, New York.

§ 26. LAW GOVERNING

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

§ 27. NO RECOURSE

It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations, warranties and agreements herein made on the part of the financial institution acting as Trustee hereunder are each and every one of them made and intended not as personal representations, warranties and agreements by said financial institution, including its successors and assigns, or for the purpose or with the intention of binding said financial institution personally, but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Lease is executed and delivered by the Trustee solely in the exercise of the powers expressly conferred upon the Trustee as trustee under the Trust Agreement; and that no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against the Trustee or the Owner on account of any representation, warranty or agreement herein of the Trustee, either ex-

pressed or implied, all such personal liability, if any, being expressly waived and released by the Lessee and by all persons claiming by, through or under the Lessee.

§ 28. AGREEMENTS FOR BENEFIT OF OWNER'S AND TRUSTEE'S ASSIGNS

All rights of the Trustee hereunder (including, but not limited to, its rights under §§ 6, 7, 12, 13, 14 and 17 and the right to receive the rentals payable under this Lease) shall inure to the benefit of the Owner and any of the Owner's successors and assigns under the Trust Agreement and the Trustee's successors and assigns (including the Vendor). Upon effectiveness of any such assignment, such successor Owner or successor Trustee, as the case may be, shall give notice thereof to the Lessee.

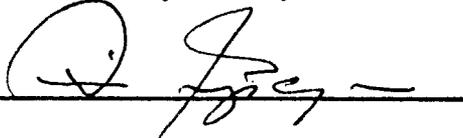
§ 29. TERM "TRUSTEE"

Whenever the term "Trustee" is used in this Lease it shall apply and refer to both The Connecticut Bank and Trust Company, National Association, not in its individual capacity but solely as trustee under the Trust Agreement, or any successor trustee under the Trust Agreement, and any assignee of the Trustee (including, so long as any CSA Indebtedness under the CSA or interest thereon shall remain unpaid or any other obligation thereunder be continuing, the Vendor).

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

SYSTEM FUELS, INC.,

[Seal]

by 

Attest:


D. M. Antoine, Asst. Secretary

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

[Seal]

by *[Signature]*
Authorized Officer

Attest:

Linda B. McCall
Authorized Officer

Receipt of the foregoing Lease Agreement is hereby
acknowledged on this ____ day of May, 1984.

JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY

by _____

STATE OF LOUISIANA)
) ss.:
PARISH OF NEW ORLEANS)

On this 21st day of May, 1984, before me personally appeared Edwin Lupberger to me personally known, who, being by me duly sworn, says that he is a Sr. Vice President and Chief Financial Officer of SYSTEM FUELS, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

W. D. Meriwether, Jr.
Notary Public

My Commission is for life.

W. D. MERIWETHER, JR.
NOTARY PUBLIC
ORLEANS PARISH
LOUISIANA
MY COMMISSION IS FOR LIFE

STATE OF CONNECTICUT)
) ss.:
COUNTY OF HARTFORD)

On this day of 1984, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said Association, that said instrument was signed and sealed on behalf of said Association 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 Association.

Notary Public

My Commission expires

STATE OF LOUISIANA)
) ss.:
PARISH OF NEW ORLEANS)

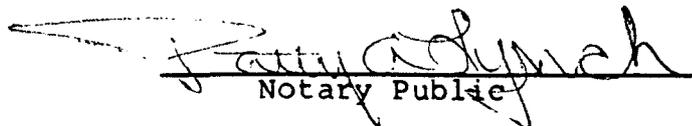
On this day of 1984, before me personally appeared to me personally known, who, being by me duly sworn, says that he is a of SYSTEM FUELS, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Notary Public

My Commission expires

STATE OF CONNECTICUT)
) ss.:
COUNTY OF HARTFORD)

On this 17th day of May 1984, before me personally appeared F. W. KAWAM, to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said Association, that said instrument was signed and sealed on behalf of said Association 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 Association.



Notary Public

My Commission expires

PATTY A. LYNCH
NOTARY PUBLIC
MY COMMISSION EXPIRES MARCH 31, 1987