

CRAVATH, SWAINE & MOORE

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No. 0-085A085 RECORDATION NO. 11059

Date MAR 25 1980 - 10 30 AM

Fee \$ 30.00

RECORDATION NO. 11059 Filed 1425

MAR 25 1980 - 10 30 AM ICC Washington, D. C.

INTERSTATE COMMERCE COMMISSION

March 6, 1980

Badische Corporation
Lease Financing Dated as of January 1, 1980
10-3/4% Secured Notes Due December 31, 2000
[CS&M Ref.: 2097-022]

Dear Ms. Mergenovich:

Pursuant to 49 U.S.C. § 11303(a) and the Commission's rules and regulations thereunder, I enclose herewith on behalf of Badische Corporation, for filing and recordation as additional filings under recordation number 11059, counterparts of the following documents:

(a) Amended and Restated Lease Agreement dated as of November 1, 1979, between The Connecticut Bank and Trust Company as Owner Trustee and Badische Corporation; and

(b) Assignment of Lease and Agreement dated as of January 1, 1980, between The Connecticut Bank and Trust Company as Owner Trustee and John Hancock Mutual Life Insurance Company.

Please cross-index the Amended and Restated Lease Agreement and the Assignment of Lease and Agreement with the following document which is being filed simultaneously:

Security Agreement dated as of January 1, 1980,

Mrs. Lee - I do not know what the next letters are under 11059

Handwritten signature/initials

-D

-E

Handwritten marks

between the Connecticut Bank and Trust Company as Owner
Trustee and John Hancock Mutual Life Insurance Company,
Recordation No. *11602*

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

(1) Owner Trustee-Lessor:

The Connecticut Bank and Trust Company
One Constitution Plaza
Hartford, Connecticut 06115

(2) Lessee:

Badische Corporation
Drawer D
Williamsburg, Virginia 23185

(3) Secured Party-Assignee:

John Hancock Mutual Life Insurance Company
John Hancock Place
P.O. Box 111
Boston, Massachusetts 02117

Please file and record the Amended and Restated
Lease Agreement and the Assignment of Lease and Agreement
(~~together constituting one document~~) referred to in this
letter and cross-index them under the names of the Owner
Trustee-Lessor, the Lessee and the Secured Party-Assignee.

The equipment covered by the aforementioned docu-
ments consists of the following:

15 26,800 gallon noncoiled, noninsulated tank cars
equipped with 100-ton roller bearing trucks; AAR Mechanical
Designation TM; bearing identifying numbers DBCX 201-DBCX 215
both inclusive;

26 5,250 cubic foot center-flow covered hopper
cars equipped with 100-ton roller bearing trucks with 20-inch
diameter Knapp natches; AAR Mechanical Designation LO; bear-
ing identifying numbers DBCX 308-DBCX 333, both inclusive;
and

34 4,750 cubic foot aluminum covered hopper cars
equipped with 100-ton roller bearing trucks and oblong

RECORDATION NO. 11059 D Filed 1425

MAR 25 1980 - 10 30 AM

INTERSTATE COMMERCE COMMISSION

Original Agreement:

Recordation No. 11059 Filed 1425
NOV 16, 1979, 2:30 PM
INTERSTATE COMMERCE COMMISSION

Restated Agreement:

AMENDED AND RESTATED LEASE AGREEMENT

dated as of November 1, 1979

between

THE CONNECTICUT BANK AND TRUST COMPANY,
as Owner Trustee,

LESSOR,

and

BADISCHE CORPORATION,

LESSEE

TABLE OF CONTENTS*

	PAGE
Parties	1
SECTION 1. Definitions	1
SECTION 2. Acceptance of Delivery; Payment of Purchase Price	8
(a) Acceptance of Delivery	8
(b) Payment of Purchase Price ...	8
SECTION 3. Interim and Basic Terms and Rents..	9
(a) Interim Term and Rent	9
(b) Basic Term and Rent.....	9
SECTION 4. Renewal Term and Rent	9
SECTION 5. Supplemental Rent	10
SECTION 6. Right of Lessee to Purchase the Equipment	10
SECTION 7. Funds; Place of Payment	11
SECTION 8. Representations and Warranties	11
(a) Disclaimer of Lessor's Warranties; Agency	11
(b) Lessee's Representations and Warranties	11
SECTION 9. Closing Conditions	15
SECTION 10. Indemnities	18
(a) General Indemnity	18
(b) Taxes	19
(c) Indemnity for Loss of Investment Credit, Depre- ciation Deductions, Etc.....	21
(d) Indemnity for Capital Ex- penditures	24
(e) Contest of Disallowance of Tax Benefits	25
(f) Definition of Lessor	27
(g) Survival	27
(h) Effect of Other Indemnities .	27

* The Table of Contents is not a part of this Lease Agreement.

	PAGE
SECTION 11. Further Assurances; Furnishing of Information; Notice of Loss, Requisition, Etc.	27
(a) Further Assurances	27
(b) Periodic Information	28
(c) Notice of Loss, Requisition, Sale, Casualties	29
SECTION 12. Liens; Attachment	29
(a) Liens	29
(b) Attachments	30
SECTION 13. Maintenance and Operation; Use, Assignment and Sublease by Lessee; Inspection, Etc.	30
(a) Maintenance and Operation	30
(b) Use, Assignment and Sublease by Lessee	31
(c) Inspection	32
(d) Compliance with Laws	32
(e) Termination Because of Obsolescence	33
SECTION 14. Replacement of Parts; Alterations, Modifications, Substitutions and Additions; Further Assurances.....	35
(a) Replacement of Parts	35
(b) Alterations, Modifications, Substitutions and Additions ..	35
(c) Further Assurances	36
SECTION 15. Insurance	37
(a) Lessee to Insure	37
(b) Named Insured	37
(c) Insurance Certificate	37
(d) Notice of Cancellation, Modification or Nonpayment ...	38
(e) Insurance and Other Payments .	38
(f) Inspection of Insurance Documents	38
(g) Proof of Loss	38
(h) No Act Impairing Insurance ...	39
(i) Insurance Payable Notwith- standing Action, Inaction, Etc.	39
(j) Lessee's Insurance Primary, Etc.	39

	PAGE
SECTION 16. Events of Default	39
SECTION 17. Remedies	41
(a) Election of Remedies	41
(b) Default-Related Expenses	43
(c) Fair Market Sales Value	44
(d) Remedies Cumulative	45
SECTION 18. Loss or Destruction; Requisition of Use; Pursuit of Claims	45
(a) Loss or Destruction	45
(b) Requisition of Use	46
(c) Pursuit of Claims	46
SECTION 19. Redelivery of the Equipment	47
SECTION 20. Long-Term Debt; Lessor's Assign- ment or Creation of Security Interest in Equipment	48
SECTION 21. No Set-off, Counterclaim, Etc.	48
SECTION 22. Notices	49
SECTION 23. Lessor's Right to Perform for Lessee	50
SECTION 24. Execution in Counterparts	50
SECTION 25. Amendments	50
SECTION 26. Severability	50
SECTION 27. No Liability of Lessor	51
SECTION 28. Agreement of Lease	51
SECTION 29. Identification Marks; Further Assurances, Etc.	51
(a) Identification Marks	51
(b) Further Assurances	52
(c) Recording	52
SECTION 30. Covenant of Quiet Enjoyment	53
SECTION 31. Miscellaneous	53
SECTION 32. Governing Law	53

	PAGE
SECTION 33. Confidentiality	54
Signatures	54
SCHEDULE I - Description of Equipment	
SCHEDULE II - Stipulated Loss Value Table	
SCHEDULE III - Termination Value Table	

EXHIBITS

- Exhibit A - Commitment Letter
- Exhibit B - Form of Lessee's Certificate of Acceptance
- Exhibit C - Form of Amended and Restated Purchase
Order Assignment
- Exhibit D Form of Manufacturer's Consent and Agreement
- Exhibit E - Form of Manufacturer's Bill of Sale
- Exhibit F - Form of Opinion of Counsel Respecting Manu-
facturer's Consent and Agreement
- Exhibit G - Form of Opinion of Counsel Respecting Title
to Equipment

AMENDED AND RESTATED LEASE AGREEMENT

AMENDED AND RESTATED LEASE AGREEMENT dated as of November 1, 1979 between THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not individually but solely as Owner Trustee under an Amended and Restated Owner Trust Agreement dated as of November 1, 1979, between the Owner Trustee ("Lessor") and J. P. Morgan Interfunding Corp., and BADISCHE CORPORATION, a Delaware Corporation ("Lessee"),

W I T N E S S E T H :

Lessor and Lessee have heretofore entered into the Lease Agreement dated as of November 1, 1979, which was filed and recorded with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 on November 16, 1979, Recordation No. 11059, providing for the leasing of the railroad equipment listed in Part A of Schedule I hereto. The parties desire to amend such Lease Agreement in order to add the railroad equipment listed in Part B of Schedule I hereto, and to make certain other amendments to the Lease.

NOW, THEREFORE, the Lessor and Lessee hereby agree that such Lease Agreement shall be, and it hereby is, amended and restated in its entirety to read as follows:

SECTION 1. DEFINITIONS. The following terms shall have the following meanings for all purposes of this Lease:

"Attributable Excess Transaction Expenses" for an Item shall mean an amount determined by multiplying Excess Transaction Expenses, if any, by a fraction, the numerator of which is the Invoice Price for that Item and the denominator of which is the aggregate Invoice Prices for all Items listed in Schedule I hereto.

"Basic Rent" shall mean the rent payable for the Equipment for the Basic Term pursuant to Section 3(b) hereof.

"Basic Term" shall mean a period of twenty years commencing on the Last Interim Rental Payment Date and ending on the 80th Rental Payment Date thereafter.

"Bill of Sale" shall mean a bill of sale, substantially in the form of Exhibit E hereto, pursuant to which a Manufacturer conveys to Lessor all right, title and interest in and to an Item, free and clear of all Liens except Liens described by clause (e) of the definition of Permitted Liens.

"Business Day" shall mean any day other than Saturdays, Sundays or other days on which banks in New York City are authorized to close.

"Certificate of Acceptance" shall mean a Certificate of Acceptance substantially in the form of Exhibit B hereto.

"Code" shall mean the Internal Revenue Code of 1954, as amended, as in effect on the date hereof.

"Commitment Letter" shall mean the letter agreement dated September 10, 1979 between Lessee and J. P. Morgan Interfunding Corp. and accepted September 28, 1979 by Lessee, a copy of which is attached hereto as Exhibit A.

"Delivery Date" shall mean each date, on or before December 31, 1980, on which any Item is delivered to and accepted by the Lessor pursuant to Section 2(a) hereof.

"Dollars" or "\$" shall mean lawful currency of the United States of America.

"Enforceable" shall mean enforceable except as limited by bankruptcy, insolvency, reorganization and other similar laws affecting the enforcement of creditors' or lessors' rights generally.

"Equipment" shall mean all the Items.

"Event of Default" shall mean any of the events specified as such in Section 16 hereof.

"Event of Loss" shall mean any of the following events: (i) the total loss or constructive total loss of an Item; (ii) damage to an Item which, as determined by Lessee in its reasonable judgment, renders repair impracticable or uneconomical in view of the estimated fair market value of the Item after repair and the estimated cost of repair; (iii) a confiscation, condemnation or requisition of title to an Item which shall have occurred and remained in effect and unstayed for a period of 30 consecutive days; or (iv) an attachment (as defined in Section 12(b) hereof) which shall have occurred and remained in effect and undischarged for a period of 60 consecutive days.

"Excess Transaction Expenses" shall mean that amount, if any, of Transaction Expenses which exceeds 2% of the aggregate Invoice Prices for all Items actually accepted and leased.

"Incipient Default" shall mean an event or condition which, with the passage of time or the giving of notice or both, would constitute an Event of Default.

"Indebtedness" shall mean (i) all indebtedness, whether or not represented by bonds, debentures, notes or other securities, for the repayment of money borrowed, (ii) all deferred indebtedness for the payment of the purchase price of property or assets purchased other than open account indebtedness incurred in the ordinary course of business, (iii) all guarantees, endorsements, assumptions and other contingent obligations in respect of, or to purchase or to otherwise acquire, indebtedness of others, (iv) all indebtedness secured by any mortgage, pledge or lien existing on property owned by Lessee subject to such mortgage, pledge or lien, whether or not such indebtedness shall

have been assumed by Lessee, and (v) all amounts payable by Lessee as a lessee under any lease covering real or personal property having a then remaining term of more than one year (including renewals at the option of the Lessee), but reduced by any amounts receivable by the Lessee pursuant to any sublease of any such lease.

"Interest" shall mean interest at a rate per annum equal to the higher of 11.75% or 2% above the rate of interest publicly announced from time to time by Morgan Guaranty Trust Company of New York as its Prime Rate, to the extent permitted by applicable law.

"Interim Rent" shall mean the rent payable on the Interim Rental Payment Dates pursuant to Section 3(a) hereof.

"Interim Rental Payment Date" shall mean June 30, 1980, September 30, 1980, and December 31, 1980; provided that, if any Interim Rental Payment Date would otherwise fall on a day which is not a Business Day, such Interim Rental Payment Date shall be the next preceding Business Day.

"Interim Term" shall mean the period commencing on the first Delivery Date hereunder and ending on the Last Interim Rental Payment Date.

"Invoice Price" shall mean, for an Item, the purchase price payable by Lessor to the Manufacturer of such Item pursuant to such Manufacturer's invoices therefor.

"Item" shall mean any railroad car listed in Schedule I hereto; provided, however, that any such railroad cars which shall not have been delivered and accepted by the Lessor hereunder on or prior to the earlier of (i) December 31, 1980, and (ii) the termination of the Lessor's obligation hereunder to accept and pay for such cars shall be excluded from this Lease and not included in the term "Item".

"Last Interim Rental Payment Date" shall mean December 31, 1980.

"Lease Assignment" shall mean the Assignment of Lease and Agreement dated as of January 1, 1980, between the Owner Trustee and the Original Long-Term Lender.

"Lease Assignment Consent" shall mean the Lessee's Consent and Agreement attached to the Lease Assignment pursuant to the Purchase Agreement.

"Lease Term" shall mean the Interim Term, Basic Term and any Renewal Term.

"Lending Date" shall mean each date on which a Long-Term Lender makes its funds available pursuant to Section 20 hereof.

"Lessor's Cost" shall mean, for each Item, the Invoice Price plus Attributable Excess Transaction Expenses.

"Lien" shall mean any lien, mortgage, encumbrance, charge, pledge, lease, security interest or other encumbrance of any kind.

"Long-Term Debt" shall mean debt incurred by Lessor as contemplated by Section 20 hereof.

"Long-Term Lenders" shall mean the Original Long-Term Lender, which has agreed, pursuant to the Purchase Agreement to make loans to Lessor as contemplated by Section 20 hereof, and its successors and assigns, and shall be deemed to include any agent acting on its or their behalf pursuant to the Security Agreement.

"Manufacturers" shall mean (i) ACF Industries Incorporated, a New Jersey corporation, and (ii) the manufacturer of the 34 4750 cubic foot hopper cars described in Schedule I hereto.

"Net Economic Return" shall mean the Owner Participant's after-tax rate of return and aggregate after-tax cash flow anticipated upon the execution of the Commitment Letter.

"Original Long-Term Lender" shall mean John Hancock Mutual Life Insurance Company.

"Owner Participant" shall mean J. P. Morgan Interfunding Corp. and any other Owner Participants, or any one of them, under the Owner Trust Agreement.

"Owner Trust Agreement" shall mean the Amended and Restated Owner Trust Agreement dated as of November 1, 1979, between Lessor, as Owner Trustee, and J. P. Morgan Interfunding Corp., as Owner Participant.

"Permitted Liens" shall mean: (a) the lien created in favor of Long-Term Lenders as contemplated by the Commitment Letter and Section 20 hereof; (b) non-consensual Liens arising by operation of law in the ordinary course of business for amounts not yet due; (c) Liens for taxes, assessments or governmental charges not yet due; (d) Liens, or Liens for amounts, being contested in good faith by appropriate proceedings, provided the failure to discharge the same does not have a material adverse effect on the title, property rights or Lien of the Lessor or the Long-Term Lender, respectively; or (e) Liens arising from claims against Lessor or the Owner Participant not related either to their ownership of an Item or their interest under the Lease or to the transactions contemplated by any of the agreements made pursuant to this Lease or the Commitment Letter.

"Person" shall mean any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Purchase Agreement" shall mean the Note Purchase Agreement dated January 1, 1980, between Lessor and the Original Long-Term Lender.

"Purchase Orders" shall mean the purchase orders entered into by Lessee with the Manufacturers for the purchase of the Items.

"Purchase Order Assignment" shall mean the Amended and Restated Purchase Order Assignment dated as of November 1, 1979 to be executed by Lessee concurrently herewith assigning all its rights under the Purchase Orders to Lessor, substantially in the form of Exhibit C hereto.

"Renewal Rent" shall mean the rent payable for the Equipment for any Renewal Term pursuant to Section 4 hereof.

"Renewal Term" shall mean any period for which this Lease is renewed by Lessee pursuant to Section 4 hereof.

"Rent" shall mean Interim Rent, Basic Rent, Renewal Rent and Supplemental Rent.

"Rental Payment Date" shall mean each Interim Rental Payment Date and March 31, 1981, and each June 30, September 30, December 31 and March 31 thereafter in the Basic Term; provided that, if any Rental Payment Date would otherwise fall on a day which is not a Business Day, such Rental Payment Date shall be the next preceding Business Day.

"Stipulated Loss Value" shall mean, for each Item, the amount computed by multiplying the percentage specified in Schedule II hereto opposite the Rental Payment Date as of which such amount is computed by the Lessor's Cost for that Item.

"Supplemental Rent" shall mean any and all amounts, liabilities and obligations (other than Interim Rent, Basic Rent and Renewal Rent) which Lessee is obligated to pay Lessor under this Lease, including but not limited to Stipulated Loss Value and the indemnities and other amounts payable under Sections 5, 10 and 23 hereof.

"Termination Value" shall mean the amount computed by multiplying the percentage specified in Schedule III hereto opposite the Rental Payment Date as of which such amount is computed by the Lessor's Cost for the Terminated Items (as defined in Section 13(e) hereof).

"Total Lessor's Cost" shall mean the aggregate Lessor's Costs for all Items.

"Transaction Expenses" shall mean all costs and expenses incurred or paid by Lessor and the Owner Participant including fees and disbursements of Lessor's and the Owner Participant's

special counsel, the debt placement fee, the initial and ongoing fees and expenses of Lessor and any loan trustee or agent appointed by or on behalf of the Long-Term Lenders and the legal expenses of such Long-Term Lenders.

SECTION 2. ACCEPTANCE OF DELIVERY; PAYMENT OF PURCHASE PRICE.

(a) Acceptance of Delivery. Prior to the execution of this Amended and Restated Lease Agreement, Lessor accepted delivery of and paid for the Items described in Part A of Schedule I hereto. Subject to the satisfaction of the conditions set forth in Section 9 of this Lease and the conditions set forth in paragraph (b) of this Section 2, Lessor will accept delivery of each Item described in Part B of Schedule I hereto delivered on or before December 31, 1980 by executing a Certificate of Acceptance with respect to such Item substantially in the form of Exhibit B hereto, and will simultaneously lease the same to Lessee. Lessor hereby authorizes one or more employees or agents of Lessee, designated by Lessee, as the authorized representative or representatives of Lessor to receive the Equipment from the Manufacturers.

(b) Payment of Purchase Price. Subject to satisfaction of the conditions set forth in Section 9 and acceptance of the Equipment pursuant to subsection (a) of this Section, Lessor will pay the Invoice Price for each Item described in Part B of Schedule I hereto directly to or for the account of the Manufacturer of such Item on the Delivery Date for that Item, provided, however, that Lessor's obligation to make such payment in each case is subject to

(i) receipt by Lessor and the Owner Participant of a Bill of Sale with respect to such Item, substantially in the form of Exhibit E hereto, executed by the Manufacturer of such Item;

(ii) receipt by Lessor and the Owner Participant of an Opinion of Counsel respecting title with respect to such Item, substantially in the form of Exhibit G hereto, executed by counsel for the Manufacturer of such Item;

(iii) receipt by Lessor and the Owner Participant of a Certificate of Acceptance with respect to such Item, substantially in the form of Exhibit B hereto, executed by Lessee; and

(iv) filing of this Lease with the Interstate Commerce Commission pursuant to Section 29(c) hereof, and receipt by Lessor and the Owner Participant of satisfactory evidence of such filing;

provided, further, that Lessor's obligation is limited to \$5,000,000 of Total Lessor's Cost.

SECTION 3. INTERIM AND BASIC TERMS AND RENTS.

(a) Interim Term and Rent. The Interim Term of this Lease shall commence on the first Delivery Date and shall continue until the Last Interim Rental Payment Date. Lessee hereby agrees to pay Lessor, in installments in arrears on each Interim Rental Payment Date, Interim Rent with respect to each Item equal to (i) .03334% per diem applied to Lessor's Cost for such Item in respect of that portion of the Interim Term ending on the Lending Date with respect to such Item, (ii) with respect to each Item delivered prior to December 31, 1979, .02134% per diem applied to Lessor's Cost for such Item in respect of that portion of the Interim Term commencing on the Lending Date with respect to such Item and ending on December 31, 1980, and (iii) with respect to each Item delivered after December 31, 1979, .029861% per diem applied to Lessor's Cost for such Item in respect of that portion of the Interim Term commencing on the Lending Date with respect to such Item and ending on December 31, 1980.

(b) Basic Term and Rent. The Basic Term shall commence immediately upon the termination of the Interim Term and end on the 80th Rental Payment Date thereafter. Lessee hereby agrees to pay Lessor Basic Rent in 80 consecutive quarterly installments in arrears on each Rental Payment Date after the Last Interim Rental Payment Date. Each installment with respect to each Item shall be equal to 1.92027% of Lessor's Cost of such Item, except as provided in Sections 13(e) and 18(a) hereof or in the next following sentence. With respect to each Item for which Long-Term Debt shall not have been incurred by Lessor on or prior to the Last Interim Rental Payment Date, each installment shall be equal to 2.2426% of Lessor's Cost of such Item, except as provided in Sections 13(e) and 18(a) hereof. Provided, however, in either of the above cases, that if any of the Assumed Tax Consequences set forth in Section 10(c) hereof are not obtained and Lessee elects to adjust Basic Rent rather than make indemnification payments, then Basic Rent will be increased for the balance of the Basic Term to maintain the Net Economic Return.

SECTION 4. RENEWAL TERM AND RENT. Upon the expiration of the Basic Term, Lessee shall have the right to

renew the Lease with Lessor as to no less than all the Equipment for one Renewal Term of five years commencing on the day the Basic Term ends with Renewal Rent payable in 20 consecutive quarterly installments in arrears on each Rental Payment Date during the Renewal Term, each installment to be equal to one-half the rate prevailing on the 80th Rental Payment Date after the Last Interim Rental Payment Date, except as provided in Sections 13(e) and 18(a) hereof; provided that Lessee shall have notified Lessor in writing not later than 180 days prior to the end of the Basic Term of Lessee's election to renew; provided, further, that no Event of Default and no Incipient Default shall have occurred and be continuing at the time of the commencement of such Renewal Term.

SECTION 5. SUPPLEMENTAL RENT. Lessee shall pay to Lessor from time to time any and all Supplemental Rent promptly as the same shall become due. To the extent permitted by applicable law, Lessee shall also pay on demand, as Supplemental Rent, Interest on any Rent or other amounts to be paid to Lessor under this Lease not paid when due from the date payment thereof was due to the date of actual payment. Supplemental Rent shall include all costs and expenses, including fees of Lessor's, the Owner Participant's and the Long-Term Lenders' special counsel, incurred or paid by Lessor and not included in Transaction Expenses, in connection with the performance, enforcement or administration of this Lease and all other documents or agreements related hereto.

SECTION 6. RIGHT OF LESSEE TO PURCHASE THE EQUIPMENT. Provided that no Event of Default or Incipient Default shall have occurred and be continuing, Lessee may, at its option, exercisable by written notice to Lessor not less than 180 days prior to the expiration of the Basic Term or the Renewal Term (which notice shall be irrevocable), elect to purchase on the expiration date of the then current Term all of the Equipment subject to this Lease on such date for a purchase price payable to Lessor equal to the fair market sales value of the Equipment (determined as if the Equipment had been maintained in accordance with, and was in the condition required pursuant to, Section 13(a) hereof) as of such date, the fair market sales value to be determined in accordance with Section 17(c) hereof. If Lessee shall exercise such option to purchase the Equipment, then on the date of expiration of the then current Term, Lessee shall pay Lessor the purchase price of the Equipment in immediately available funds and Lessor shall, at Lessee's expense, transfer title to the

Equipment to Lessee without recourse or warranty, express or implied, except as to the absence of liens and encumbrances (other than liens and encumbrances, if any, which Lessee is required to discharge hereunder) resulting from acts of Lessor not relating to Lessor's ownership of such Equipment, together with such other documents evidencing transfer of title as Lessee shall reasonably request.

SECTION 7. FUNDS; PLACE OF PAYMENT. All payments made by Lessee pursuant to this Lease shall be made in funds which are immediately available at or before 11:00 A.M., New York time, at such place as Lessor shall from time to time designate in writing. Lessee will acknowledge receipt of instructions and agree, pursuant to the Lease Assignment Consent, to make certain payments directly to the Long-Term Lenders as therein provided. All payments of invoices to any Manufacturer shall be made in immediately available funds to such address or account as may be specified by such Manufacturer from time to time.

SECTION 8. REPRESENTATIONS AND WARRANTIES.

(a) Disclaimer of Lessor's Warranties; Agency. Lessee's acceptance of the Equipment under this Lease, as provided in Section 2(a) hereof, shall confirm and be conclusive evidence, as between Lessor and Lessee, that the Equipment is in all respects satisfactory to Lessee and in compliance with all requirements of this Lease. LESSOR DOES NOT MAKE, NOR SHALL LESSOR BE DEEMED TO HAVE MADE, ANY REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO TITLE TO, AS TO THE DESIGN, CONDITION OR MERCHANTABILITY OF, AS TO QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE EQUIPMENT, OR AS TO THE FITNESS OF THE EQUIPMENT FOR ANY PARTICULAR PURPOSE, OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER WITH RESPECT TO THE EQUIPMENT. ALL SUCH RISKS, AS BETWEEN LESSOR AND LESSEE, ARE TO BE BORNE BY LESSEE. Nothing herein contained shall be construed as a waiver of any rights that either Lessor or the Lessee may have against the Manufacturers or any other Person.

Lessor appoints Lessee as its agent so long as no Event of Default occurs and is continuing, to pursue in the name of and for the account of Lessor, the Owner Participant and/or Lessee, as their interests may appear, at Lessee's cost and expense, whatever claims and rights Lessee, the Owner Participant or Lessor may have against the Manufacturers or any other Person with respect to the manufacture, construction or transportation of an Item.

(b) Lessee's Representations and Warranties. Lessee covenants, represents and warrants to Lessor as follows:

(i) Lessee is a corporation duly organized, validly existing and in good standing under the laws of Delaware and has the corporate power and authority to carry on its business as presently conducted, to own or hold under lease its properties and to enter into and perform its obligations under this Lease, the Lease Assignment Consent, the Purchase Orders and the Purchase Order Assignment and is duly qualified to do business and is in good standing in such other jurisdictions in which the business and activities of Lessee require qualification.

(ii) The execution, delivery and performance by Lessee of this Lease, the Lease Assignment Consent, the Purchase Orders and the Purchase Order Assignment have been duly authorized by all necessary corporate action and do not and will not contravene any law or any governmental rule, regulation, judgment, decree, writ, injunction or order binding on the Lessee or the certificate of incorporation or by-laws of Lessee or contravene the provisions of, or constitute a default under, any indenture, mortgage, contract or other agreement or instrument to which Lessee is a party or by which Lessee is bound, or to which any of its properties or assets are subject.

(iii) The execution, delivery and performance by Lessee of this Lease, the Lease Assignment Consent, the Purchase Orders and the Purchase Order Assignment do not require the consent or approval of, or the registration with, any federal, state or other governmental authority or agency or if so required the same have been obtained. If any further consents, approvals, or registrations should hereafter become necessary, Lessee will use its best efforts to obtain the same.

(iv) This Lease, the Lease Assignment Consent, the Purchase Orders and the Purchase Order Assignment have been duly authorized, executed and delivered by Lessee and assuming the due authorization, execution and delivery hereof and thereof by Lessor or the Manufacturers, as the case may be,

constitute legal, valid and binding agreements of Lessee enforceable in accordance with their terms.

(v) No actions, suits or proceedings are pending or, to the knowledge of Lessee, threatened before any court, administrative agency, arbitrator, or governmental body that, if decided adversely to Lessee, would have a materially adverse effect on Lessee's business or financial condition or its ability to perform its obligations under this Lease, the Lease Assignment Consent, the Purchase Orders or the Purchase Order Assignment.

(vi) This Lease and the Purchase Order Assignment will effectively convey to Lessor the rights and claims purported to be conveyed to Lessor thereby, free and clear of all Liens except Liens described in clauses (d), if any, and (e) of the definition of Permitted Liens.

(vii) Upon delivery to Lessor of a Manufacturer's Bill of Sale for an Item and payment by Lessor of Lessor's Cost of such Item, Lessor will have good title to such Item free and clear of all Liens except Liens described in clauses (d), if any, and (e) of the definition of Permitted Liens.

(viii) All filings or other actions that may be required or desirable during the Lease Term, under the Interstate Commerce Act, any other law or regulation or any agreement or instrument binding upon Lessee, to establish, perfect and protect Lessor's title to and the Owner Participant's interest in the Equipment and the rights of Lessor and the Owner Participant under the Lease and the interests of the Long-Term Lenders under the Purchase Agreement and documents contemplated therein have been duly made or taken, or are not yet required and will be duly made or taken as required, including but not limited to the filings described in Section 29(c) hereof; in each case copies or other appropriate evidence thereof will be delivered promptly to Lessor. There is no existing mortgage, security agreement or other agreement or instrument executed by or relating to Lessee (other than the Lease or the Security Agreement) providing for a Lien which attaches or by its terms will attach hereafter to any Item.

(ix) The audited Consolidated Balance Sheet of Lessee as of December 31, 1978 and the unaudited Consolidated Balance Sheet of Lessee as of September 30, 1979, together in each case with the related Consolidated Statements of Income for the year and nine month periods then ended, delivered to Lessor, have been prepared in accordance with generally accepted accounting principles consistently applied and present fairly the financial position of Lessee as of such dates and the results of its operations for such periods. Since September 30, 1979, there has been no material adverse change in the financial condition, results of operations, business or prospects of Lessee.

(x) Each Item will, on its Delivery Date, constitute "new section 38 property" within the meaning of Section 48(b) of the Code in the hands of Lessor and will constitute property the original use of which will commence with Lessor within the meaning of Section 167(c) of the Code.

(xi) A reasonable estimate of the residual value of the Equipment at the end of 25 years from December 31, 1980 is an amount, determined without regard to the effects of inflation or deflation and with the assumption that the Equipment is redelivered to Lessor as provided in this Lease, not less than 20% of the Total Lessor's Cost of the Equipment; and a reasonable estimate of the remaining useful life of the Equipment at the end of such 25-year period is a period of not less than 20% of the total estimated useful life of the Equipment. The nature of the Equipment is such that, at the end of such 25-year period, it should be commercially feasible for a Person other than the Lessee to acquire and use the Equipment on terms consistent with the estimated residual value referred to above. As of the Delivery Date of the last Item of the Equipment delivered pursuant to this Lease, the Total Lessor's Cost of the Equipment shall not be greater than the fair market value of the Equipment.

(xii) Lessee has furnished to Lessor a true and correct copy of the Purchase Orders,

together with any and all documents or instruments by which the Purchase Orders have been amended to the date of this Lease. Promptly upon receipt of the specifications for the Equipment to be delivered to Lessee by any Manufacturer, Lessee shall deliver one complete set thereof to Lessor.

SECTION 9. CLOSING CONDITIONS.

(a) The obligation of Lessor to pay the Invoice Price of any Item described in Part B of Schedule I hereto to the Manufacturer of such Item shall be subject to fulfillment of the following conditions before the first Delivery Date relating to any such Item and, in the case of the conditions specified in paragraphs (i), (ii), (iv) and (ix), each subsequent Delivery Date:

(i) The conditions set forth in Section 2 hereof shall have been fulfilled.

(ii) No change in law, regulations or administrative interpretations shall have occurred which would make it illegal for Lessor or the Owner Participant to invest in, acquire, own or execute and deliver a lease of the Equipment.

(iii) The Purchase Order Assignment shall have been duly authorized, executed and delivered by Lessee and shall be in full force and effect, and Lessor and the Owner Participant shall have received executed counterparts thereof.

(iv) The Manufacturer of such Item shall have good and marketable title to such Item, free and clear of all Liens except Liens described in clauses (d) and (e) of the definition of Permitted Liens, and any and all documents or certificates reasonably requested by the Lessor or the Owner Participant with regard to such matters shall have been delivered to Lessor.

(v) All approvals, consents, orders or authorizations of, or registrations with or notices to, any federal, state or other governmental authority which are required for the completion

or performance of the transactions contemplated by this Lease shall have been obtained.

(vi) Lessor and the Owner Participant shall have received a Consent and Agreement from such Manufacturer with respect to the Equipment to be delivered by it, substantially in the form of Exhibit D hereto;

(vii) Lessor and the Owner Participant shall have received an Opinion of Counsel respecting such Manufacturer's Consent and Agreement, substantially in the form of Exhibit F hereto, executed by counsel for such Manufacturer;

(viii) Lessor and the Owner Participant shall have received at Lessee's expense an appraisal, in form and substance satisfactory to Lessor and to the Owner Participant, addressed to them from an independent expert satisfactory to Lessor and the Owner Participant to the effect that the estimated useful life of the Equipment to be delivered by such Manufacturer is at least 35 years and that the residual value of such Equipment after 25 years is expected to be at least 20% of the aggregate Lessor's Cost of such Equipment.

(ix) On each Delivery Date (1) the representations and warranties of Lessee contained in Section 8 of this Lease shall be true, complete and accurate on and as of such Delivery Date as though made on and as of such Date, (2) nothing shall have occurred which will materially and adversely affect the business or financial condition of Lessee or the ability of Lessee to perform its obligations under this Lease, the Lease Assignment Consent, the Purchase Orders and the Purchase Order Assignment, (3) no Event of Default or Incipient Default shall have occurred and be continuing, or would result from the lease of the Equipment, and (4) Lessor and the Owner Participant shall have received a certificate signed by a duly authorized officer of Lessee satisfactory in form and substance to Lessor, the Owner Participant and the Owner Participant's special counsel to the foregoing effect.

(x) Lessor and the Owner Participant shall have received, in form and substance reasonably satisfactory to Lessor, the Owner Participant and the Owner Participant's special counsel, such documents and evidence with respect to Lessee as Lessor or the Owner Participant may reasonably request in order to establish the existence and good standing of Lessee, the authorization of the transactions contemplated by this Lease and the Purchase Order Assignment, the taking of all corporate proceedings in connection therewith and compliance with the conditions set forth in this Section 9.

(xi) Lessor shall have received, in form and substance satisfactory to it and to the Owner Participant, an opinion of special New York counsel to the Owner Participant, Messrs. Davis Polk & Wardwell, to the effect that all necessary ICC filings have been made to perfect Lessor's and the Owner Participant's interest in and title to the Equipment and to such other effects and covering such matters as Lessor or the Owner Participant may reasonably request, including the federal income tax consequences of the transactions contemplated by this Lease.

(xii) Lessor and the Owner Participant shall have received the insurance certificate required to be delivered pursuant to Section 15(c).

(xiii) Lessor and the Owner Participant shall have received, in form and substance satisfactory to Lessor, the Owner Participant and the Owner Participant's special counsel, an opinion of Lessee's general counsel, to the same effect as the representations and warranties by Lessee under paragraphs (i) through (vi) and paragraphs (viii) and (x) of Section 8(b) of this Lease (except that knowledge referred to in Section 8(b) shall be for purposes of such opinion the knowledge of counsel).

(xiv) Lessor shall have received all other documents, certificates and opinions reasonably requested by it in connection with the transactions contemplated hereby;

provided, however, that each of the conditions specified in paragraphs (iv), (vi), (vii) and (viii) shall be subject to fulfillment in respect of each Manufacturer before the first

Delivery Date relating to any such Items manufactured by such Manufacturer.

SECTION 10. INDEMNITIES.

(a) General Indemnity. Lessee agrees to indemnify Lessor, the Owner Participant, the Long-Term Lenders and their respective successors, assigns, employees and agents (hereinafter called the "Indemnified Persons") against, and agrees to protect, save and keep harmless each thereof from, and hereby assumes liability for, any and all claims, liabilities, obligations, damages, penalties, actions, suits, costs, expenses, disbursements and losses (herein called "claims, liabilities and losses") of whatsoever kind and nature (including tort liabilities and strict liability), whether or not any of the transactions contemplated hereby are consummated and whether or not Lessee carries or is required to carry insurance in respect thereof, imposed on, incurred by or asserted against any Indemnified Person in any way relating to or arising out of the transactions contemplated by this Lease and the other documents referred to herein, the construction, acquisition, ownership, leasing, use, operation, maintenance, return or disposition of the Equipment, including without limitation any claims, liabilities and losses arising out of or resulting from bodily injury or death or damage to property, or arising out of latent or other defects, whether or not discoverable, or arising out of any failure on the part of Lessee to perform or comply with any of the terms of this Lease; provided that taxes covered by subsections (b), (c) and (d) of this Section 10 and not excluded from indemnification thereunder shall not be subject to indemnification under this subsection (a); and provided further that Lessee shall not be obligated under this subsection (a) to indemnify any Indemnified Person for any claims, liabilities and losses resulting from the negligence or wilful misconduct of such Indemnified Person (but in no event shall this exclusion from Lessee's obligation to indemnify apply if Lessee's failure to perform or comply with any of the terms of this Lease, other than this subsection (a), is a contributing cause of any such claims, losses and liabilities). Lessee will to the extent practicable pay directly any and all claims, liabilities and losses indemnified hereunder and, to the extent any such items are paid by an Indemnified Person, will promptly upon demand reimburse and indemnify therefor. Lessee further agrees that, with respect to any payment or indemnity hereunder, such payment or indemnity shall include any amount necessary to hold each Indemnified Person harmless on an

after-tax basis (net of any tax benefits such Indemnified Person might have realized as a consequence of any such claims, losses and liabilities) from all taxes (including income taxes) required to be paid with respect to such payment or indemnity. In the event an Indemnified Person receives notice of a claim, liability or loss which would be indemnified under this subsection (a), such Indemnified Person will promptly notify Lessee thereof, and, so long as no Event of Default has occurred and is continuing and such Indemnified Person's title to or interest in the Equipment or its rights hereunder are not subjected to a risk of infringement, loss or forfeiture, Lessee may at its own expense defend such Indemnified Person against such claim, liability or loss.

(b) Taxes. Lessee agrees to pay, and on written demand to indemnify and hold the Indemnified Persons harmless from, all license and registration fees and all taxes, levies, imposts, duties, charges or withholdings of any nature whatsoever together with any penalties, fines or interest thereon (collectively for purposes of this subsection, "Taxes") imposed against an Indemnified Person, Lessee or the Equipment by any governmental agency or taxing authority upon or with respect to the Equipment or any part thereof, or upon or with respect to the construction, acquisition, ownership, lease, use, operation, maintenance, return or other disposition of the Equipment or upon or with respect to the Rent, receipts or earnings arising therefrom or upon or with respect to this Lease, the Purchase Order Assignment, the Purchase Agreement or the instruments contemplated thereby or the Owner Trust Agreement (excluding Taxes on, based on, or measured by, interest income of the Long-Term Lenders or the net income of the Owner Participants before Taxes and any Taxes imposed upon the Owner Participant by the jurisdiction in which the Owner Participant has its principal office; provided that notwithstanding the foregoing exclusion, there shall not be excluded from indemnification hereunder any Taxes indemnified under subsections (a), (c) and (d) of this Section 10 or any Taxes on, based on, or measured by, net income resulting directly or indirectly from (x) Lessee's receipt of or right to receive any refund or credit pursuant to the Purchase Orders, (y) any payments by the Manufacturers in satisfaction of a claim against the Manufacturers with respect to the Equipment or (z) any payments by the Lessee for maintenance, repairs, alterations or improvements which are treated as income to the Lessor or the Owner Participant); provided that this indemnity will not apply to penalties, fines or interest where such levy or tax is not paid if the Indemnified Person was aware, and

Lessee was not aware, of the tax and its due date and failed negligently to seasonably notify Lessee thereof. Any Tax indemnified hereunder shall be paid directly when due, if direct payment is permitted, or shall be reimbursed to the Indemnified Person on demand to the extent paid by the Indemnified Person. Lessee further agrees that, with respect to any payment or indemnity hereunder, such payment or indemnity shall include any amount necessary to hold the Indemnified Person harmless on an after-tax basis (net of any tax benefits the Indemnified Person might have realized from any such Taxes) from all Taxes (including income taxes) required to be paid with respect to such payment or indemnity.

If any proceeding is commenced against Lessor or the Owner Participant for any such Tax, Lessor or the Owner Participant, respectively, shall promptly notify Lessee. If reasonably requested by Lessee in writing and no Event of Default shall have occurred and be continuing, Lessor or the Owner Participant, respectively, shall upon receipt of indemnity reasonably satisfactory to it and at the expense of Lessee (including, without limitation, all costs, expenses, losses, legal and accountants' fees and disbursements, penalties and interest fairly allocable to the matters indemnified hereunder) in good faith contest the validity, applicability or amount of such Tax by, in its sole discretion, (1) resisting payment thereof if Lessor or the Owner Participant, respectively, shall determine such course of action to be appropriate, (2) not paying the same except under protest, if protest is necessary and proper, and (3) if payment be made, using reasonable efforts to obtain a refund thereon in appropriate administrative and judicial proceedings. If any Tax is required to be paid in connection with a contest, Lessee will provide funds for payment on an interest-free basis. If Lessor or the Owner Participant shall obtain a refund of all or any part of such Tax paid by Lessee, Lessor or the Owner Participant, respectively, shall pay Lessee such refund and any interest also received by Lessor or the Owner Participant, respectively, and fairly attributable to such refund of tax; provided that such refund shall not be payable before such time as Lessee shall have made all payments or indemnities then due under this Lease; and provided, further, that, if an Event of Default shall have occurred and be continuing, Lessor shall hold any refund received and apply it to amounts then or thereafter due and payable to Lessor by Lessee hereunder. Lessee shall not be deemed to be in default under any of the above

indemnification provisions so long as Lessee shall diligently prosecute such contest. In case any report or return is required to be made with respect to any Tax indemnified hereunder, Lessee will either make such report or return in such manner as will show the ownership of the Equipment in Lessor and send a copy of such report or return to Lessor and the Owner Participant or will notify Lessor and the Owner Participant of such requirement and make such report or return in such manner as shall be satisfactory to Lessor and the Owner Participant.

(c) Indemnity for Loss of Investment Credit, Depreciation Deductions, Etc. This Lease is being entered into on the assumption that the assumed tax consequences set forth in Schedule I to the Commitment Letter are applicable and that the Owner Participant will be entitled to take such credits, deductions and other benefits as are provided by the Code and the state and local taxing statutes in the jurisdiction in which the Owner Participant has its principal office, including, without limitation,

(1) the investment tax credit ("Investment Credit") pursuant to Section 38 of the Code for "new section 38 property" in an amount equal to 10% of Total Lessor's Cost;

(2) deductions for depreciation of the Total Lessor's Cost ("Depreciation Deductions") computed on the following basis:

(i) election of the class life asset depreciation range system of depreciation under Treasury Regulation Section 1.167(a)-11 and selection of an asset depreciation period of twelve (12) years,

(ii) six months of depreciation in the calendar year in which the Delivery Date for such Item falls, based on the election of the half-year convention,

(iii) use of the 200% double-declining-balance method of depreciation provided in Section 167(b)(2) of the Code switching to the sum-of-the-years-digits method in the third year of depreciation and

(iv) a net salvage value of 10% of Total Lessor's Cost reduced to zero by an election under Section 167(f) of the Code;

(3) interest deductions on Debt ("Interest Deductions") if Long-Term Debt is raised; and

(4) straight line amortization of Transaction Expenses ("Amortization Deductions").

The Owner Participant will claim the Investment Credit on its Federal income tax return and will claim the Depreciation Deductions, Interest Deductions and Amortization Deductions on its Federal income tax returns and on the appropriate state and local income or franchise tax returns.

Lessee agrees that neither it nor any corporation controlled by it, in control of it, or under common control with it, will at any time take any action, directly or indirectly, or file any returns or other documents inconsistent with the foregoing and that Lessee and any such corporation will file such returns, take such actions and execute such documents as may be reasonable and necessary to facilitate accomplishment of the intent expressed in the first paragraph of this subsection (c).

If for any reason whatever the Owner Participant shall not be allowed for any taxable year all or any portion of its Investment Credit and the Depreciation Deductions, Interest Deductions and Amortization Deductions to which it would have been entitled, or if during any such taxable year all or any portion of the Investment Credit or the Depreciation Deductions is recaptured pursuant to Section 47 or Section 1245 of the Code or any other similar provision (any such nonallowance or recapture being referred to hereafter as a "Loss"), then Lessee will pay to the Owner Participant such amount which, after reduction by an amount equal to all taxes required to be paid by the Owner Participant in respect of the receipt of such amount, shall be equal to the sum of the aggregate additional Federal, state or local income or franchise taxes plus, on an after-tax basis, an amount equal to any interest, additions to tax or penalties associated with such income or franchise taxes, payable by the Owner Participant as a result of such Loss. If, as a result of a Loss, the aggregate Federal, state or local income or franchise taxes paid by the Owner Participant for any taxable

year shall be less than the amount of such taxes which would have been payable had no such Loss occurred, then the Owner Participant will pay Lessee promptly the amount of such differences in taxes, plus any additional tax benefits realized provided, however, that the Owner Participants shall not be obligated to make any payment pursuant to this sentence to the extent that the sum of such payment and all other payments by the Owner Participant pursuant to this subsection (c) would exceed the amount of all payments by Lessee to the Owner Participant pursuant to this subsection. Except as otherwise provided in subsection (e) of this Section, all amounts payable to the Owner Participant hereunder shall be paid promptly and in any event within 30 days after receipt by Lessee of a written demand therefor, accompanied by a written statement describing in reasonable detail the related Loss and the computation of the amount so payable. Any payment due to Lessee from the Owner Participant pursuant to this paragraph shall be paid promptly and in any event within 30 days after the Owner Participant realizes any such savings in its income or franchise taxes or additional tax benefits, as the case may be; provided that, if an Event of Default shall have occurred and be continuing or if any amount payable under this Lease is due and unpaid, the Owner Participants shall hold all such payments and apply them to amounts then or thereafter due and payable to the Owner Participant by Lessee hereunder.

In lieu of paying an indemnity under this subsection, Lessee and Lessor may adjust Basic Rent to reflect variations from the assumed tax consequences set forth in Schedule I to the Commitment Letter.

Notwithstanding anything to the contrary set forth above, any Loss which would otherwise be indemnified by Lessee hereunder shall not be subject to indemnification to the extent that such Loss is a direct result of the occurrence of any of the following events:

(A) a transfer or other disposition by the Lessor or the Owner Participant of any interest in the Equipment, unless an Event of Default has occurred and is continuing;

(B) the failure of Lessor or the Owner Participant to claim the Investment Credit, the Depreciation Deductions, the Interest Deductions or the Amortization Deductions;

(C) the failure of Lessor or the Owner Participant to have sufficient liability for Tax within the meaning of Section 46 of the Code against which to credit the Investment Credit or to have sufficient gross income within the meaning of Section 61(a) of the Code to benefit from the Depreciation Deductions, the Interest Deductions or the Amortization Deductions;

(D) the failure of Lessor or the Owner Participant, respectively, to take timely action in contesting a claim made by the Internal Revenue Service with respect to such Loss if the Lessor or the Owner Participant were to take such action pursuant to subsection (e) of this Section 10;

(E) any change in or modification of applicable law occurring after the last Delivery Date; or

(F) an event which causes Lessee to pay in full the Stipulated Loss Value or Termination Value with respect to the Equipment.

(d) Indemnity for Capital Expenditures. If the Owner Participant is required by (i) any published revenue ruling, revenue procedure or other published statement of position by any taxing authority, (ii) a determination upon any audit of the Owner Participant's tax returns or (iii) advice received by the Owner Participant from its outside tax counsel, to include in its gross income for any taxable year for Federal, state or local income or franchise tax purposes an amount in respect of any alteration, improvement or addition to the Equipment or any cost of acquisition in excess of the maximum Total Lessor's Cost ("Capital Expenditures"), then Lessee will pay to the Owner Participant such amount which, after reduction by all taxes required to be paid by the Owner Participant in respect of the receipt of such amounts, shall be equal to the sum of the aggregate additional Federal, state or local income or franchise taxes payable by the Owner Participant as a result of such Capital Expenditures plus, on an after-tax basis, an amount equal to any interest, additions to tax or penalties associated with income or franchise taxes payable by Lessee as a result of such Capital Expenditures. If as a result of any such Capital Expenditures the aggregate Federal, state or local income or franchise taxes paid by the Owner Participant for

any taxable year shall be less than the amount of such taxes which would have been payable had no such Capital Expenditures been made, then the Owner Participant will pay to Lessee the amount of such savings in taxes plus any additional tax benefits realized by the Owner Participant as the result of such payment; provided that the Owner Participant shall not be obligated to make any payment pursuant to this sentence to the extent that the sum of such payment and all other payments by the Owner Participant pursuant to this subsection (d) would exceed the amount of all payments by Lessee to the Owner Participant pursuant to this subsection. Except as otherwise provided in subsection (e) of this Section, all amounts payable to the Owner Participant hereunder shall be paid promptly and in any event within 30 days after receipt by Lessee of a written demand therefor, accompanied by a written statement describing in reasonable detail the inclusion in gross income and the computation of the amount so payable. Any payment due to Lessee from the Owner Participant pursuant to this paragraph shall be paid promptly and in any event within 30 days after the Owner Participant realizes any such savings in its income or franchise taxes or additional tax benefits, as the case may be; provided that, if an Event of Default shall have occurred and be continuing or if there are any amounts payable by Lessee under this Lease, the Owner Participant shall hold all such payments and apply them to amounts then or thereafter due and payable to the Owner Participant by Lessee hereunder.

(e) Contest of Disallowance of Tax Benefits. In the event a claim shall be made at any time by the Internal Revenue Service which, if successful, would require Lessee to indemnify the Owner Participant under subsection (c) or (d) of this Section 10, Lessor agrees that it or the Owner Participant will take such action in connection with contesting such claim as Lessee shall reasonably request in writing from time to time; provided that: (i) no Event of Default shall have occurred and be continuing; (ii) within 30 days after notice by Lessor or the Owner Participant to Lessee of such claim, Lessee shall request that such claim be contested; (iii) Lessor or the Owner Participant, after consultation with Lessee, may, at the sole option of the Owner Participant, forego any and all administrative appeals, proceedings, hearings and conferences with the Internal Revenue Service in respect of such claim and may, at the sole option of the Owner Participant, either pay the tax claimed and sue for a refund in the appropriate United States District Court or the United States Court of Claims, as the Owner Participant

shall elect, or contest such claim in the United States Tax Court; (iv) prior to taking such action, Lessee shall have furnished the Owner Participant with an opinion of independent tax counsel reasonably satisfactory to the Owner Participant to the effect that a meritorious defense exists to such claim; and (v) Lessee shall have indemnified the Owner Participant in a manner reasonably satisfactory to the Owner Participant for any liability or loss which the Owner Participant may incur as the result of contesting such claim (excluding for this purpose liabilities for taxes not related to the Equipment or this Lease) and shall have agreed to pay the Owner Participant on demand an amount which, after payment of all taxes incurred in respect of the receipt thereof less any taxes saved by the deduction thereof, shall be equal to all costs and expenses which the Owner Participant may incur in connection with contesting such claim. If the Owner Participant elects to pay the tax claim and then seek a refund, Lessee will provide the Owner Participant with sufficient funds, on an interest-free basis, to pay the tax. If any such claim referred to above shall be made by the Internal Revenue Service, and Lessee shall have reasonably requested Lessor to contest such claim as above provided and shall have duly complied with all of the terms of this Section 10(e), Lessee's liability for indemnification shall become fixed upon final determination of the liability of the Owner Participant for the tax claimed and after giving effect to any refund obtained, together with interest thereon. At such time the Owner Participant shall become obligated to repay to Lessee any funds previously provided by Lessee for payment of tax in contemplation of a suit for refund, and Lessee shall become immediately obligated for the payment of any indemnification hereunder resulting from the outcome of such contest. The obligations of the Owner Participant and Lessee will first be set off against each other and any balance owing by either party shall be paid within 30 days after such final determination; provided that, if an Event of Default shall have occurred and be continuing or any amount is payable by Lessee under this Lease, Lessor shall hold all payments due to Lessee hereunder and apply them to amounts then or thereafter due and payable to Lessor or the Owner Participant by Lessee hereunder. If in connection with such final determination the Owner Participant receives a refund of tax for which Lessee provided funds hereunder, any interest also received by the Owner Participant and fairly attributable to such refund of tax will be paid over to Lessee; provided that, if an Event of Default shall have occurred and be continuing or any amount is payable by

Lessee under this Lease, Lessor shall hold all such payments and apply them to amounts then or thereafter due and payable to Lessor or the Owner Participant by Lessee hereunder. In the case of any such claim by the Internal Revenue Service referred to above, Lessor agrees to notify Lessee promptly in writing of such claim and agrees not to make payment of the tax claimed nor to consent to the assessment of any deficiency relating to such claim for at least 30 days after the giving of such notice, to the extent permitted by applicable law, and agrees to cooperate with Lessee in good faith in order to effectively contest any such claim.

(f) Definition of Lessor. For purposes of this Section 10, the terms "Lessor" and "Owner Participant" shall include any member of the affiliated group, within the meaning of Section 1504 of the Code, of which Lessor or the Owner Participant, respectively, is a member. For purposes of this Section 10, the term "Lessor" shall mean the Lessor in both its individual and fiduciary capacities.

(g) Survival. The representations, warranties, indemnities and agreements of Lessor and Lessee provided for in this Lease, and the obligations of Lessor and Lessee hereunder, shall survive the expiration or other termination of this Lease.

(h) Effect of Other Indemnities. The obligations of Lessee under the indemnities provided for in this Lease shall be those of a primary obligor whether or not the Indemnified Person shall also be indemnified with respect to the same matter under the terms of any other document or instrument, and the Indemnified Person may proceed directly against Lessee without first seeking to enforce any other right of indemnification.

SECTION 11. FURTHER ASSURANCES; FURNISHING OF INFORMATION; NOTICE OF LOSS, REQUISITION, ETC.

(a) Further Assurances. Lessee covenants and agrees with Lessor that Lessee will take all action necessary to protect Lessor's and the Owner Participant's right, title and interest in and to, and the Long-Term Lenders' lien on, the Equipment except to the extent that such right, title and interest may be affected by any liability of the Lessor or the Owner Participant as a result of businesses or transactions unrelated to this Lease. In addition, Lessee will

promptly and duly execute and deliver to Lessor and the Owner Participant such further documents and assurances (including supplements and amendments hereto, if appropriate or necessary) and take such further action as Lessor or the Owner Participant may from time to time reasonably request in order to carry out more effectively the intent and purpose of this Lease and to establish and protect the rights and remedies created or intended to be created in favor of Lessor or the Owner Participant and their assigns hereunder.

(b) Periodic Information. Lessee will deliver to Lessor, the Owner Participant and each Long-Term Lender the following information:

(i) not later than 90 days after the close of each fiscal year of Lessee, a certificate of Lessee, signed by an authorized officer of Lessee, (A) to the effect that such officer has made, or caused to be made under his supervision, a review of the relevant terms of this Lease and that such review has not disclosed the existence during such accounting period, nor does the signer have knowledge of the existence as at the date of such certificate, of any condition or event which constitutes an Event of Default or an Incipient Default or, if any such condition has occurred and is continuing, what action Lessee is taking and proposes to take with respect thereto and (B) if Lessor, the Owner Participant or a Long-Term Lender shall so request listing, for each Item, the number of days in such fiscal year during the Lease Term during which such Item was within the United States and the number of days in such fiscal year during which such Item was not within the United States;

(ii) as soon as is practicable after the availability thereof, copies of any press releases, annual reports, documents, reports or final registration statements filed with the Securities and Exchange Commission pursuant to the Securities Act of 1933 or the Securities and Exchange Act of 1934;

(iii) not later than 90 days after the close of each fiscal year of Lessee, copies of the audited Consolidated Balance Sheet as of the last date of such fiscal year and the audited Consolidated

Statements of Income and Changes in Financial Position for such fiscal year, certified as having been prepared in accordance with generally accepted accounting principles consistently applied and presenting fairly the financial position of Lessee as of such dates and the results of its operations for such periods;

(iv) not later than 60 days after the close of each fiscal quarter of Lessee, copies of the unaudited Consolidated Balance Sheet as of the last date of such fiscal quarter and the unaudited Consolidated Statement of Income for such fiscal quarter;

(v) the annual insurance certificate required to be delivered to Lessor, the Owner Participant and the Long-Term Lenders pursuant to Section 15(c) hereof; and

(vi) such other information relating to the Equipment as Lessor, the Owner Participant or a Long-Term Lender may reasonably request.

(c) Notice of Loss, Requisition, Sale, Casualties. Lessee will forthwith give notice (containing full particulars) to Lessor, the Owner Participant and the Long-Term Lenders of (i) each Event of Loss (or an event which with the lapse of time would constitute an Event of Loss), (ii) requisition of the use of the Equipment by any governmental authority or persons acting under the color thereof, (iii) the attachment, levying upon, detention, sequestration or taking into custody of the Equipment in connection with any proceeding and (iv) each casualty, accident or damage to an Item involving an amount in excess of \$30,000.

SECTION 12. LIENS; ATTACHMENT.

(a) Liens. Lessee will not directly or indirectly create, incur, assume or suffer to exist any Lien (other than any Permitted Lien and the respective rights of Lessor and Lessee as herein provided) on or with respect to the Equipment, title thereto or any interest therein or in this Lease.

(b) Attachments. In the event that the Equipment shall be attached, levied upon, or taken into custody or detained or sequestered (any such event being referred to herein as an "attachment") by virtue of any proceeding in any court or tribunal or by governmental or other authority in any jurisdiction, Lessee will promptly give notice to Lessor, the Owner Participant and the Long-Term Lender of the attachment, and Lessee, at its own expense within 60 days thereafter, will cause the Equipment to be released and will cause all Liens on the Equipment in connection with the attachment to be discharged (whether by furnishing a surety bond or otherwise), and will forthwith notify Lessor, the Owner Participant and the Long-Term Lenders of such release and discharge; provided that Lessee's obligations under the foregoing sentence shall not arise if the attachment resulted from any action or inaction of Lessor, the Owner Participant, the Long-Term Lender or their agents which is unrelated to the terms of this Lease. If, within said 60-day period, the Equipment is not so released and any such Lien discharged, Lessor or the Owner Participant or a Long-Term Lender may, at its option but without obligation so to do, obtain such release and discharge, and all expenses of Lessor, the Owner Participant or such Long-Term Lender, respectively, in connection therewith shall be reimbursed by Lessee on demand.

SECTION 13. MAINTENANCE AND OPERATION; USE, ASSIGNMENT AND SUBLEASE BY LESSEE; INSPECTION, ETC. This Lease is a net lease. Lessee will have the entire responsibility for maintenance, repair and operation of the Equipment and all expenses and liabilities in connection therewith.

(a) Maintenance and Operation. Lessee, at its sole expense, shall maintain, service, repair and test the Equipment to the same extent as other corporations of established reputations using similar Equipment maintain, service and repair similar equipment owned or leased by such corporations and in any event at least to the same extent as Lessee maintains similar equipment owned or leased by it and to the extent required to maintain the Equipment in as good operating condition as when delivered, ordinary wear and tear excepted, including without limitation lining each of the tank cars before using them to transport any products and re-lining them in accordance with prudent industry practice, and in compliance in all material respects with all applicable requirements of law or of the federal, state or

local governmental authorities having jurisdiction. Lessee shall comply with such operating or repair standards and periodic maintenance inspections as are required to enforce warranty claims against the Manufacturers or which are otherwise established by the Manufacturers as normal operating procedures for the Equipment. Lessee will permit the Equipment to be used or operated only for the purposes for which the Equipment was designed, by qualified personnel, in accordance with good railroad practice and in compliance with all applicable requirements of the insurance policies maintained pursuant to Section 15 hereof. Lessee hereby agrees that, unless it has obtained the prior written permission of Lessor, the Owner Participant and the Long-Term Lenders, Lessee will use the Equipment only for the transportation of non-corrosive products which will not affect the engineer's estimate of useful life and residual value referred to in Section 9(vii) of this Lease, such as polycaprolactam pellets in the hopper cars and alcohol, butanol, isobutanol and butyl-acrylates in the tank cars. Lessee further agrees that it will use or cause the Equipment to be used within the United States on more than half the days in any year during which this Lease is in effect.

(b) Use, Assignment and Sublease by Lessee. So long as no Event of Default has occurred and is continuing, Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease, but, without the prior written consent of Lessor, the Owner Participant and the Long-Term Lenders, Lessee shall not assign, transfer or encumber any of its rights or interest under this Lease or its leasehold interest under this Lease in any of the Equipment. Lessee shall not permit (x) more than 15% (in number) of the Items to be at any one time in regular use, or assigned for regular use, outside the continental United States of America, (y) more than 5% (in number) of the Items to be at any one time in Mexico or (z) any Items to be located at any time outside the continental United States of America, Canada and Mexico. Lessee further agrees that it shall not, without the prior written consent of Lessor, the Owner Participant and the Long-Term Lenders, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Items, except that nothing in this paragraph (b) shall be deemed (i) to restrict the right of Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any Person into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of Lessee as an entirety or

substantially as an entirety, provided such Person shall have duly assumed the obligations of Lessee hereunder in a writing satisfactory to Lessor, the Owner Participant and the Long-Term Lenders; (ii) to prohibit the assignment of any account or contract right or the creation of a security interest in any general intangible for money due or to become due to the extent that prohibitions thereof or requirements as to consent thereto are ineffective under mandatory provisions of law; or (iii) to prohibit the sublease of any Item by Lessee under a written sublease to a railroad classified by the Interstate Commerce Commission as a Class I railroad, or to a responsible company for less than one year, and the receipt and retention of compensation therefor by Lessee from such railroad or company, provided that (A) no Event of Default or Incipient Default has occurred and is continuing, (B) every such sublease shall expressly subject the rights of the sublessee thereunder to the rights of Lessor, the Owner Participant and the Long-Term Lenders, in respect of Items covered by such sublease, (C) no such sublease shall relieve Lessee of any of its obligations under this Lease, including without limitation its obligations to maintain the Equipment and promptly discharge any Liens thereon, (D) no such sublease shall permit the use or operation of any Item outside the continental United States of America, and (E) Lessee shall notify Lessor, the Owner Participant and the Long-Term Lenders in writing of any such sublease and, at the request of Lessor, the Owner Participant or such Long-Term Lender shall provide Lessor, the Owner Participant or such Long-Term Lender with a copy of any such sublease.

(c) Inspection. Lessee will permit any persons designated by Lessor, the Owner Participant or a Long-Term Lender to inspect the Equipment, provided that any such inspection will not unduly interfere with the normal operation of the Equipment.

(d) Compliance with Laws. Lessee at its expense shall comply with all applicable governmental laws, rules and regulations including, without limitation, the rules of the U.S. Department of Transportation and the Interchange Rules of the Mechanical Division, Association of American Railroads, in effect from time to time pertaining to the possession, use, maintenance and operation of each Item. However, Lessee need not comply with any such law, rule or regulation while its validity or application is being contested in good faith by appropriate legal proceedings unless

failure to comply will have a material adverse effect upon Lessor's title to or the Owner Participant's interest in, or the Long-Term Lenders' lien on, the Equipment.

(e) Termination Because of Obsolescence. So long as no Event of Default and no Incipient Default shall have occurred and be continuing, in the event that, at any time after the tenth year of the Basic Term, the Board of Directors of Lessee shall have determined in good faith, as evidenced by a resolution of such Board, that for any reason the Equipment shall have become economically obsolete and no longer suited for use in Lessee's business or surplus to the requirements of Lessee (such determination being hereinafter called a "Termination Event"), then Lessee shall have the right, at its option exercisable within 30 days after the occurrence of such Termination Event by giving written notice thereof to Lessor, the Owner Participant and the Long-Term Lenders, to terminate this Lease with respect to no less than all the Equipment or with respect to either no less than all the hopper cars or no less than all the tank cars as to which this Lease is in effect (the "Terminated Items"), effective upon the third Rental Payment Date next following the giving of such notice (such effective date being hereinafter called the "Termination Date"), provided that the conditions hereinafter set forth shall have been satisfied on or before the Termination Date. During the period from the giving of such notice until the date 30 days prior to the Termination Date, Lessee, as agent for Lessor but at Lessee's own expense, shall use its best efforts to secure the highest obtainable bids for the purchase of Lessor's title to and the Owner Participant's interest in the Terminated Items for cash from independent parties "as is, where is". In the event it receives any bid during such period, Lessee shall forthwith certify to Lessor and the Owner Participant in writing the amount and terms of such bid and the name and address of the party (which shall be a financially responsible Person) submitting such bid. On the Termination Date (A) Lessor and the Owner Participant shall, without recourse or warranty, sell its interest in the Terminated Items for cash to the bidder, if any, who shall have submitted the highest bid during such period, (B) Lessee shall deliver possession of the Terminated Items in place to such bidder together with such easements and rights-of-way as may reasonably be required to enable such bidder to remove the Terminated Items and (C) Lessee shall pay to Lessor (x) an amount equal to the excess, if any, of the Termination Value as of the Termination Date

over the purchase price received by Lessor, after deducting from such purchase price the expenses incurred by Lessor or the Owner Participant in connection with such sale (including, but not limited to, commissions, reserves and premiums, advertising and administrative expenses, sales and other taxes, recording and filing fees, and legal fees and expenses), plus (y) an amount equal to the Basic Rent due and payable by Lessee hereunder as of the Termination Date, plus (z) all Supplemental Rent due and payable by Lessee hereunder as of the Termination Date. Neither Lessee nor any Person controlled by, controlling, or under common control with Lessee may lease or operate the Terminated Items after the Termination Date. If no sale shall occur on the Termination Date, this Lease (including the provisions of this Section 13(e)) shall continue in full force and effect. In the event of any such sale of all the Equipment as to which this Lease is in effect and the receipt by Lessor of the amounts described above, and upon compliance by Lessee with the provisions of this Section 13(e), the obligation of Lessee to pay Rent accruing hereunder after, but not on or before, the Termination Date shall cease, and the Lease Term shall end on the Termination Date. In the event of any such sale of either all the hopper cars or all the tank cars as to which this Lease is in effect and the receipt by Lessor of the amounts described above, and upon compliance by Lessee with the provisions of this Section 13(e), (A) the obligation of Lessee to pay Rent accruing hereunder with respect to the Terminated Items after, but not on or before, the Termination Date shall cease, (B) the Lease Term as to such Terminated Items shall end on the Termination Date, and (C) thereafter, Lessee shall pay Rent at the rental rate in effect as specified in Section 3 or 4 hereof on Lessor's Cost of those Items as to which this Lease is still in effect. Lessor and the Owner Participant shall be under no duty to solicit bids, to inquire into the efforts of Lessee to obtain bids or otherwise to take any action in connection with any such sale other than to transfer to the purchaser named in the highest bid certified by Lessee to Lessor and the Owner Participant, without recourse or warranty but free of Liens resulting solely from acts of Lessor and the Owner Participant, Lessor's and the Owner Participant's rights, title and interest in and to the Terminated Items against receipt of the payments provided for herein.

SECTION 14. REPLACEMENT OF PARTS; ALTERATIONS, MODIFICATIONS, SUBSTITUTIONS AND ADDITIONS; FURTHER ASSURANCES.

(a) Replacement of Parts. Unless an Event of Loss shall have occurred, Lessee, at its sole expense, will as promptly as practicable replace all appliances, parts, instruments, appurtenances, accessories and other equipment of whatever nature (herein collectively called "Parts") which are or may from time to time be incorporated or installed in or attached to any Item and which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use. Lessee shall not remove any Parts from any Item except for reasonable periods of time in the ordinary course of maintenance, service, repair or testing. All replacement Parts shall be free and clear of all Liens and rights of others except Permitted Liens, and shall be in as good operating condition as, and shall have a value and utility at least equal to, the Parts replaced, assuming such replaced Parts were in the condition and repair required to be maintained by the terms hereof. All Parts at any time removed from any Item shall remain the property of Lessor, no matter where located, until such time as such Parts shall be replaced by Parts which have been incorporated or installed in or attached to such Item and which meet the requirements for replacement Parts specified above. Immediately upon any replacement Part becoming incorporated or installed in or attached to any Item as above provided, without further act, (i) title to the removed Part shall vest in such Person as shall be designated by Lessee, free and clear of all rights of Lessor, (ii) title to such replacement Part shall vest in Lessor and (iii) such replacement Part shall become subject to this Lease and the lien of the Long-Term Lenders and be deemed part of the Equipment for all purposes hereof to the same extent as the Parts originally incorporated or installed in or attached to the Equipment.

(b) Alterations, Modifications, Substitutions and Additions. Unless an Event of Loss shall have occurred, Lessee, at its sole expense, shall make such alterations, modifications, substitutions and additions (herein collectively called "Alterations") to the Equipment as may be required from time to time to meet the requirements of law or of the federal, state or local governmental authorities having jurisdiction. In addition, Lessee, at its sole expense, may from time to time make such Alterations to the

Equipment as Lessee may deem desirable in the proper conduct of its business; provided that no such Alteration shall diminish the value, utility or condition of any Item below the value, utility or condition thereof immediately prior to such Alteration, assuming any Item was then in the condition and repair required to be maintained by the terms hereof. All Alterations required or permitted by this Section 14(b) shall be completed in good and workmanlike manner, with reasonable dispatch and in compliance with Section 13 hereof. In the event that any Alteration permitted by the second sentence of this Section 14(b) involves an improvement or addition to an Item and not a replacement or substitution of any Part or Parts originally constituting part of such Item, such Alteration shall be readily removable without causing damage to such Item. Immediately upon any Part becoming incorporated or installed in or attached to an Item as the result of Alterations required or permitted by this Section 14(b), without further act, title to such Part shall vest in Lessor and such Part shall become subject to this Lease and the lien of the Long-Term Lenders and be deemed part of the Equipment for all purposes hereof to the same extent as the Parts originally incorporated or installed in or attached to such Item, (i) if such Part is in replacement of or in substitution for, and not in addition to, any Part originally incorporated or installed in or attached to an Item at the time of the acceptance thereof hereunder or any Part in replacement of, or substitution for, any such original Part, or (ii) if such Part is required to be incorporated or installed in or attached to such Item pursuant to the requirements of law or of any federal, state or local governmental authority having jurisdiction. Title to all other Parts attached to the Equipment as the result of Alterations permitted by this Section 14(b) shall remain in Lessee, and such Parts shall not be deemed part of the Equipment and may be removed by Lessee at any time prior to the redelivery of the Equipment to Lessor hereunder as provided in Section 19 hereof. Any Part which is not so removed by Lessee shall become, without further act, the property of Lessor upon redelivery of the Equipment pursuant to this Lease.

(c) Further Assurances. Lessee shall execute and deliver to Lessor any instruments reasonably requested by Lessor to confirm the transfer to Lessor of ownership of any Part or Alteration to which Lessor is entitled pursuant to paragraph (a) or (b) of this Section.

SECTION 15. INSURANCE.

(a) Lessee to Insure. Lessee shall at its own expense provide and maintain insurance, with financially sound insurers of recognized responsibility, on or with respect to the Equipment and the operation thereof during the Lease Term as follows:

(i) insurance against loss or damage to the Equipment or any part thereof, which insurance shall be in amounts aggregating at all times not less than 110% of the then Stipulated Loss Value of the Equipment; provided that Lessee may self-insure against such risks by deductible provisions of up to \$50,000 for each event of loss or damage;

(ii) insurance against loss or damage to the person or property of others, which insurance shall be against such risks, in such form and in such amounts as would be carried by a prudent user of railroad cars similar to the Equipment; provided that in no event will such insurance be less than that which Lessee carries on equipment owned or leased by it similar to the Equipment.

(b) Named Insured. The policies of insurance required by this Section shall name Lessor, the Owner Participant and the Long-Term Lenders as additional named insureds as their interests may appear.

(c) Insurance Certificate. Lessee will, at its expense, furnish or cause to be furnished to Lessor, the Owner Participant and the Long-Term Lenders on the first Delivery Date, and within 30 days prior to each anniversary date of the first Delivery Date during the Lease Term, a certificate of insurance issued by a firm of independent insurance brokers of recognized standing, appointed by Lessee and satisfactory to Lessor, the Owner Participant and the Long-Term Lenders, setting forth the amounts and types of insurance carried and maintained with respect to each Item, the names of the insurers providing such insurance, the expiration dates of all insurance policies covering the

Equipment and such other relevant insurance matters as Lessor, the Owner Participant or a Long-Term Lender may reasonably request. During the Lease Term, Lessee will promptly notify Lessor, the Owner Participant and the Long-Term Lenders in writing of any and all changes in, or cancellations or suspensions of, the insurance coverage for the Equipment.

(d) Notice of Cancellation, Modification or Nonpayment. All policies or certificates evidencing insurance required to be carried and maintained by this Section 15 shall provide for at least 30 days' prior written notice by the underwriter, insurance company or fund, as the case may be, to Lessor, the Owner Participant and the Long-Term Lenders in the event of cancellation, expiration or modification of the coverage of any insurance or of nonpayment of any premium.

(e) Insurance and Other Payments. Upon the occurrence of an Event of Loss with respect to an Item, all amounts of insurance or recoveries or condemnation proceeds relating thereto shall be payable to Lessor. If no Event of Default and no Incipient Default has occurred and is continuing, proceeds of insurance or recoveries for losses not exceeding \$30,000 with respect to any Item may be paid directly to Lessee or any repair business designated by Lessee for repair of such Item. Any other proceeds of insurance received by Lessor with respect to damage to such Item which does not constitute an Event of Loss will be paid over by Lessor to Lessee or any repair business designated by Lessee to the extent required to reimburse Lessee or pay for repairs made to such Item as a result of the occurrence for which such insurance proceeds are received.

(f) Inspection of Insurance Documents. Lessee will permit representatives of Lessor, the Owner Participant and the Long-Term Lenders to inspect all cover notes, policies, binders and certificates of entry in protection and indemnity associations and all endorsements and riders amendatory thereof providing the insurance coverage required by this Section 15.

(g) Proof of Loss. Lessee will, at its own expense, make or cause to be made all proofs of loss and take, or cause to be taken, all other action necessary or appropriate to make collections from the underwriters of

insurance required to be carried and maintained by this Section 15. To that end, Lessor and the Owner Participant, at Lessee's expense, will execute such claim papers and other documents, take such action and furnish such information as Lessee may reasonably request.

(h) No Act Impairing Insurance. Lessee will not do or omit any act, or voluntarily suffer or permit any act to be done or omitted, whereby any insurance required to be carried or maintained hereunder shall or may be suspended, impaired or defeated, and will not suffer or permit the Equipment to be used in any manner, not permitted under the policies of insurance in effect.

(i) Insurance Payable Notwithstanding Action, Inaction, Etc. All insurance carried by Lessee under Subsection (a)(i) of this Section 15 shall provide that in respect of the respective interests of Lessor, the Owner Participant and the Long-Term Lenders in such policies the insurance shall not be invalidated by any action or inaction of Lessee or any other Person (other than of Lessor, the Owner Participant or a Long-Term Lender, as the case may be) and shall insure Lessor, the Owner Participant and the Long-Term Lenders regardless of any breach or violation of any warranty, declarations or conditions contained in such policies by Lessee or any other Person (other than by Lessor, the Owner Participant or a Long-Term Lender, as the case may be).

(j) Lessee's Insurance Primary, Etc. All insurance carried by Lessee hereunder shall be primary without right of contribution from any insurance carried by Lessor, the Owner Participant or a Long-Term Lender. In the event Lessee fails to maintain the insurance herein provided, Lessor, the Owner Participant or a Long-Term Lender may at its option maintain such insurance, and Lessee shall reimburse Lessor, the Owner Participant or such Long-Term Lender respectively, upon demand as Supplemental Rent for the costs thereof and for the expenses incurred in connection with maintaining such insurance.

SECTION 16. EVENTS OF DEFAULT. The following events shall constitute Events of Default (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any

order, rule or regulation of any administrative or governmental body or any legislative enactment of any legislative body):

(a) Lessee shall fail to make any payment of Interim Rent, Basic Rent or Renewal Rent within five days after the same shall become due in accordance with the terms hereof, or Lessee shall fail to make any payment of Supplemental Rent within ten days after written notice thereof given by Lessor, the Owner Participant or a Long-Term Lender to Lessee;
or

(b) Lessee shall relinquish possession or shall sublease the Equipment contrary to the provisions of this Lease or shall transfer or assign this Lease in violation of the terms hereof;
or

(c) Lessee shall fail to comply with any of the provisions of Section 15 hereof; or

(d) Lessee shall fail to perform or observe any covenant, condition or agreement to be performed or observed by it hereunder (other than those referred to in (a), (b) and (c) above) or under the Purchase Order Assignment, and such failure shall continue unremedied for a period of 30 days after Lessee has received written notice of such failure from Lessor, the Owner Participant or a Long-Term Lender; or

(e) any representation or warranty made by Lessee herein or in the Purchase Order Assignment, or any document or certificate furnished by Lessee in connection herewith or therewith, or in connection with the Purchase Agreement, shall prove at any time to be incorrect in any material respect as of the date made; or

(f) any obligation of Lessee for any payment in respect of Indebtedness having a then outstanding principal amount in excess of \$1,000,000 shall not be paid when the same becomes due, whether by acceleration or otherwise, after the expiration of any applicable grace period; or

(g) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of Lessee in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of Lessee, or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(h) Lessee shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking of possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of Lessee or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action in furtherance of any of the foregoing; or

(i) Lessee shall suffer any judgment in excess of \$100,000, or shall suffer any judgment, writ of attachment or execution or any similar process (regardless of the amount of the underlying judgment or claim, as the case may be) to be issued or levied against the Equipment, which judgment, writ or similar process is not released, stayed, bonded or vacated within 90 days after its issue or levy..

SECTION 17. REMEDIES.

(a) Election of Remedies. Upon the occurrence of any Event of Default and at any time thereafter so long as the same shall be continuing, Lessor may, at its option, declare this Lease to be in default; and at any time thereafter, so long as Lessee shall not have remedied all outstanding Events of Default, Lessor may do one or more of the

following with respect to the Equipment as Lessor in its sole discretion shall elect, to the extent permitted by, and subject to compliance with any mandatory requirements of, applicable law then in effect:

(i) demand in writing that Lessee, and Lessee shall thereupon, relinquish possession of the Equipment promptly to Lessor in the manner and condition required by, and otherwise in accordance with, all of the provisions of Section 19 hereof as if the Equipment were being redelivered at the end of the Lease Term; or Lessor, at its option, may enter upon the premises where the Equipment is located and take immediate possession of and remove the same or any part thereof by summary proceedings or otherwise, all without Lessor being liable for or by reason of such entry or taking of possession, whether for the restoration of damage to property caused by such taking or otherwise;

(ii) sell or cause the Equipment to be sold at public or private sale, as Lessor may determine, or dispose of, hold, use, operate, lease to others, dismantle or keep idle the Equipment as Lessor, in its sole discretion, may determine, all free and clear of any rights of Lessee except as hereinafter set forth in this Section 17 and without any duty to account to Lessee with respect to such action or inaction or for any proceeds with respect thereto;

(iii) whether or not Lessor shall have exercised, or shall thereafter at any time have exercised, any of its rights under clause (i) or (ii) of this subsection, give written notice to Lessee specifying a payment date (which shall be a Rental Payment Date) not earlier than ten days from the date of such notice (unless the final Rental Payment Date of the Lease Term occurs earlier than ten days from the date of such notice, in which case it shall be such final Rental Payment Date) when Lessee shall pay Lessor, on the payment date specified in such notice, as liquidated damages for loss of a bargain and

not as a penalty, all unpaid Rent due on or before the payment date specified in such notice, together with Interest on such unpaid Rent as provided in Section 5 hereof accrued to the date of the actual payment of such Rent, and an amount (which amount shall be specified by Lessor in such notice) equal to the excess, if any, of the Stipulated Loss Value on the date specified for payment in such notice over the fair market sales value of the Equipment (as defined in subsection (c) of this Section) as of the payment date specified in such notice (together with Interest on such amount from such specified payment date until the date of actual payment of such amount);

(iv) by written notice to Lessee specifying a payment date which shall be a Rental Payment Date not earlier than ten days from the date of such notice (unless the final Rental Payment Date during the Lease Term occurs earlier than ten days from the date of such notice, in which case it shall be such final Rental Payment Date), cause Lessee to pay to Lessor, and Lessee shall pay Lessor, on the payment date specified in such notice, as liquidated damages for loss of a bargain and not as a penalty, all unpaid Rent due on or before the payment date specified in such notice, together with Interest on such unpaid Rent as provided in Section 5 hereof accrued to the date of the actual payment of such Rent, and an amount equal to the Stipulated Loss Value on the date specified for payment in such notice (together with Interest on such amount from such specified payment date until the date of actual payment of such amount), and upon payment in full of all such amounts Lessor shall, without recourse or warranty, transfer all of Lessor's right, title and interest in and to the Equipment to Lessee; or

(v) rescind this Lease or exercise any other right or remedy which may be available to Lessor under applicable law or proceed by appropriate court action to enforce the terms hereof or to recover damages for the breach hereof.

(b) Default-Related Expenses. In addition, Lessee shall be liable, without duplication of any of the foregoing,

for all legal fees and other damages, losses, costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of the Equipment in accordance with the terms of Section 19 hereof or in placing the Equipment in the operating condition required by such Section and all damages and losses incurred by Lessor in the event that, as a result of the failure of Lessee to return the Equipment in accordance with the terms of Section 19 hereof, the amount of the proceeds received by Lessor with respect to the sale or other disposition or the use or operation of the Equipment is less than the amount of such proceeds which would have been so received had such failure not occurred.

(c) Fair Market Sales Value. For the purpose of subsection (a)(iii) above, the "fair market sales value" of the Equipment or an Item shall mean the value, not reduced by any transportation or installation cost, which would obtain in an arm's length transaction between an informed and willing buyer intending to put the Equipment or Item into operation and an informed and willing seller, neither of which is under any compulsion to buy or sell. The "fair market sales value" of the Equipment or an Item shall be determined by Lessee and Lessor by mutual agreement or, in the absence of agreement, as specified in an appraisal mutually agreed to by two recognized, independent appraisers, one of which appraisers shall be chosen by Lessor and one by Lessee. If either party shall fail to appoint an appraiser within 30 days after written notice to do so from the other party, then the appraiser chosen by such other party shall act alone and any appraisal prepared and delivered by him shall be binding upon Lessor and Lessee. If such two appraisers are appointed and cannot agree on the amount of such appraisal, an appraisal shall be prepared by a third independent appraiser chosen by mutual consent of such two appraisers. If each party has appointed an appraiser and such two appraisers cannot agree on the amount of such appraisal and fail to appoint a third appraiser within 30 days of their appointment, then either party may apply to any court having jurisdiction for an order making such appointment. Any appraiser appointed pursuant to the foregoing procedure shall be instructed to complete his appraisal within 25 days of his appointment. The cost of all appraisals under this Section 17 (including without limitation the fees and expenses of each appraiser) shall be borne by Lessee.

(d) Remedies Cumulative. Except as otherwise expressly provided above, no remedy referred to in this Section 17 is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to Lessor at law or in equity and the exercise or beginning of exercise by Lessor of any one or more of such remedies shall not preclude the simultaneous or later exercise by Lessor of any or all of such other remedies; provided that because liquidated damages have been agreed to by the parties hereto pursuant to subsections (a)(iii) and (a)(iv) of this Section for loss of a bargain (and not as a penalty), Lessor shall not be entitled to recover from Lessee as damages upon the occurrence of one or more Events of Default an amount in excess of the sum of the amounts referred to in said subsections (a)(iii) or (a)(iv), as the case may be, and any other amounts referred to in any other provision of this Section 17. No express or implied waiver by Lessor of any Event of Default shall in any way be, or be construed to be, a waiver of any future or subsequent Event of Default. To the extent permitted by applicable law, Lessee hereby waives any rights now or hereafter conferred by statute or otherwise which may require Lessor to sell, lease or otherwise use the Equipment or an Item in mitigation of Lessor's damages except to the extent set forth in this Section 17 or which may otherwise limit or modify any of Lessor's rights or remedies under this Section 17.

SECTION 18. LOSS OR DESTRUCTION; REQUISITION OF USE; PURSUIT OF CLAIMS.

(a) Loss or Destruction. On the Rental Payment Date next following the date of the occurrence of an Event of Loss, Lessee shall pay to Lessor an amount equal to the Stipulated Loss Value of the Equipment or Item with respect to which such Event of Loss has occurred (or, at the option of Lessee, if such Event of Loss occurred less than 30 days prior to the next Rental Payment Date, then on the last Business Day occurring prior to the 31st day after the occurrence of such Event of Loss, Lessee shall pay to Lessor an amount equal to Stipulated Loss Value plus Interest thereon computed from the Rental Payment Date next succeeding such Event of Loss to and including such last Business Day); provided that: (i) any such amounts of Stipulated Loss Value and Interest thereon (if any) shall be reduced by the amount

of the net insurance proceeds paid to the Long-Term Lenders or, if no Long-Term Debt shall be outstanding, to Lessor or the Owner Participant under any insurance policy maintained by Lessee pursuant to Section 15 hereof; (ii) if any such amounts of Stipulated Loss Value and Interest thereon (if any) shall be less than the net proceeds of any marshal's sale or similar disposition of the Equipment or Item, Lessor shall also receive the excess of such net proceeds over any such amounts of Stipulated Loss Value and Interest; and (iii) notwithstanding the occurrence of such Event of Loss, Lessee shall continue to be obligated to pay, and shall pay, all installments of Rent coming due with respect to the Equipment or Item on the Rental Payment Date next succeeding the occurrence of such Event of Loss, but no longer. In the event of payment in full (or as reduced) of Stipulated Loss Value with respect to the Equipment as provided above, Interest, if any, thereon and any installment of Rent then due, (a) the obligation of Lessee to pay Rent hereunder with respect to the Equipment or Item after the date of such payment in full (or as reduced) shall terminate and (b) the Lease Term with respect to the Equipment or Item shall end effective as of the date of such payment in full (or as reduced). Thereafter, Lessee shall pay Rent at the rental rate in effect as specified in Section 3 or 4 hereof on Lessor's Cost of those Items as to which this Lease is still in effect. Lessor shall have the right, but not the obligation, to transfer to Lessee, without recourse or warranty (except as to Lessor's own acts), all of Lessor's right, title and interest in and to the Equipment or Item, or Lessor may otherwise dispose of the Equipment or Item.

(b) Requisition of Use. Requisition of the use of the Equipment or an Item by any governmental authority or any Person acting under color of governmental authority shall not terminate this Lease, and Lessee shall continue to pay Rent without interruption or abatement and shall remain liable for all other obligations under this Lease. The time the Equipment or an Item is under any such requisition shall count as part of the Lease Term, and all of the terms and conditions of this Lease shall be applicable. Lessee shall be entitled, so long as no Event of Default and no Incipient Default shall exist, to the total amount of requisition rent and any other amount payable by such governmental authority or such Persons with respect to such requisition.

(c) Pursuit of Claims. Lessor hereby appoints Lessee its agent, so long as no Event of Default occurs and

is continuing, to pursue in the name of and for the account of Lessor, the Owner Participant and/or Lessee, as their interests may appear, at Lessee's cost and expense, any claims on account of any loss, destruction or requisition of use of an Item.

SECTION 19. REDELIVERY OF THE EQUIPMENT. As soon as practicable on or after the expiration of the Lease Term and subject to the exercise of Lessee's right to purchase all the Equipment pursuant to Section 6 hereof, Lessee will, at its own cost and expense and at the request of Lessor, assemble and redeliver possession of the Equipment, other than Items with respect to which the Lease Term has terminated pursuant to Section 18(a) of this Lease, in the state of repair provided for in Section 13(a) hereof to Lessor upon such storage track or tracks of Lessee as Lessee may select, and permit Lessor to store such Equipment on such tracks for a period not exceeding four months and transport the same, at any time within such four month period, to any reasonable place or places or to any connecting carrier for shipment, all as directed by Lessor, the movement and storage of such Equipment to be at the expense of Lessee but at the risk of Lessor. In connection with such assembly, Lessee will give prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Item has been interchanged or which may have possession thereof to return such Item to the designated storage location. During any such storage period Lessee will permit Lessor or the Owner Participant or any person designated by either of them, including the authorized representative or representatives of any prospective purchaser of any such Equipment or any Item, to inspect the same. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having competent jurisdiction Lessor or the Owner Participant shall be entitled to a decree against Lessee requiring specific performance of the covenants of Lessee so to assemble, deliver, store and transport the Equipment. If Lessor shall elect to abandon any Item with respect to which an Event of Loss shall have occurred or with respect to which, after the expiration of this Lease, Lessor shall have deemed an Event of Loss to have occurred or if for any other reason Lessor shall elect to abandon any Item after the expiration of this Lease, it may deliver written notice to such effect to Lessee and

Lessee shall thereupon assume all, and hold Lessor and the Owner Participant harmless from all liability arising in respect of any, responsibility of ownership thereof from and after receipt of such notice, but no such abandonment made in the event of the occurrence of an Event of Loss with respect to any Item shall relieve Lessee from the obligation of paying the Stipulated Loss Value of such Item to Lessor as provided in Sections 13(e) and 18(a) hereof.

SECTION 20. LONG-TERM DEBT; LESSOR'S ASSIGNMENT OR CREATION OF SECURITY INTEREST IN EQUIPMENT. Lessee acknowledges that it is contemplated that the Original Long-Term Lender will provide 55% of the aggregate Invoice Prices of the Items subject to this Lease by making loans to Lessor pursuant to the Purchase Agreement. Lessee will enter into the Lease Assignment Consent and will furnish such certificates, opinions and other documents on each Lending Date as may be required by the Purchase Agreement. Pursuant to the Purchase Agreement, the Lessor is assigning certain of its rights in this Lease to the Long-Term Lenders and is creating a security interest in the Equipment to secure the Long-Term Debt.

SECTION 21. NO SET-OFF, COUNTERCLAIM, ETC. Lessee's obligations to pay all Rent payable hereunder to Lessor or to an assignee of Lessor pursuant to Section 20 hereof shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any set-off, claim, counterclaim, recoupment, defense or other right which Lessee may have against Lessor or any other Person for any reason whatsoever, whether in connection with the transactions contemplated hereby or otherwise, (ii) any defect in the title, condition, design, operation, or fitness for use of, or any damage to or loss or destruction of, the Equipment or any interruption or cessation in the use or possession thereof by Lessee for any reason whatsoever, (iii) any insolvency, bankruptcy, reorganization or similar proceedings by or against Lessee, (iv) any claim to such Rent by any party other than Lessor or an assignee of Lessor pursuant to Section 20 hereof, (v) the invalidity or unenforceability of the Lease or any other infirmity therein or any lack of power or authority of Lessee or Lessor to enter

into the Lease or (vi) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing. If for any reason whatsoever this Lease shall be terminated in whole or in part by operation of law or otherwise, except as specifically provided in Sections 6, 17 and 18 herein, Lessee nonetheless agrees to pay to Lessor, at Lessee's option, either (a) an amount equal to each Rent payment at the time such payment would have become due and payable in accordance with the terms hereof had this Lease not been terminated in whole or in part or (b) an amount equal to the greater of Stipulated Loss Value on the next Rental Payment Date or the fair market value of the Equipment, in either case payable on the Rental Payment Date following the termination of the Lease. Lessee hereby waives, and hereby agrees to waive at any future time at the request of Lessor, to the extent now or then permitted by applicable law, 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 this Lease except in accordance with the express terms hereof. Each payment of Rent made by Lessee shall be final and Lessee shall not seek to recover all or any part of such payment from any party for any reason.

SECTION 22. NOTICES. Unless otherwise specified herein all notices, requests, demands or other communications to or from the parties hereto shall be in writing and deemed to have been duly given and made, in the case of letters, upon deposit in the mail postage prepaid; in the case of cables, when delivered to the cable company; and in the case of telexes, when sent and the appropriate answerback received. Any such notice, request, demand or communication shall be addressed (i) if to Lessee, at Drawer D, Williamsburg, Virginia 23185, Attention: Corporate Distribution Department, or to such other address as Lessee shall from time to time designate in writing to Lessor; (ii) if to Lessor, at One Constitution Plaza, Hartford, Connecticut 06115, Attention: Corporate Trust Department, or to such other address as Lessor shall from time to time designate in writing to Lessee; (iii) if to the Original Long-Term Lender, at John Hancock Mutual Life Insurance Company, Attention of Bond Department, John Hancock Place, P.O. Box 111, Boston, Massachusetts 02117, or to such other address as the Original Long-Term Lender shall from time to time designate in writing to Lessee, or, if to any other Long-Term Lender, to such address as it shall from time to time designate in

writing to Lessee; and (iv) if to the Owner Participant, at 522 Fifth Avenue, New York, New York 10036, Attention: Leasing Officer, or to such other address as the Owner Participant shall from time to time designate in writing to Lessee.

SECTION 23. LESSOR'S RIGHT TO PERFORM FOR LESSEE. If Lessee fails to perform any act or make any payment required to be made by it hereunder or which Lessor deems necessary for the maintenance and preservation of the Equipment and Lessor's title thereto and rights hereunder, or fails to perform or comply with any of its agreements contained herein, Lessor may (but shall not be required to) itself make such payment or perform or comply with such agreement (including, without limitation, payments for satisfaction of liens, insurance, repairs, taxes and levies), and the amount of such payment and the amount of the reasonable expenses, including legal expenses of Lessor incurred in connection with such payment or the performance of or compliance with such agreement, as the case may be, together with Interest thereon shall be deemed Supplemental Rent, payable by Lessee upon demand. The performance of any act or payment by Lessor shall not be deemed a waiver or release by Lessor of any obligation or default of Lessee.

SECTION 24. EXECUTION IN COUNTERPARTS. This Lease may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall constitute but one and the same instrument.

SECTION 25. AMENDMENTS. No term or provision of this Lease may be amended, modified, supplemented, waived, discharged or terminated except as otherwise permitted by the Lease Assignment Consent by an instrument in writing signed by the party hereto against which the enforcement of the amendment, modification, supplement, waiver, discharge or termination is sought.

SECTION 26. SEVERABILITY. To the extent permitted by applicable law Lessee and Lessor hereby waive any provision of law which renders any provision hereof invalid,

prohibited or unenforceable in any respect and agree that if any provision of this Lease is invalid, prohibited or unenforceable in any jurisdiction, such invalidity, prohibition or unenforceability shall not invalidate or render unenforceable such provision in any other jurisdiction and the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

SECTION 27. NO LIABILITY OF LESSOR. This Lease is intended by the parties to be totally net with respect to Lessor, and Lessor shall during the Lease Term have no responsibility with respect to the use, operation, maintenance or repair of the Equipment and shall have no financial liability with respect to costs, expenses, liabilities or losses in any way relating to the Equipment.

SECTION 28. AGREEMENT OF LEASE. This Lease shall constitute a lease agreement, and nothing herein shall be construed as conveying to Lessee any right, title or interest in the Equipment except as a lessee only.

SECTION 29. IDENTIFICATION MARKS; FURTHER ASSURANCES, ETC.

(a) Identification Marks. Before any Item is accepted under this Lease, Lessee shall:

(i) number it with a reporting mark as set forth in Schedule I hereto; and

(ii) mark it conspicuously and legibly on each side with a legend in letters not less than 2" in height as follows:

LEASED TO BADISCHE AND SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION

Thereafter, Lessee shall replace as soon as practicable any such reporting mark or legend that is removed, defaced or destroyed. Lessee shall make such changes in the legend as may be required to protect under the laws of the United States Lessor's title to and the interest of Lessor and the Owner Participant in the Equipment. Lessee shall not change

any car numbers unless it first files a statement of substitute numbers with Lessor and the Long-Term Lenders and in each public office where the Lease is filed or recorded.

Notwithstanding the provisions of the preceding paragraph, the Items accepted under this Lease prior to January 1, 1980, shall be marked conspicuously and legibly on each side with a legend in letters not less than 2" in height with the legend "LEASED TO BADISCHE", but in the event such legend shall at any time be removed, defaced or destroyed or in the event any Item bearing such legend shall be repainted, such legend shall be replaced with a legend complying with the provisions of the preceding paragraph.

Except as provided above, Lessee shall not permit anyone's name to be placed on the Equipment as a designation of ownership. However, the Equipment may bear names, initials, insignia or designations:

(i) to identify Lessee's or another's right to use the Equipment under the Lease; or

(ii) for advertising purposes.

Lessee, at its cost and expense, shall remove any such markings from an Item prior to its return to Lessor.

(b) Further Assurances. Lessee shall at its own expense do all such further acts as may be necessary to preserve and protect Lessor's ownership of and title to the Equipment, including but not limited to designating Lessor as the registered owner of the Equipment on any certificate or document of title, subject to the lien of the Long-Term Lenders.

(c) Recording. Upon the execution and delivery of this Lease, the Lease Assignment and the Security Agreement, Lessee will cause the same to be filed and recorded with the Interstate Commerce Commission in accordance with Section 11303 of the Interstate Commerce Act (49 U.S.C. § 11303). Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, reregister, rerecord or redeposit whenever required) any and all further instruments required by law or reasonably requested by

Lessor or a Long-Term Lender for the purpose of proper protection, to its satisfaction, of its title to or lien on the Items or for the purpose of carrying out the intention of this Lease. Without prior request or demand, Lessee will promptly furnish to Lessor certified copies of all instruments so filed, registered, recorded, deposited, refiled, reregistered, rerecorded and redeposited. Actions taken by Lessee pursuant to this Section shall be at Lessee's sole expense.

SECTION 30. COVENANT OF QUIET ENJOYMENT. So long as neither an Event of Default shall have occurred and be continuing nor an Event of Loss or requisition for use shall have occurred, Lessor covenants and agrees with Lessee that Lessee shall and may quietly have, hold and enjoy the Equipment free and clear from repossession or disturbance by Lessor or its officers, agents, employees or servants or by anyone (including a Long-Term Lender) claiming by, through or under Lessor.

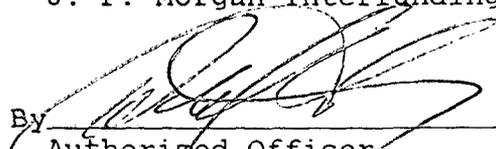
SECTION 31. MISCELLANEOUS. The terms and provisions of this Lease shall be binding upon and inure to the benefit of Lessor, Lessee, the Owner Participant, the Long-Term Lenders and their respective successors and assigns. Lessor and Lessee hereby agree that if any provision of this Lease shall call for the payment of interest or any amount equivalent to interest and the rate or amount thereof would exceed the maximum rate or amount permitted by applicable law, then such rate or amount shall be reduced to such maximum rate or amount. The section and paragraph headings in this Lease and the table of contents are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof and all references herein to numbered sections, unless otherwise indicated, are to sections of this Lease.

SECTION 32. GOVERNING LAW. This Lease is being delivered in the State of New York and shall be governed by, and construed in accordance with, the laws of the State of New York; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

SECTION 33. CONFIDENTIALITY. Wherever under this Lease Lessee is required or requested to furnish written reports or other documents to Lessor or the Owner Participant, Lessor and the Owner Participant agree to treat such information as confidential and proprietary to Lessee, provided that nothing in this paragraph shall be deemed to restrict the rights of Lessor or the Owner Participant, respectively, to furnish such reports or documents to its affiliates, its independent accountants, auditors or counsel, its creditors, any regulatory authority, or any transferee of its rights, title or interest under this Lease, the Purchase Order Assignment or the Owner Trust Agreement.

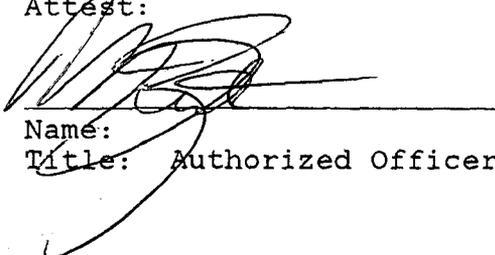
IN WITNESS WHEREOF, Lessor and Lessee have each caused this Agreement to be duly executed as of the day and year first above-written.

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Owner Trustee under an Amended and Restated Owner Trust Agreement dated as of November 1, 1979 between the Owner Trustee and J. P. Morgan Interfunding Corp.

By 
Authorized Officer

[Seal]

Attest:


Name:
Title: Authorized Officer



BADISCHE CORPORATION

By _____
Name:
Title:

[Seal]

Attest:

Name:
Title: Assistant Secretary

SCHEDULE I

DESCRIPTION OF EQUIPMENT

<u>Manufacturer</u>	<u>Number of Items</u>	<u>Description</u>	<u>Reporting Marks</u>	<u>Time of Delivery</u>	<u>AAR Mechanical Designation</u>	<u>AAR Car Type Code</u>
<u>A. Equipment delivered prior to December 31, 1979:</u>						
ACF Industries Incorporated	15	DOT 111A100W1 26,800-gallon noncoiled, noninsulated tank cars equipped with 100-ton roller bearing trucks; for the transportation of industrial alcohols.	DBCX 201 through 215, inclusive	4th quarter 1979	TM	T-000
ACF Industries Incorporated	14	5,250 cubic foot center-flow covered hopper cars equipped with 100-ton roller bearing trucks and 20-inch diameter Knapp hatches. Also equipped with No. 5130 outlets with 5 psi in transit features; for the transportation of polycaprolactum pellets.	DBCX 308 through 321, inclusive	4th quarter 1979	LO	L-354

SCHEDULE I (continued)

<u>Manufacturer</u>	<u>Number of Items</u>	<u>Description</u>	<u>Reporting Marks</u>	<u>Time of Delivery</u>	<u>AAR Mechanical Designation</u>	<u>AAR Car Type Code</u>
B. <u>Equipment to be delivered after December 31, 1979:</u>						
ACF Industries Incorporated	12	5,250 cubic foot center- flow covered <u>hopper cars</u> equipped with 100-ton roller bearing trucks and 20-inch diameter Knapp hatches. Also equipped with No. 5130 out- lets with 5 psi in transit features; for the transporta- tion of polycaprolactum pellets.	DBCX 322 through 333, inclusive	2nd quarter 1980 (esti- mated)	LO	L-354
(To be desig- nated by the lessee)	34	4,750 cubic foot aluminum covered <u>hopper cars</u> equipped with 100-ton roller bearing trucks and oblong hatches and gravity feed outlets; for transportation of fertilizers.	DBCX 151 through 184, inclusive	4th quarter 1980 (esti- mated)	LO	L-153

SCHEDULE II

STIPULATED LOSS VALUE TABLE

<u>Rental Payment Date</u>	<u>Stipulated Loss Value for Items Delivered prior to December 31, 1979 (as a percent of Lessor's Cost)</u>	<u>Stipulated Loss Value for Items Delivered after December 31, 1979 (as a percent of Lessor's Cost)</u>
Interim and 1	105.69	109.61
2	106.66	111.08
3	107.43	111.74
4	108.12	112.16
5	108.75	112.33
6	109.31	112.72
7	109.82	113.26
8	110.24	113.70
9	110.63	114.03
10	110.93	110.52
11	111.16	110.75
12	111.33	106.58
13	103.31	106.64
14	103.36	106.68
15	103.35	106.64
16	103.28	106.52
17	103.16	106.33
18	102.98	97.97
19	102.75	97.69
20	102.46	97.33
21	93.99	96.90
22	93.60	96.45
23	93.17	95.94
24	92.68	95.37
25	92.14	94.73
26	91.57	91.11
27	90.95	90.50
28	90.28	84.47
29	81.44	83.66
30	80.70	82.83
31	79.92	81.98
32	79.10	81.11
33	78.25	80.20
34	77.37	79.28
35	76.47	78.33
36	75.54	77.35
37	74.59	76.35
38	73.61	75.33
39	72.61	74.28
40	71.58	73.21

<u>Rental Payment Date</u>	<u>Stipulated Loss Value for Items Delivered prior to December 31, 1979 (as a percent of Lessor's Cost)</u>	<u>Stipulated Loss Value for Items Delivered after December 31, 1979 (as a percent of Lessor's Cost)</u>
41	70.54	72.13
42	69.47	71.02
43	68.38	69.90
44	67.28	68.75
45	66.16	67.59
46	65.02	66.42
47	63.87	65.23
48	62.70	64.03
49	61.53	62.81
50	60.34	61.58
51	59.14	60.35
52	57.93	59.10
53	56.72	57.84
54	55.49	56.57
55	54.25	55.28
56	53.00	53.99
57	51.73	52.68
58	50.45	51.35
59	49.16	50.01
60	47.85	48.66
61	46.53	47.29
62	45.20	45.91
63	43.85	44.51
64	42.48	43.10
65	41.10	41.67
66	39.71	40.22
67	38.30	38.76
68	36.87	37.28
69	35.43	35.79
70	33.98	34.28
71	32.50	32.76
72	31.02	31.22
73	29.51	29.66
74	27.99	28.02
75	26.45	26.50
76	24.90	24.95
77	23.30	23.37
78	21.69	21.75
79	20.07	20.13
80 and thereafter	18.43	18.50

SCHEDULE III

TERMINATION VALUE TABLE

<u>Rental Payment Date</u>	<u>Termination Value for Items Delivered prior to December 31, 1979 (as a percent of Lessor's Cost of Terminated Items)</u>	<u>Termination Value for Items Delivered after December 31, 1979 (as a percent of Lessor's Cost of Terminated Items)</u>
Interim and 1	102.62694	106.55205
2	103.55313	107.96978
3	104.27805	108.58932
4	104.91628	108.96219
5	105.50382	109.08283
6	106.01332	109.41880
7	106.46596	109.90987
8	106.84435	110.29828
9	107.17603	106.77406
10	107.42470	107.01906
11	107.60853	102.87009
12	99.57915	102.96512
13	99.64393	102.97790
14	99.63880	102.96065
15	99.57716	102.86425
16	99.44637	102.69108
17	99.27146	94.29952
18	99.03435	94.02156
19	98.74550	93.67594
20	90.25231	93.25891
21	89.85664	92.76877
22	89.40683	92.25485
23	88.91040	91.68347
24	88.35441	91.04676
25	87.75828	87.28855
26	87.11654	86.65627
27	86.43369	80.70850
28	77.55683	79.87946
29	76.78213	79.00317
30	75.97088	78.10712
31	75.12444	77.18310
32	74.23178	76.23425
33	73.30664	75.25990
34	72.35243	74.25937
35	71.37257	73.23194
36	70.36638	72.17690
37	69.33566	71.09904
38	68.27975	69.99774
39	67.19796	68.87237
40	66.08961	67.72228

<u>Rental Payment Date</u>	<u>Termination Value for Items Delivered prior to December 31, 1979 (as a percent of Lessor's Cost of Terminated Items)</u>	<u>Termination Value for Items Delivered after December 31, 1979 (as a percent of Lessor's Cost of Terminated Items)</u>
41	64.96096	66.55279
42	63.81148	65.36339
43	62.64059	64.15352
44	61.44772	62.92265
45	60.23899	61.67595
46	59.01396	60.41301
47	57.77220	59.13338
48	56.51325	57.83662
49	55.24306	56.52778
50	53.96133	55.20653
51	52.66774	53.87253
52	51.36198	52.52545
53	50.04447	51.16575
54	48.71490	49.79308
55	47.37294	48.40709
56	46.01826	47.00744
57	44.64865	45.59238
58	43.26369	44.16149
59	41.86298	42.71434
60	40.44609	41.25051
61	39.01360	39.77057
62	37.56507	38.27410
63	36.10009	36.76065
64	34.61821	35.22976
65	33.12002	33.68205
66	31.60509	32.11706
67	30.07296	30.53434
68	28.52318	28.93340
69	26.95635	27.31488
70	25.37204	25.67832
71	23.76976	24.02322
72	22.14904	22.34909
73	20.51051	20.65660
74	18.85371	18.94525
75	17.17814	17.22129
76	15.48330	15.53949
77	13.74640	13.81249
78	11.98858	12.05023
79	10.22005	10.28373
80 and thereafter	8.43798	8.50360

4. Equipment

General purpose and covered hopper rail cars.

5. Lessor's Cost

The purchase price payable to the Manufacturer plus freight charges if any, up to a total amount of \$5,000,000. Interfunding will provide equity equal to approximately 45% of Lessor's Cost.

6. Lease Term

The lease term (the "Lease Term") shall consist of (i) an interim period (the "Interim Term") beginning on the first delivery date, and ending on the earlier of the last delivery date or December 31, 1980 and (ii) a 20-year period (the "Basic Term") thereafter.

7. Rentals

Rent for the Interim Term ("Interim Rent") will be an amount equal to interest on Lessor's Cost from the respective delivery dates through the final delivery date at a rate equal to the minimum commercial lending rate posted from time to time by Morgan Guaranty Trust Company for borrowings by its prime customers (the "Prime Rate") until the long term lenders have made their funds available and thereafter at a rate per annum equal to the interest rate on the long-term debt (the "Debt Rate") and will be payable quarterly in arrears, accruing from the first delivery date. Rent for the Basic Term ("Basic Rent") will be payable ~~semiannually~~ quarterly in arrears, and, assuming a Debt Rate of 10.75% ~~10%~~, will be as follows:

Quarterly		
semiannual Basic Rent		1.92027%
as % of Lessor's Cost		3x72000x <i>llh</i>
		10.75%

If the Debt Rate differs from ~~10%~~ p.a., or *llh* if deliveries occur in the first half of 1980, Basic Rent will be adjusted to maintain Interfunding's anticipated after-tax rate of return and periodic after-tax cash flow.

8. Long-Term Debt

Long-term lenders will provide approximately 55% of Lessor's Cost by making loans to the Owner Trust (the "Long-Term Debt"). The Fund-

ing Services Group of our independent affiliate Morgan Guaranty Trust Company, would be pleased to seek commitments from long term lenders on the Lessee's behalf. The Long-Term Debt will be without recourse to the Lessor or Interfunding and will be secured by an assignment of the Rentals and other amounts payable under the Lease (except for tax and other indemnification payments which are for the benefit of Interfunding and the Lessor) and a security interest in the Equipment. A payment equal to interest only on the Long-Term Debt would be due on the first day of the Basic Term. Thereafter, installments of principal and interest on the Long-Term Debt will be payable semiannually in arrears over a 20-year period coinciding with the Basic Term of the Lease. In any event of default resulting from the nonpayment of any of the Lessee's monetary obligations under the Lease, Interfunding will have the option of curing such default by making payments on behalf of the Lessee and may prepay the Long-Term Debt without penalty. Interfunding reserves the right to reduce the amount of the Long-Term Debt as a percentage of Lessor's Cost or to alter the amortization schedule, provided that no such change in the amount or amortization schedule of the Long-Term Debt may require a change in the Basic Rent.

Chu
9. Tax Matters

*Provided, however, that Lessee shall not be required to indemnify Lessor or Interfunding against any penalties, interest or other fees imposed on such taxes or other charges that are not paid when due, where the failure to pay such taxes or other charges when due is due to the failure of Lessor or Interfunding to Reasonably advise Lessee of the amount or due date of such taxes or charges of which Lessor or Interfunding has been notified out of which Lessee is without knowledge.

The Lessee will pay and will indemnify the Lessor and Interfunding on an after-tax basis against any and all taxes or other charges relating to the Equipment, the Lease and other financing documents and the transactions contemplated hereby or thereby except for Federal income taxes of Interfunding and state and local franchise taxes of Interfunding imposed by the jurisdiction in which Interfunding has its principal office.*
In addition, if any of the Assumed Tax Consequences set forth in Schedule I hereto are not obtained, the Lessee will indemnify Interfunding or agree to an increase in the Basic Rent so that the Net Economic Return of Interfunding contemplated at the time of execution of this commitment letter will be preserved.

Chu

The Lessee will indemnify the Lessor and Interfunding on an after-tax basis if any payments by the Lessee for maintenance, repairs, alterations or improvements are treated as income to the Lessor or Interfunding. The Lessee may require Interfunding to contest any proposed adjustment by the IRS which would require indemnification, provided that (i) Interfunding will have the sole discretion to forego or pursue administrative remedies or appeals, pay the tax and sue for refund, choose the court in which to conduct the contest and require the Lessee to conduct the contest, (ii) all costs and expenses of the contest (including fees and disbursements of Interfunding's outside counsel) will be paid by the Lessee and (iii) the Lessee will provide funds on an interest-free basis for payment of the tax if a refund suit is contemplated.

10. General Indemnification

The Lessee will indemnify Interfunding against any and all expenses, liabilities or losses relating to or in any way arising from the proposed transaction or the construction, purchase, ownership or operation of the Equipment.

11. Net Lease

The Lessee will have the entire responsibility for maintenance, repair and operation of the Equipment and all expenses and liabilities in connection therewith.

12. Insurance

The Lessee will provide property and liability insurance with financially sound and reputable insurers covering such risks, in such amounts and on such terms and conditions as are satisfactory to Interfunding. Generally, insurance required to be carried will be consistent with prudent industry practice, and in no event less than insurance which is in effect from time to time for similar equipment owned or leased by the Lessee, and, in the case of property insurance, no less than 110% of the prevailing stipulated loss value. The Lessee will provide Interfunding with an annual certificate of an independent insurance broker acceptable to Interfunding to the effect that the Lessee

Mr. W. H. Bryant

Page Five

has complied with the insurance covenant. All insurance policies shall name the Lessor and Interfunding as additional insureds and loss payees as their interests may appear and shall provide for 30 days' prior written notice before any cancellation or material modification of coverage shall become effective.

13. Maintenance

The Lessee at its own expense will maintain, service, repair and test the Equipment so as to keep it in as good operating condition as when delivered, ordinary wear and tear excepted, and in compliance with any and all applicable laws and regulations.

14. Loss, Obsolescence

The Lease will provide that in the event of actual or constructive total loss of the Equipment or in the event of condemnation, the Lessee will be liable to the Lessor for any difference between stipulated loss value and any net proceeds of insurance or condemnation received by the Lessor.

So long as no event of default or other event which would give rise to an event of default has occurred and is continuing, the Lessee will have the right at any time after the tenth year of the Basic Term to terminate the Lease with respect to no less than all the Equipment if, in the opinion of the Board of Directors of the Lessee, the Equipment is obsolete or surplus to the requirements of the Lessee. In such a case the Lessee will be required, at its own expense, to seek cash bids from independent parties and to arrange for the Equipment to be sold. If the net sale proceeds received by the Lessor are less than the termination value, the Lessee will be liable to the Lessor for the difference. If no sale can be arranged, the Lease will continue in full force and effect.

Proposed stipulated loss and termination value schedules will be furnished by Interfunding at a later date.

15. Options to Renew,
Purchase

The Lessee will have an option to renew the

Lease for a renewal term of 5 years at one-half the Basic Rent, provided that Interfunding is supplied with sufficient support that the IRS guidelines as to useful life and residual value will be met at the end of such fixed rate renewal term. The Lessee may purchase no less than all of the Equipment at the end of the renewal term for its then prevailing fair market sales value.

16. Fees & Expenses

(A) Transaction Expenses. If the transaction is consummated, Interfunding will pay Transaction Expenses (defined below) up to 2% of Lessor's Cost. If Transaction Expenses exceed 2% of Lessor's Cost, the excess will be added to Lessor's Cost and financed by Interfunding and Basic Rent will be adjusted to maintain Interfunding's after tax rate of return and periodic recovery of net cash flow. If the transaction is not consummated all Transaction Expenses will be paid by the Lessee.

Transaction Expenses will include the debt placement fee, legal expenses of the long-term lenders and Interfunding, printing costs, and the initial and ongoing fees and expenses of the trustees. Counsel for the long term lenders will be Cravath, Swaine and Moore and such counsel will prepare the documents.

Klu
(B) Upset fee. If the transaction is not consummated by December 31, 1980 for any reason which is beyond the control of Interfunding and within the control of Lessee, the Lessee will pay to Interfunding an upset fee of \$100,000.

~~(B) Upset fee. If the transaction is not consummated by December 31, 1980 for any reason which is beyond the control of Interfunding, the Lessee will pay to Interfunding an upset fee of \$100,000.~~ *Ulu*

17. Conditions to Commitment

Interfunding's obligation hereunder is subject to closing conditions which we and our counsel consider customary, including (a) execution of the Lease and all related documents in form and substance satisfactory to Interfunding, (b) receipt of a favorable opinion from our independent tax counsel as to the tax consequences of the proposed transaction in form and substance satisfactory to Interfunding, (c) the long term debt being placed by the earlier of the final

delivery date or December 31, 1980, (d) receipt of an opinion of an independent appraiser approved by Interfunding as to the residual value and useful life of the Equipment in form and substance satisfactory to Interfunding, (e) a determination that, as of each delivery date, no material adverse change has occurred in the financial condition, results of operations or prospects of the Lessee and (f) all licenses, easements, approvals and closing documentation deemed necessary by Interfunding and its counsel having been obtained in form and substance satisfactory to Interfunding.

18. Participations

Interfunding reserves the right at its own expense to participate any portion of its equity commitment to another eligible equity investor or to transfer its interest to any affiliate in the Morgan Companies.

19. Further Negotiations

While the parties are committed to the principal terms set forth herein, it is understood that, in view of the complexity of the proposed transaction, other issues of substance will have to be discussed and resolved as well as the precise form of the documents eventually executed by the parties. Interfunding and the Lessee both agree to use their best efforts to consummate the transaction on a mutually satisfactory basis.

Mr. W. H. Bryant

Page Eight

We appreciate the opportunity to present this proposal for your consideration and we will be happy to discuss in detail any questions you might have.

Sincerely,

J. P. MORGAN INTERFUNDING CORP.

By *William J. Matanti*

The foregoing terms and conditions are hereby accepted and agreed to.

BADISCHE CORPORATION

AWP
By *A. H. Messing*

Title: Financial Vice President

Date: September 28, 1979

Schedule I

Assumed Tax Consequences

The tax consequences set forth below are assumed to be applicable for Federal, state and local income and franchise tax purposes, except that Investment tax credit and the Federal tax rate are assumed only for Federal purposes.

<u>Lease</u>	The Lease will be treated as a true lease.
<u>Owner Trust</u>	The Owner Trust will be treated as a grantor trust or (if there is more than one equity participant) as a partnership for Federal income tax purposes.
<u>Basis for Investment Credit and Depreciation</u>	100% of Lessor's Cost.
<u>Investment Tax Credit</u>	10%.
<u>Depreciation</u>	200% declining balance switching to sum of the years' digits on the half year convention (6 months of depreciation in the year of delivery) to a net salvage value of zero. Depreciation period of 12 years.
<u>Delivery Date</u>	The Equipment will go into service for tax purposes on the Delivery Date.
<u>Initial Federal Tax Rate</u>	46%.
<u>Interest Deductions</u>	All payments of interest in respect of the Long-Term Debt will be deductible.
<u>Transaction Expenses</u>	Transaction Expenses borne by Interfunding and not included in Lessor's Cost may be amortized or depreciated at a rate at least as rapid as straight line over the Basic Term.

EXHIBIT B

FORM OF LESSEE'S CERTIFICATE OF ACCEPTANCE

CERTIFICATE OF ACCEPTANCE NO. _____

BADISCHE CORPORATION ("Lessee") certifies that:

1. Pursuant to Section 2(a) of the Amended and Restated Lease Agreement dated as of November 1, 1979 (the "Lease"), between Lessee and THE CONNECTICUT BANK AND TRUST COMPANY, as Owner Trustee ("Lessor"), Lessee has inspected and accepted delivery of the units of railroad equipment (the "Items") shown on Schedule 1 hereto. Those Items were accepted at the place and on the date shown below:

Place Accepted:

Date Accepted:

2. To the extent Lessee's inspection can determine, each Item:

(a) is in good order and condition;

(b) conforms to the Purchase Order's specifications for it in all material respects; and

(c) conforms to applicable rules, regulations and specifications of the U.S. Department of Transportation and Interchange Rules of the Mechanical Division, Association of American Railroads.

3. No Item has been put into service prior to the date hereof.

4. The legend required by Section 29(a) of the Lease is conspicuously and legibly placed on both sides of each Item in letters not less than 2" in height.

5. Lessee has complied with all agreements and conditions in the Lease which it is required to comply with on or before the date hereof.

Schedule 1

(To Certificate of Acceptance No. _)

DESCRIPTION OF EQUIPMENT

Number of Items:

Description:

Reporting Marks:

Time of Delivery:

AAR Mechanical Designation:

AAR Car Type Code:

EXHIBIT C

AMENDED AND RESTATED
PURCHASE ORDER ASSIGNMENT

dated as of November 1, 1979

between

THE CONNECTICUT BANK AND TRUST COMPANY,
AS OWNER TRUSTEE,

LESSOR

and

BADISCHE CORPORATION,

LESSEE

TABLE OF CONTENTS*

	PAGE
Parties	1
Recitals	1
SECTION 1. Definitions	2
SECTION 2. Assignment	2
SECTION 3. Liability of Lessee	2
SECTION 4. Representations and Warranties of Lessee	3
SECTION 5. Power of Attorney	3
SECTION 6. Further Actions by Lessee	3
SECTION 7. Consent and Agreement	3
SECTION 8. Counterparts	4
SECTION 9. Governing Law	4
Signature Page	4

EXHIBIT

EXHIBIT A Form of Consent and Agreement

* The Table of Contents is not a part of this Assignment.

AMENDED AND RESTATED PURCHASE ORDER ASSIGNMENT dated as of November 1, 1979 (the "Assignment") between BADISCHE CORPORATION, a Delaware corporation ("Lessee"), and THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not in its individual capacity but solely as Owner Trustee under an Amended and Restated Owner Trust Agreement dated as of November 1, 1979 between the Owner Trustee and J. P. Morgan Interfunding Corp. ("Lessor").

W I T N E S S E T H :

WHEREAS, Lessee has entered into, or expects to enter into, certain purchase orders (the "Purchase Orders") with Amcar Division of ACF Industries, Incorporated and another manufacturer (the "Manufacturers") providing for the delivery of the Equipment (as defined in the Lease hereinafter referred to); and

WHEREAS, Lessee and Lessor have entered into an Amended and Restated Lease Agreement dated as of November 1, 1979 (the "Lease") which sets forth terms and conditions pursuant to which Lessee shall lease the Equipment from Lessor; and

WHEREAS, Lessee and Lessor have heretofore entered into the Purchase Order Assignment dated as of November 1, 1979, providing for the assignment of certain of the Purchase Orders and the parties desire to amend such Purchase Order Assignment in order to provide for the assignment of the balance of the Purchase Orders and to make certain other amendments to such Purchase Order Assignment.

NOW, THEREFORE, the Owner Participant and the Owner Trustee hereby agree that such Purchase Order Assignment shall be, and it hereby is, amended and restated in its entirety to read as follows:

SECTION 1. DEFINITIONS. Capitalized terms used in this Assignment which are not otherwise defined herein shall have the meanings set forth in the Lease.

SECTION 2. ASSIGNMENT. Lessee assigns to Lessor, and Lessor accepts the assignment of, all Lessee's rights and interests in and to the Equipment and the Purchase Orders as and to the extent that the same relate to the Equipment,

including, without limitation, (a) the right to purchase each Item and to take title thereto pursuant to the applicable Purchase Order, (b) the right to all claims for damages arising as a result of any failure to any Manufacturer to observe or perform any of the terms of any Purchase Order, (c) the right to all claims under and to all benefits of any warranties and indemnities extended by the Manufacturers, and (d) the right to compel performance of the terms of any Purchase Order.

If and so long as Lessor shall not have notified the Manufacturers in writing that an Event of Default under the Lease has occurred and is continuing, Lessee is authorized on behalf of Lessor, to exercise all rights of the purchaser (other than the right to purchase and take title to the Equipment) under all Purchase Orders and to retain for Lessee's account any recovery resulting from the enforcement of any warranty, indemnity or right to damages under the Purchase Orders or otherwise existing against the Manufacturers in respect of the Equipment.

SECTION 3. LIABILITY OF LESSEE. It is expressly agreed that, notwithstanding any provision of this Assignment:

(a) Lessee shall at all times remain liable to the Manufacturers to perform all of the duties of the purchaser under the Purchase Orders to the same extent as if this Assignment had not been executed except as provided in clause (c) below with respect to items accepted by Lessee on behalf of Lessor;

(b) the execution of this Assignment shall not modify any contractual rights or liabilities of the Manufacturers under the Purchase Orders; and

(c) Lessor shall not have any obligation or liability under the Purchase Orders by reason of this Assignment, other than the obligation of Lessor to pay the purchase price for the Equipment under the terms and conditions set forth in the Lease.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF LESSEE. Lessee represents and warrants that:

(a) Lessee is not in default in any material respect under any Purchase Order and each Purchase Order is, or will be, upon acceptance thereof by

the Manufacturer relating thereto, enforceable against Lessee in accordance with its terms; and

(b) Lessee has not assigned or pledged, and hereby covenants that it will not assign or pledge so long as this Assignment shall remain in effect, the whole or any part of the rights hereby assigned to anyone other than Lessor.

SECTION 5. POWER OF ATTORNEY. Lessee does hereby constitute, effective at any time after Lessor has declared the Lease to be in default and thereafter so long as Lessor has not rescinded such declaration thereunder, Lessor, its successors and assigns, Lessee's true and lawful attorney, irrevocable, with full power (in the name of Lessee or otherwise) to ask, require, demand, receive, compound and give acquittance for any and all monies and claims for money due and to become due under, or arising out of, the Purchase Orders in respect of the Equipment, to enforce any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which to Lessor may seem to be necessary or advisable in the premises.

SECTION 6. FURTHER ACTIONS BY LESSEE. Lessee agrees that at any time and from time to time, upon the written request of Lessor, Lessee will promptly and duly execute and deliver any and all such further instruments and documents and take such further action as Lessor may reasonably request in order to obtain the full benefits of this Assignment and of the rights and powers herein granted.

SECTION 7. CONSENT AND AGREEMENT. Payment for each Item by Lessor to the Manufacturer thereof shall be subject to the prior receipt by Lessor of the Consent and Agreement in substantially the form attached hereto as Exhibit A and duly executed by such Manufacturer.

SECTION 8. COUNTERPARTS. This Assignment may be executed by the parties hereto in any number of counterparts, each of which when so delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 9. GOVERNING LAW. This Assignment is delivered in the State of New York and shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be duly executed as of the day and year first above written.

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Owner Trustee under an Amended and Restated Owner Trust Agreement dated as of November 1, 1979 between the Owner Trustee and J. P. Morgan Interfunding Corp.

By _____
Authorized Officer

BADISCHE CORPORATION

By _____
Title:

EXHIBIT D

[Exhibit A to Amended and Restated
Purchase Order Assignment]

FORM OF MANUFACTURER'S CONSENT AND AGREEMENT

MANUFACTURER'S
CONSENT AND AGREEMENT

THE UNDERSIGNED,

a corporation ("Manufacturer"), acknowledges receipt of a copy of an Amended and Restated Purchase Order Assignment dated as of November 1, 1979 (the "Purchase Order Assignment") between The Connecticut Bank and Trust Company, as Trustee ("Lessor"), and Badische Corporation, a Delaware corporation ("Lessee") and as an inducement to and as part of the consideration for the performance by the parties thereto of their obligations thereunder:

1. consents to the assignment by Lessee to Lessor of the Purchase Orders on the terms set forth in the Purchase Order Assignment;

2. agrees that, as a condition of payment under the Purchase Orders, (A) concurrently with delivery of this Consent and Agreement by Manufacturer to Lessor, Manufacturer will, at its own cost and expense, cause to be delivered to Lessor, Lessee, J. P. Morgan Interfunding Corp. (the "Owner Participant") and John Hancock Mutual Life Insurance Company (the "Long-Term Lender") the opinion of counsel for Manufacturer substantially in the form attached hereto as Exhibit 2, and (B) prior to or concurrently with the acceptance of delivery by Lessee of each Item, Manufacturer will, at its own cost and expense, (i) execute and deliver a Bill of Sale substantially in the form attached hereto as Exhibit 1 dated as of the date of acceptance of delivery of such Item with warranty of title in favor of Lessor free and clear of all liens and encumbrances (but subject to the reservation therein, if any, of a vendor's lien and security interest to secure the payment by Lessor to Manufacturer of the purchase price thereof) with respect to such Item, and (ii) cause to be delivered to Lessor, Lessee, the Owner Participant and the Long-Term Lender the opinion of counsel for Manufacturer substantially in the form attached hereto as Exhibit 3, dated the date of acceptance of delivery of such Item;

3. agrees prior to each delivery to cause each Item to be plainly, distinctly and conspicuously marked by the stencil described in Section 29(a) of the Lease; and

4. agrees to indemnify and save Lessor and Lessee harmless from any liability, loss, damage, claim and expense which arises out of any claims for patent infringement relative to the Equipment, except in cases of designs specified by Lessee and not developed or purported to be developed by Manufacturer or any company controlled by Manufacturer, and articles and materials specified by Lessee and not manufactured by Manufacturer or by any company controlled by Manufacturer.

Nothing in the Purchase Order Assignment or in this Consent and Agreement shall be construed to modify or amend any of the terms of any Purchase Order or of any indemnification extended by Lessee thereunder, it being understood that Lessee shall be and remain solely liable for any such indemnity.

Dated: .

[NAME OF MANUFACTURER]

By _____
Name:
Title:

EXHIBIT E

[Exhibit 1 to Manufacturer's Consent and Agreement]

FORM OF MANUFACTURER'S
BILL OF SALE

For good and valuable consideration, the receipt of which is hereby acknowledged, the undersigned, (Seller") has bargained and sold, and by these presents does bargain, sell, assign, transfer and deliver and set over unto THE CONNECTICUT BANK AND TRUST COMPANY, AS LESSOR, not individually but solely in its capacity as Owner Trustee under an Amended and Restated Owner Trust Agreement dated as of November 1, 1979 between the Owner Trustee and J. P. Morgan Interfunding Corp. ("Buyer"), all of its right, title and interest in and to the following described Items, to wit:

[Description of Items]

TO HAVE AND TO HOLD the same unto Buyer, its successors and assigns forever.

Seller hereby covenants and warrants that:

1. Seller is the lawful owner and manufacturer of said Items and has good and marketable title thereto and good right to sell the same; that each Item was at the time of the delivery thereof and is at the time of passage of title thereto to Buyer free and clear of all liens and encumbrances; and that Seller will warrant and defend the title to the Equipment unto Buyer, its successors and assigns forever against the lawful claims and demands of all persons whomsoever;

2. Seller will do, execute, acknowledge and deliver all such further acts, bills of sale, assignments, transfers and assurances which may be necessary or proper to assure, confirm or evidence

the title and interest of Buyer in and to said Items;

3. no used components were utilized in the manufacture of the Items; and

4. at the time of delivery thereof to Buyer, each of the Items was new and unused, and neither Seller nor any other person operated or used any such Item for any commercial purpose, or for any other purpose whatsoever excepting only normal testing of the unassembled components thereof and the shipping of the Items to Buyer.

All covenants, agreements and warranties herein contained shall be binding upon Seller and its successors and assigns and shall inure to the benefit of Buyer and its successors and assigns.

IN WITNESS WHEREOF, the undersigned has caused this instrument to be executed by its duly authorized representative, and its corporate seal to be hereto affixed this _____ day of _____, 1980.

[NAME OF SELLER]

By _____
Name:
Title:

[Seal]

Attest:

Name:
Title:

EXHIBIT F

[Exhibit 2 to Manufacturer's Consent and Agreement]

FORM OF OPINION OF COUNSEL
RESPECTING MANUFACTURER'S CONSENT AND AGREEMENT

_____, 1980

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

J. P. Morgan Interfunding Corp., as
Owner Participant
522 Fifth Avenue
New York, New York 10036
Attention: Leasing Officer

John Hancock Mutual Life Insurance Company
John Hancock Place
P. O. Box 111
Boston, Massachusetts 02117
Attention: Bond Department

Badische Corporation, as Lessee
Drawer D
Williamsburg, Virginia 23185
Attention: Corporate Distribution Department

Dear Sirs:

We refer to the Consent and Agreement dated
, 1980 (the "Consent") of
, a corporation (the
"Manufacturer"), in connection with the Amended and Restated
Purchase Order Assignment dated as of November 1, 1979,
between The Connecticut Bank and Trust Company, as Owner
Trustee ("Lessor"), and Badische Corporation ("Lessee").

We have considered and examined such legal matters,
advices from governmental authorities, certificates of
responsible persons of the Manufacturer and other matters as

we have deemed necessary or appropriate for the purpose of rendering this opinion. On the basis of the foregoing, we advise you, pursuant to Section 2 of the Consent, that in our opinion the Consent has been duly authorized, executed and delivered by the Manufacturer, and is a legal and valid agreement of the Manufacturer, enforceable in accordance with its terms.

Very truly yours,

EXHIBIT G

[Exhibit 3 to Manufacturer's Consent and Agreement]

FORM OF OPINION OF COUNSEL
RESPECTING TITLE TO EQUIPMENT

_____, 1980

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

J. P. Morgan Interfunding Corp.,
as Owner Participant
522 Fifth Avenue
New York, New York 10036
Attention: Leasing Officer

John Hancock Mutual Life Insurance Company
John Hancock Place
P. O. Box 111
Boston, Massachusetts 02117
Attention: Bond Department

Badische Corporation, as Lessee
Drawer D
Williamsburg, Virginia 23185
Attention: Corporate Distribution Department

Dear Sirs:

We refer to the Bill of Sale, dated _____,
_____, 1980 (the "Bill of Sale"), of _____
_____, a _____ corporation
(the "Manufacturer"), in connection with the Amended and
Restated Purchase Order Assignment (the "Purchase Order
Assignment") dated as of November 1, 1979, between The
Connecticut Bank and Trust Company, as Owner Trustee
("Lessor") and Badische Corporation ("Lessee").

We have considered and examined such legal matters as we have deemed necessary or appropriate for the purpose of rendering this opinion. On the basis of the foregoing, we advise you, pursuant to Section 2 of the Consent and Agreement dated _____, 1980 (the "Consent") of the Manufacturer, that in our opinion:

(a) The Manufacturer is a duly organized and existing corporation in good standing under the state of its incorporation and has the power and authority to own its properties and to carry on its business as now conducted;

(b) The Bill of Sale has been duly authorized, executed and delivered by the Manufacturer, is a legal and valid agreement of the Manufacturer and subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally, is a binding agreement of the Manufacturer, enforceable in accordance with its terms; and

(c) The Bill of Sale is valid and effective to transfer good and marketable title in and to the Items (as such term is used in the Consent) being sold on the date hereof to Lessor, free and clear of all liens and encumbrances of any nature other than those created under the Lease (as defined in the Purchase Order Assignment) or the Security Agreement (as defined in the Lease).

In rendering the foregoing opinion, we have assumed that the Items referred to above have been delivered into the possession of Lessee as agent for Lessor.

Very truly yours,

Original Agreement:

Recordation No. 11059 Filed 1425
NOV 16, 1979, 2:30 PM
INTERSTATE COMMERCE COMMISSION

Restated Agreement:

AMENDED AND RESTATED LEASE AGREEMENT

dated as of November 1, 1979

between

THE CONNECTICUT BANK AND TRUST COMPANY,
as Owner Trustee,

LESSOR,

and

BADISCHE CORPORATION,

LESSEE

TABLE OF CONTENTS*

	PAGE
Parties	1
SECTION 1. Definitions	1
SECTION 2. Acceptance of Delivery; Payment of Purchase Price	8
(a) Acceptance of Delivery	8
(b) Payment of Purchase Price ...	8
SECTION 3. Interim and Basic Terms and Rents..	9
(a) Interim Term and Rent	9
(b) Basic Term and Rent.....	9
SECTION 4. Renewal Term and Rent	9
SECTION 5. Supplemental Rent	10
SECTION 6. Right of Lessee to Purchase the Equipment	10
SECTION 7. Funds; Place of Payment	11
SECTION 8. Representations and Warranties	11
(a) Disclaimer of Lessor's Warranties; Agency	11
(b) Lessee's Representations and Warranties	11
SECTION 9. Closing Conditions	15
SECTION 10. Indemnities	18
(a) General Indemnity	18
(b) Taxes	19
(c) Indemnity for Loss of Investment Credit, Depre- ciation Deductions, Etc.....	21
(d) Indemnity for Capital Ex- penditures	24
(e) Contest of Disallowance of Tax Benefits	25
(f) Definition of Lessor	27
(g) Survival	27
(h) Effect of Other Indemnities .	27

* The Table of Contents is not a part of this Lease Agreement.

	PAGE
SECTION 11. Further Assurances; Furnishing of Information; Notice of Loss, Requisition, Etc.	27
(a) Further Assurances	27
(b) Periodic Information	28
(c) Notice of Loss, Requisition, Sale, Casualties	29
SECTION 12. Liens; Attachment	29
(a) Liens	29
(b) Attachments	30
SECTION 13. Maintenance and Operation; Use, Assignment and Sublease by Lessee; Inspection, Etc.	30
(a) Maintenance and Operation	30
(b) Use, Assignment and Sublease by Lessee	31
(c) Inspection	32
(d) Compliance with Laws	32
(e) Termination Because of Obsolescence	33
SECTION 14. Replacement of Parts; Alterations, Modifications, Substitutions and Additions; Further Assurances.....	35
(a) Replacement of Parts	35
(b) Alterations, Modifications, Substitutions and Additions ..	35
(c) Further Assurances	36
SECTION 15. Insurance	37
(a) Lessee to Insure	37
(b) Named Insured	37
(c) Insurance Certificate	37
(d) Notice of Cancellation, Modification or Nonpayment ...	38
(e) Insurance and Other Payments .	38
(f) Inspection of Insurance Documents	38
(g) Proof of Loss	38
(h) No Act Impairing Insurance ...	39
(i) Insurance Payable Notwith- standing Action, Inaction, Etc.	39
(j) Lessee's Insurance Primary, Etc.	39

	PAGE
SECTION 16. Events of Default	39
SECTION 17. Remedies	41
(a) Election of Remedies	41
(b) Default-Related Expenses	43
(c) Fair Market Sales Value	44
(d) Remedies Cumulative	45
SECTION 18. Loss or Destruction; Requisition of Use; Pursuit of Claims	45
(a) Loss or Destruction	45
(b) Requisition of Use	46
(c) Pursuit of Claims	46
SECTION 19. Redelivery of the Equipment	47
SECTION 20. Long-Term Debt; Lessor's Assign- ment or Creation of Security Interest in Equipment	48
SECTION 21. No Set-off, Counterclaim, Etc.	48
SECTION 22. Notices	49
SECTION 23. Lessor's Right to Perform for Lessee	50
SECTION 24. Execution in Counterparts	50
SECTION 25. Amendments	50
SECTION 26. Severability	50
SECTION 27. No Liability of Lessor	51
SECTION 28. Agreement of Lease	51
SECTION 29. Identification Marks; Further Assurances, Etc.	51
(a) Identification Marks	51
(b) Further Assurances	52
(c) Recording	52
SECTION 30. Covenant of Quiet Enjoyment	53
SECTION 31. Miscellaneous	53
SECTION 32. Governing Law	53

	PAGE
SECTION 33. Confidentiality	54
Signatures	54
SCHEDULE I - Description of Equipment	
SCHEDULE II - Stipulated Loss Value Table	
SCHEDULE III - Termination Value Table	

EXHIBITS

- Exhibit A - Commitment Letter
- Exhibit B - Form of Lessee's Certificate of Acceptance
- Exhibit C - Form of Amended and Restated Purchase
Order Assignment
- Exhibit D Form of Manufacturer's Consent and Agreement
- Exhibit E - Form of Manufacturer's Bill of Sale
- Exhibit F - Form of Opinion of Counsel Respecting Manu-
facturer's Consent and Agreement
- Exhibit G - Form of Opinion of Counsel Respecting Title
to Equipment

AMENDED AND RESTATED LEASE AGREEMENT

AMENDED AND RESTATED LEASE AGREEMENT dated as of November 1, 1979 between THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not individually but solely as Owner Trustee under an Amended and Restated Owner Trust Agreement dated as of November 1, 1979, between the Owner Trustee ("Lessor") and J. P. Morgan Interfunding Corp., and BADISCHE CORPORATION, a Delaware Corporation ("Lessee"),

W I T N E S S E T H :

Lessor and Lessee have heretofore entered into the Lease Agreement dated as of November 1, 1979, which was filed and recorded with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 on November 16, 1979, Recordation No. 11059, providing for the leasing of the railroad equipment listed in Part A of Schedule I hereto. The parties desire to amend such Lease Agreement in order to add the railroad equipment listed in Part B of Schedule I hereto, and to make certain other amendments to the Lease.

NOW, THEREFORE, the Lessor and Lessee hereby agree that such Lease Agreement shall be, and it hereby is, amended and restated in its entirety to read as follows:

SECTION 1. DEFINITIONS. The following terms shall have the following meanings for all purposes of this Lease:

"Attributable Excess Transaction Expenses" for an Item shall mean an amount determined by multiplying Excess Transaction Expenses, if any, by a fraction, the numerator of which is the Invoice Price for that Item and the denominator of which is the aggregate Invoice Prices for all Items listed in Schedule I hereto.

"Basic Rent" shall mean the rent payable for the Equipment for the Basic Term pursuant to Section 3(b) hereof.

"Basic Term" shall mean a period of twenty years commencing on the Last Interim Rental Payment Date and ending on the 80th Rental Payment Date thereafter.

"Bill of Sale" shall mean a bill of sale, substantially in the form of Exhibit E hereto, pursuant to which a Manufacturer conveys to Lessor all right, title and interest in and to an Item, free and clear of all Liens except Liens described by clause (e) of the definition of Permitted Liens.

"Business Day" shall mean any day other than Saturdays, Sundays or other days on which banks in New York City are authorized to close.

"Certificate of Acceptance" shall mean a Certificate of Acceptance substantially in the form of Exhibit B hereto.

"Code" shall mean the Internal Revenue Code of 1954, as amended, as in effect on the date hereof.

"Commitment Letter" shall mean the letter agreement dated September 10, 1979 between Lessee and J. P. Morgan Interfunding Corp. and accepted September 28, 1979 by Lessee, a copy of which is attached hereto as Exhibit A.

"Delivery Date" shall mean each date, on or before December 31, 1980, on which any Item is delivered to and accepted by the Lessor pursuant to Section 2(a) hereof.

"Dollars" or "\$" shall mean lawful currency of the United States of America.

"Enforceable" shall mean enforceable except as limited by bankruptcy, insolvency, reorganization and other similar laws affecting the enforcement of creditors' or lessors' rights generally.

"Equipment" shall mean all the Items.

"Event of Default" shall mean any of the events specified as such in Section 16 hereof.

"Event of Loss" shall mean any of the following events: (i) the total loss or constructive total loss of an Item; (ii) damage to an Item which, as determined by Lessee in its reasonable judgment, renders repair impracticable or uneconomical in view of the estimated fair market value of the Item after repair and the estimated cost of repair; (iii) a confiscation, condemnation or requisition of title to an Item which shall have occurred and remained in effect and unstayed for a period of 30 consecutive days; or (iv) an attachment (as defined in Section 12(b) hereof) which shall have occurred and remained in effect and undischarged for a period of 60 consecutive days.

"Excess Transaction Expenses" shall mean that amount, if any, of Transaction Expenses which exceeds 2% of the aggregate Invoice Prices for all Items actually accepted and leased.

"Incipient Default" shall mean an event or condition which, with the passage of time or the giving of notice or both, would constitute an Event of Default.

"Indebtedness" shall mean (i) all indebtedness, whether or not represented by bonds, debentures, notes or other securities, for the repayment of money borrowed, (ii) all deferred indebtedness for the payment of the purchase price of property or assets purchased other than open account indebtedness incurred in the ordinary course of business, (iii) all guarantees, endorsements, assumptions and other contingent obligations in respect of, or to purchase or to otherwise acquire, indebtedness of others, (iv) all indebtedness secured by any mortgage, pledge or lien existing on property owned by Lessee subject to such mortgage, pledge or lien, whether or not such indebtedness shall

have been assumed by Lessee, and (v) all amounts payable by Lessee as a lessee under any lease covering real or personal property having a then remaining term of more than one year (including renewals at the option of the Lessee), but reduced by any amounts receivable by the Lessee pursuant to any sublease of any such lease.

"Interest" shall mean interest at a rate per annum equal to the higher of 11.75% or 2% above the rate of interest publicly announced from time to time by Morgan Guaranty Trust Company of New York as its Prime Rate, to the extent permitted by applicable law.

"Interim Rent" shall mean the rent payable on the Interim Rental Payment Dates pursuant to Section 3(a) hereof.

"Interim Rental Payment Date" shall mean June 30, 1980, September 30, 1980, and December 31, 1980; provided that, if any Interim Rental Payment Date would otherwise fall on a day which is not a Business Day, such Interim Rental Payment Date shall be the next preceding Business Day.

"Interim Term" shall mean the period commencing on the first Delivery Date hereunder and ending on the Last Interim Rental Payment Date.

"Invoice Price" shall mean, for an Item, the purchase price payable by Lessor to the Manufacturer of such Item pursuant to such Manufacturer's invoices therefor.

"Item" shall mean any railroad car listed in Schedule I hereto; provided, however, that any such railroad cars which shall not have been delivered and accepted by the Lessor hereunder on or prior to the earlier of (i) December 31, 1980, and (ii) the termination of the Lessor's obligation hereunder to accept and pay for such cars shall be excluded from this Lease and not included in the term "Item".

"Last Interim Rental Payment Date" shall mean December 31, 1980.

"Lease Assignment" shall mean the Assignment of Lease and Agreement dated as of January 1, 1980, between the Owner Trustee and the Original Long-Term Lender.

"Lease Assignment Consent" shall mean the Lessee's Consent and Agreement attached to the Lease Assignment pursuant to the Purchase Agreement.

"Lease Term" shall mean the Interim Term, Basic Term and any Renewal Term.

"Lending Date" shall mean each date on which a Long-Term Lender makes its funds available pursuant to Section 20 hereof.

"Lessor's Cost" shall mean, for each Item, the Invoice Price plus Attributable Excess Transaction Expenses.

"Lien" shall mean any lien, mortgage, encumbrance, charge, pledge, lease, security interest or other encumbrance of any kind.

"Long-Term Debt" shall mean debt incurred by Lessor as contemplated by Section 20 hereof.

"Long-Term Lenders" shall mean the Original Long-Term Lender, which has agreed, pursuant to the Purchase Agreement to make loans to Lessor as contemplated by Section 20 hereof, and its successors and assigns, and shall be deemed to include any agent acting on its or their behalf pursuant to the Security Agreement.

"Manufacturers" shall mean (i) ACF Industries Incorporated, a New Jersey corporation, and (ii) the manufacturer of the 34 4750 cubic foot hopper cars described in Schedule I hereto.

"Net Economic Return" shall mean the Owner Participant's after-tax rate of return and aggregate after-tax cash flow anticipated upon the execution of the Commitment Letter.

"Original Long-Term Lender" shall mean John Hancock Mutual Life Insurance Company.

"Owner Participant" shall mean J. P. Morgan Interfunding Corp. and any other Owner Participants, or any one of them, under the Owner Trust Agreement.

"Owner Trust Agreement" shall mean the Amended and Restated Owner Trust Agreement dated as of November 1, 1979, between Lessor, as Owner Trustee, and J. P. Morgan Interfunding Corp., as Owner Participant.

"Permitted Liens" shall mean: (a) the lien created in favor of Long-Term Lenders as contemplated by the Commitment Letter and Section 20 hereof; (b) non-consensual Liens arising by operation of law in the ordinary course of business for amounts not yet due; (c) Liens for taxes, assessments or governmental charges not yet due; (d) Liens, or Liens for amounts, being contested in good faith by appropriate proceedings, provided the failure to discharge the same does not have a material adverse effect on the title, property rights or Lien of the Lessor or the Long-Term Lender, respectively; or (e) Liens arising from claims against Lessor or the Owner Participant not related either to their ownership of an Item or their interest under the Lease or to the transactions contemplated by any of the agreements made pursuant to this Lease or the Commitment Letter.

"Person" shall mean any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Purchase Agreement" shall mean the Note Purchase Agreement dated January 1, 1980, between Lessor and the Original Long-Term Lender.

"Purchase Orders" shall mean the purchase orders entered into by Lessee with the Manufacturers for the purchase of the Items.

"Purchase Order Assignment" shall mean the Amended and Restated Purchase Order Assignment dated as of November 1, 1979 to be executed by Lessee concurrently herewith assigning all its rights under the Purchase Orders to Lessor, substantially in the form of Exhibit C hereto.

"Renewal Rent" shall mean the rent payable for the Equipment for any Renewal Term pursuant to Section 4 hereof.

"Renewal Term" shall mean any period for which this Lease is renewed by Lessee pursuant to Section 4 hereof.

"Rent" shall mean Interim Rent, Basic Rent, Renewal Rent and Supplemental Rent.

"Rental Payment Date" shall mean each Interim Rental Payment Date and March 31, 1981, and each June 30, September 30, December 31 and March 31 thereafter in the Basic Term; provided that, if any Rental Payment Date would otherwise fall on a day which is not a Business Day, such Rental Payment Date shall be the next preceding Business Day.

"Stipulated Loss Value" shall mean, for each Item, the amount computed by multiplying the percentage specified in Schedule II hereto opposite the Rental Payment Date as of which such amount is computed by the Lessor's Cost for that Item.

"Supplemental Rent" shall mean any and all amounts, liabilities and obligations (other than Interim Rent, Basic Rent and Renewal Rent) which Lessee is obligated to pay Lessor under this Lease, including but not limited to Stipulated Loss Value and the indemnities and other amounts payable under Sections 5, 10 and 23 hereof.

"Termination Value" shall mean the amount computed by multiplying the percentage specified in Schedule III hereto opposite the Rental Payment Date as of which such amount is computed by the Lessor's Cost for the Terminated Items (as defined in Section 13(e) hereof).

"Total Lessor's Cost" shall mean the aggregate Lessor's Costs for all Items.

"Transaction Expenses" shall mean all costs and expenses incurred or paid by Lessor and the Owner Participant including fees and disbursements of Lessor's and the Owner Participant's

special counsel, the debt placement fee, the initial and ongoing fees and expenses of Lessor and any loan trustee or agent appointed by or on behalf of the Long-Term Lenders and the legal expenses of such Long-Term Lenders.

SECTION 2. ACCEPTANCE OF DELIVERY; PAYMENT OF PURCHASE PRICE.

(a) Acceptance of Delivery. Prior to the execution of this Amended and Restated Lease Agreement, Lessor accepted delivery of and paid for the Items described in Part A of Schedule I hereto. Subject to the satisfaction of the conditions set forth in Section 9 of this Lease and the conditions set forth in paragraph (b) of this Section 2, Lessor will accept delivery of each Item described in Part B of Schedule I hereto delivered on or before December 31, 1980 by executing a Certificate of Acceptance with respect to such Item substantially in the form of Exhibit B hereto, and will simultaneously lease the same to Lessee. Lessor hereby authorizes one or more employees or agents of Lessee, designated by Lessee, as the authorized representative or representatives of Lessor to receive the Equipment from the Manufacturers.

(b) Payment of Purchase Price. Subject to satisfaction of the conditions set forth in Section 9 and acceptance of the Equipment pursuant to subsection (a) of this Section, Lessor will pay the Invoice Price for each Item described in Part B of Schedule I hereto directly to or for the account of the Manufacturer of such Item on the Delivery Date for that Item, provided, however, that Lessor's obligation to make such payment in each case is subject to

(i) receipt by Lessor and the Owner Participant of a Bill of Sale with respect to such Item, substantially in the form of Exhibit E hereto, executed by the Manufacturer of such Item;

(ii) receipt by Lessor and the Owner Participant of an Opinion of Counsel respecting title with respect to such Item, substantially in the form of Exhibit G hereto, executed by counsel for the Manufacturer of such Item;

(iii) receipt by Lessor and the Owner Participant of a Certificate of Acceptance with respect to such Item, substantially in the form of Exhibit B hereto, executed by Lessee; and

(iv) filing of this Lease with the Interstate Commerce Commission pursuant to Section 29(c) hereof, and receipt by Lessor and the Owner Participant of satisfactory evidence of such filing;

provided, further, that Lessor's obligation is limited to \$5,000,000 of Total Lessor's Cost.

SECTION 3. INTERIM AND BASIC TERMS AND RENTS.

(a) Interim Term and Rent. The Interim Term of this Lease shall commence on the first Delivery Date and shall continue until the Last Interim Rental Payment Date. Lessee hereby agrees to pay Lessor, in installments in arrears on each Interim Rental Payment Date, Interim Rent with respect to each Item equal to (i) .03334% per diem applied to Lessor's Cost for such Item in respect of that portion of the Interim Term ending on the Lending Date with respect to such Item, (ii) with respect to each Item delivered prior to December 31, 1979, .02134% per diem applied to Lessor's Cost for such Item in respect of that portion of the Interim Term commencing on the Lending Date with respect to such Item and ending on December 31, 1980, and (iii) with respect to each Item delivered after December 31, 1979, .029861% per diem applied to Lessor's Cost for such Item in respect of that portion of the Interim Term commencing on the Lending Date with respect to such Item and ending on December 31, 1980.

(b) Basic Term and Rent. The Basic Term shall commence immediately upon the termination of the Interim Term and end on the 80th Rental Payment Date thereafter. Lessee hereby agrees to pay Lessor Basic Rent in 80 consecutive quarterly installments in arrears on each Rental Payment Date after the Last Interim Rental Payment Date. Each installment with respect to each Item shall be equal to 1.92027% of Lessor's Cost of such Item, except as provided in Sections 13(e) and 18(a) hereof or in the next following sentence. With respect to each Item for which Long-Term Debt shall not have been incurred by Lessor on or prior to the Last Interim Rental Payment Date, each installment shall be equal to 2.2426% of Lessor's Cost of such Item, except as provided in Sections 13(e) and 18(a) hereof. Provided, however, in either of the above cases, that if any of the Assumed Tax Consequences set forth in Section 10(c) hereof are not obtained and Lessee elects to adjust Basic Rent rather than make indemnification payments, then Basic Rent will be increased for the balance of the Basic Term to maintain the Net Economic Return.

SECTION 4. RENEWAL TERM AND RENT. Upon the expiration of the Basic Term, Lessee shall have the right to

renew the Lease with Lessor as to no less than all the Equipment for one Renewal Term of five years commencing on the day the Basic Term ends with Renewal Rent payable in 20 consecutive quarterly installments in arrears on each Rental Payment Date during the Renewal Term, each installment to be equal to one-half the rate prevailing on the 80th Rental Payment Date after the Last Interim Rental Payment Date, except as provided in Sections 13(e) and 18(a) hereof; provided that Lessee shall have notified Lessor in writing not later than 180 days prior to the end of the Basic Term of Lessee's election to renew; provided, further, that no Event of Default and no Incipient Default shall have occurred and be continuing at the time of the commencement of such Renewal Term.

SECTION 5. SUPPLEMENTAL RENT. Lessee shall pay to Lessor from time to time any and all Supplemental Rent promptly as the same shall become due. To the extent permitted by applicable law, Lessee shall also pay on demand, as Supplemental Rent, Interest on any Rent or other amounts to be paid to Lessor under this Lease not paid when due from the date payment thereof was due to the date of actual payment. Supplemental Rent shall include all costs and expenses, including fees of Lessor's, the Owner Participant's and the Long-Term Lenders' special counsel, incurred or paid by Lessor and not included in Transaction Expenses, in connection with the performance, enforcement or administration of this Lease and all other documents or agreements related hereto.

SECTION 6. RIGHT OF LESSEE TO PURCHASE THE EQUIPMENT. Provided that no Event of Default or Incipient Default shall have occurred and be continuing, Lessee may, at its option, exercisable by written notice to Lessor not less than 180 days prior to the expiration of the Basic Term or the Renewal Term (which notice shall be irrevocable), elect to purchase on the expiration date of the then current Term all of the Equipment subject to this Lease on such date for a purchase price payable to Lessor equal to the fair market sales value of the Equipment (determined as if the Equipment had been maintained in accordance with, and was in the condition required pursuant to, Section 13(a) hereof) as of such date, the fair market sales value to be determined in accordance with Section 17(c) hereof. If Lessee shall exercise such option to purchase the Equipment, then on the date of expiration of the then current Term, Lessee shall pay Lessor the purchase price of the Equipment in immediately available funds and Lessor shall, at Lessee's expense, transfer title to the

Equipment to Lessee without recourse or warranty, express or implied, except as to the absence of liens and encumbrances (other than liens and encumbrances, if any, which Lessee is required to discharge hereunder) resulting from acts of Lessor not relating to Lessor's ownership of such Equipment, together with such other documents evidencing transfer of title as Lessee shall reasonably request.

SECTION 7. FUNDS; PLACE OF PAYMENT. All payments made by Lessee pursuant to this Lease shall be made in funds which are immediately available at or before 11:00 A.M., New York time, at such place as Lessor shall from time to time designate in writing. Lessee will acknowledge receipt of instructions and agree, pursuant to the Lease Assignment Consent, to make certain payments directly to the Long-Term Lenders as therein provided. All payments of invoices to any Manufacturer shall be made in immediately available funds to such address or account as may be specified by such Manufacturer from time to time.

SECTION 8. REPRESENTATIONS AND WARRANTIES.

(a) Disclaimer of Lessor's Warranties; Agency. Lessee's acceptance of the Equipment under this Lease, as provided in Section 2(a) hereof, shall confirm and be conclusive evidence, as between Lessor and Lessee, that the Equipment is in all respects satisfactory to Lessee and in compliance with all requirements of this Lease. LESSOR DOES NOT MAKE, NOR SHALL LESSOR BE DEEMED TO HAVE MADE, ANY REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO TITLE TO, AS TO THE DESIGN, CONDITION OR MERCHANTABILITY OF, AS TO QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE EQUIPMENT, OR AS TO THE FITNESS OF THE EQUIPMENT FOR ANY PARTICULAR PURPOSE, OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER WITH RESPECT TO THE EQUIPMENT. ALL SUCH RISKS, AS BETWEEN LESSOR AND LESSEE, ARE TO BE BORNE BY LESSEE. Nothing herein contained shall be construed as a waiver of any rights that either Lessor or the Lessee may have against the Manufacturers or any other Person.

Lessor appoints Lessee as its agent so long as no Event of Default occurs and is continuing, to pursue in the name of and for the account of Lessor, the Owner Participant and/or Lessee, as their interests may appear, at Lessee's cost and expense, whatever claims and rights Lessee, the Owner Participant or Lessor may have against the Manufacturers or any other Person with respect to the manufacture, construction or transportation of an Item.

(b) Lessee's Representations and Warranties. Lessee covenants, represents and warrants to Lessor as follows:

(i) Lessee is a corporation duly organized, validly existing and in good standing under the laws of Delaware and has the corporate power and authority to carry on its business as presently conducted, to own or hold under lease its properties and to enter into and perform its obligations under this Lease, the Lease Assignment Consent, the Purchase Orders and the Purchase Order Assignment and is duly qualified to do business and is in good standing in such other jurisdictions in which the business and activities of Lessee require qualification.

(ii) The execution, delivery and performance by Lessee of this Lease, the Lease Assignment Consent, the Purchase Orders and the Purchase Order Assignment have been duly authorized by all necessary corporate action and do not and will not contravene any law or any governmental rule, regulation, judgment, decree, writ, injunction or order binding on the Lessee or the certificate of incorporation or by-laws of Lessee or contravene the provisions of, or constitute a default under, any indenture, mortgage, contract or other agreement or instrument to which Lessee is a party or by which Lessee is bound, or to which any of its properties or assets are subject.

(iii) The execution, delivery and performance by Lessee of this Lease, the Lease Assignment Consent, the Purchase Orders and the Purchase Order Assignment do not require the consent or approval of, or the registration with, any federal, state or other governmental authority or agency or if so required the same have been obtained. If any further consents, approvals, or registrations should hereafter become necessary, Lessee will use its best efforts to obtain the same.

(iv) This Lease, the Lease Assignment Consent, the Purchase Orders and the Purchase Order Assignment have been duly authorized, executed and delivered by Lessee and assuming the due authorization, execution and delivery hereof and thereof by Lessor or the Manufacturers, as the case may be,

constitute legal, valid and binding agreements of Lessee enforceable in accordance with their terms.

(v) No actions, suits or proceedings are pending or, to the knowledge of Lessee, threatened before any court, administrative agency, arbitrator, or governmental body that, if decided adversely to Lessee, would have a materially adverse effect on Lessee's business or financial condition or its ability to perform its obligations under this Lease, the Lease Assignment Consent, the Purchase Orders or the Purchase Order Assignment.

(vi) This Lease and the Purchase Order Assignment will effectively convey to Lessor the rights and claims purported to be conveyed to Lessor thereby, free and clear of all Liens except Liens described in clauses (d), if any, and (e) of the definition of Permitted Liens.

(vii) Upon delivery to Lessor of a Manufacturer's Bill of Sale for an Item and payment by Lessor of Lessor's Cost of such Item, Lessor will have good title to such Item free and clear of all Liens except Liens described in clauses (d), if any, and (e) of the definition of Permitted Liens.

(viii) All filings or other actions that may be required or desirable during the Lease Term, under the Interstate Commerce Act, any other law or regulation or any agreement or instrument binding upon Lessee, to establish, perfect and protect Lessor's title to and the Owner Participant's interest in the Equipment and the rights of Lessor and the Owner Participant under the Lease and the interests of the Long-Term Lenders under the Purchase Agreement and documents contemplated therein have been duly made or taken, or are not yet required and will be duly made or taken as required, including but not limited to the filings described in Section 29(c) hereof; in each case copies or other appropriate evidence thereof will be delivered promptly to Lessor. There is no existing mortgage, security agreement or other agreement or instrument executed by or relating to Lessee (other than the Lease or the Security Agreement) providing for a Lien which attaches or by its terms will attach hereafter to any Item.

(ix) The audited Consolidated Balance Sheet of Lessee as of December 31, 1978 and the unaudited Consolidated Balance Sheet of Lessee as of September 30, 1979, together in each case with the related Consolidated Statements of Income for the year and nine month periods then ended, delivered to Lessor, have been prepared in accordance with generally accepted accounting principles consistently applied and present fairly the financial position of Lessee as of such dates and the results of its operations for such periods. Since September 30, 1979, there has been no material adverse change in the financial condition, results of operations, business or prospects of Lessee.

(x) Each Item will, on its Delivery Date, constitute "new section 38 property" within the meaning of Section 48(b) of the Code in the hands of Lessor and will constitute property the original use of which will commence with Lessor within the meaning of Section 167(c) of the Code.

(xi) A reasonable estimate of the residual value of the Equipment at the end of 25 years from December 31, 1980 is an amount, determined without regard to the effects of inflation or deflation and with the assumption that the Equipment is redelivered to Lessor as provided in this Lease, not less than 20% of the Total Lessor's Cost of the Equipment; and a reasonable estimate of the remaining useful life of the Equipment at the end of such 25-year period is a period of not less than 20% of the total estimated useful life of the Equipment. The nature of the Equipment is such that, at the end of such 25-year period, it should be commercially feasible for a Person other than the Lessee to acquire and use the Equipment on terms consistent with the estimated residual value referred to above. As of the Delivery Date of the last Item of the Equipment delivered pursuant to this Lease, the Total Lessor's Cost of the Equipment shall not be greater than the fair market value of the Equipment.

(xii) Lessee has furnished to Lessor a true and correct copy of the Purchase Orders,

together with any and all documents or instruments by which the Purchase Orders have been amended to the date of this Lease. Promptly upon receipt of the specifications for the Equipment to be delivered to Lessee by any Manufacturer, Lessee shall deliver one complete set thereof to Lessor.

SECTION 9. CLOSING CONDITIONS.

(a) The obligation of Lessor to pay the Invoice Price of any Item described in Part B of Schedule I hereto to the Manufacturer of such Item shall be subject to fulfillment of the following conditions before the first Delivery Date relating to any such Item and, in the case of the conditions specified in paragraphs (i), (ii), (iv) and (ix), each subsequent Delivery Date:

(i) The conditions set forth in Section 2 hereof shall have been fulfilled.

(ii) No change in law, regulations or administrative interpretations shall have occurred which would make it illegal for Lessor or the Owner Participant to invest in, acquire, own or execute and deliver a lease of the Equipment.

(iii) The Purchase Order Assignment shall have been duly authorized, executed and delivered by Lessee and shall be in full force and effect, and Lessor and the Owner Participant shall have received executed counterparts thereof.

(iv) The Manufacturer of such Item shall have good and marketable title to such Item, free and clear of all Liens except Liens described in clauses (d) and (e) of the definition of Permitted Liens, and any and all documents or certificates reasonably requested by the Lessor or the Owner Participant with regard to such matters shall have been delivered to Lessor.

(v) All approvals, consents, orders or authorizations of, or registrations with or notices to, any federal, state or other governmental authority which are required for the completion

or performance of the transactions contemplated by this Lease shall have been obtained.

(vi) Lessor and the Owner Participant shall have received a Consent and Agreement from such Manufacturer with respect to the Equipment to be delivered by it, substantially in the form of Exhibit D hereto;

(vii) Lessor and the Owner Participant shall have received an Opinion of Counsel respecting such Manufacturer's Consent and Agreement, substantially in the form of Exhibit F hereto, executed by counsel for such Manufacturer;

(viii) Lessor and the Owner Participant shall have received at Lessee's expense an appraisal, in form and substance satisfactory to Lessor and to the Owner Participant, addressed to them from an independent expert satisfactory to Lessor and the Owner Participant to the effect that the estimated useful life of the Equipment to be delivered by such Manufacturer is at least 35 years and that the residual value of such Equipment after 25 years is expected to be at least 20% of the aggregate Lessor's Cost of such Equipment.

(ix) On each Delivery Date (1) the representations and warranties of Lessee contained in Section 8 of this Lease shall be true, complete and accurate on and as of such Delivery Date as though made on and as of such Date, (2) nothing shall have occurred which will materially and adversely affect the business or financial condition of Lessee or the ability of Lessee to perform its obligations under this Lease, the Lease Assignment Consent, the Purchase Orders and the Purchase Order Assignment, (3) no Event of Default or Incipient Default shall have occurred and be continuing, or would result from the lease of the Equipment, and (4) Lessor and the Owner Participant shall have received a certificate signed by a duly authorized officer of Lessee satisfactory in form and substance to Lessor, the Owner Participant and the Owner Participant's special counsel to the foregoing effect.

(x) Lessor and the Owner Participant shall have received, in form and substance reasonably satisfactory to Lessor, the Owner Participant and the Owner Participant's special counsel, such documents and evidence with respect to Lessee as Lessor or the Owner Participant may reasonably request in order to establish the existence and good standing of Lessee, the authorization of the transactions contemplated by this Lease and the Purchase Order Assignment, the taking of all corporate proceedings in connection therewith and compliance with the conditions set forth in this Section 9.

(xi) Lessor shall have received, in form and substance satisfactory to it and to the Owner Participant, an opinion of special New York counsel to the Owner Participant, Messrs. Davis Polk & Wardwell, to the effect that all necessary ICC filings have been made to perfect Lessor's and the Owner Participant's interest in and title to the Equipment and to such other effects and covering such matters as Lessor or the Owner Participant may reasonably request, including the federal income tax consequences of the transactions contemplated by this Lease.

(xii) Lessor and the Owner Participant shall have received the insurance certificate required to be delivered pursuant to Section 15(c).

(xiii) Lessor and the Owner Participant shall have received, in form and substance satisfactory to Lessor, the Owner Participant and the Owner Participant's special counsel, an opinion of Lessee's general counsel, to the same effect as the representations and warranties by Lessee under paragraphs (i) through (vi) and paragraphs (viii) and (x) of Section 8(b) of this Lease (except that knowledge referred to in Section 8(b) shall be for purposes of such opinion the knowledge of counsel).

(xiv) Lessor shall have received all other documents, certificates and opinions reasonably requested by it in connection with the transactions contemplated hereby;

provided, however, that each of the conditions specified in paragraphs (iv), (vi), (vii) and (viii) shall be subject to fulfillment in respect of each Manufacturer before the first

Delivery Date relating to any such Items manufactured by such Manufacturer.

SECTION 10. INDEMNITIES.

(a) General Indemnity. Lessee agrees to indemnify Lessor, the Owner Participant, the Long-Term Lenders and their respective successors, assigns, employees and agents (hereinafter called the "Indemnified Persons") against, and agrees to protect, save and keep harmless each thereof from, and hereby assumes liability for, any and all claims, liabilities, obligations, damages, penalties, actions, suits, costs, expenses, disbursements and losses (herein called "claims, liabilities and losses") of whatsoever kind and nature (including tort liabilities and strict liability), whether or not any of the transactions contemplated hereby are consummated and whether or not Lessee carries or is required to carry insurance in respect thereof, imposed on, incurred by or asserted against any Indemnified Person in any way relating to or arising out of the transactions contemplated by this Lease and the other documents referred to herein, the construction, acquisition, ownership, leasing, use, operation, maintenance, return or disposition of the Equipment, including without limitation any claims, liabilities and losses arising out of or resulting from bodily injury or death or damage to property, or arising out of latent or other defects, whether or not discoverable, or arising out of any failure on the part of Lessee to perform or comply with any of the terms of this Lease; provided that taxes covered by subsections (b), (c) and (d) of this Section 10 and not excluded from indemnification thereunder shall not be subject to indemnification under this subsection (a); and provided further that Lessee shall not be obligated under this subsection (a) to indemnify any Indemnified Person for any claims, liabilities and losses resulting from the negligence or wilful misconduct of such Indemnified Person (but in no event shall this exclusion from Lessee's obligation to indemnify apply if Lessee's failure to perform or comply with any of the terms of this Lease, other than this subsection (a), is a contributing cause of any such claims, losses and liabilities). Lessee will to the extent practicable pay directly any and all claims, liabilities and losses indemnified hereunder and, to the extent any such items are paid by an Indemnified Person, will promptly upon demand reimburse and indemnify therefor. Lessee further agrees that, with respect to any payment or indemnity hereunder, such payment or indemnity shall include any amount necessary to hold each Indemnified Person harmless on an

after-tax basis (net of any tax benefits such Indemnified Person might have realized as a consequence of any such claims, losses and liabilities) from all taxes (including income taxes) required to be paid with respect to such payment or indemnity. In the event an Indemnified Person receives notice of a claim, liability or loss which would be indemnified under this subsection (a), such Indemnified Person will promptly notify Lessee thereof, and, so long as no Event of Default has occurred and is continuing and such Indemnified Person's title to or interest in the Equipment or its rights hereunder are not subjected to a risk of infringement, loss or forfeiture, Lessee may at its own expense defend such Indemnified Person against such claim, liability or loss.

(b) Taxes. Lessee agrees to pay, and on written demand to indemnify and hold the Indemnified Persons harmless from, all license and registration fees and all taxes, levies, imposts, duties, charges or withholdings of any nature whatsoever together with any penalties, fines or interest thereon (collectively for purposes of this subsection, "Taxes") imposed against an Indemnified Person, Lessee or the Equipment by any governmental agency or taxing authority upon or with respect to the Equipment or any part thereof, or upon or with respect to the construction, acquisition, ownership, lease, use, operation, maintenance, return or other disposition of the Equipment or upon or with respect to the Rent, receipts or earnings arising therefrom or upon or with respect to this Lease, the Purchase Order Assignment, the Purchase Agreement or the instruments contemplated thereby or the Owner Trust Agreement (excluding Taxes on, based on, or measured by, interest income of the Long-Term Lenders or the net income of the Owner Participants before Taxes and any Taxes imposed upon the Owner Participant by the jurisdiction in which the Owner Participant has its principal office; provided that notwithstanding the foregoing exclusion, there shall not be excluded from indemnification hereunder any Taxes indemnified under subsections (a), (c) and (d) of this Section 10 or any Taxes on, based on, or measured by, net income resulting directly or indirectly from (x) Lessee's receipt of or right to receive any refund or credit pursuant to the Purchase Orders, (y) any payments by the Manufacturers in satisfaction of a claim against the Manufacturers with respect to the Equipment or (z) any payments by the Lessee for maintenance, repairs, alterations or improvements which are treated as income to the Lessor or the Owner Participant); provided that this indemnity will not apply to penalties, fines or interest where such levy or tax is not paid if the Indemnified Person was aware, and

Lessee was not aware, of the tax and its due date and failed negligently to seasonably notify Lessee thereof. Any Tax indemnified hereunder shall be paid directly when due, if direct payment is permitted, or shall be reimbursed to the Indemnified Person on demand to the extent paid by the Indemnified Person. Lessee further agrees that, with respect to any payment or indemnity hereunder, such payment or indemnity shall include any amount necessary to hold the Indemnified Person harmless on an after-tax basis (net of any tax benefits the Indemnified Person might have realized from any such Taxes) from all Taxes (including income taxes) required to be paid with respect to such payment or indemnity.

If any proceeding is commenced against Lessor or the Owner Participant for any such Tax, Lessor or the Owner Participant, respectively, shall promptly notify Lessee. If reasonably requested by Lessee in writing and no Event of Default shall have occurred and be continuing, Lessor or the Owner Participant, respectively, shall upon receipt of indemnity reasonably satisfactory to it and at the expense of Lessee (including, without limitation, all costs, expenses, losses, legal and accountants' fees and disbursements, penalties and interest fairly allocable to the matters indemnified hereunder) in good faith contest the validity, applicability or amount of such Tax by, in its sole discretion, (1) resisting payment thereof if Lessor or the Owner Participant, respectively, shall determine such course of action to be appropriate, (2) not paying the same except under protest, if protest is necessary and proper, and (3) if payment be made, using reasonable efforts to obtain a refund thereon in appropriate administrative and judicial proceedings. If any Tax is required to be paid in connection with a contest, Lessee will provide funds for payment on an interest-free basis. If Lessor or the Owner Participant shall obtain a refund of all or any part of such Tax paid by Lessee, Lessor or the Owner Participant, respectively, shall pay Lessee such refund and any interest also received by Lessor or the Owner Participant, respectively, and fairly attributable to such refund of tax; provided that such refund shall not be payable before such time as Lessee shall have made all payments or indemnities then due under this Lease; and provided, further, that, if an Event of Default shall have occurred and be continuing, Lessor shall hold any refund received and apply it to amounts then or thereafter due and payable to Lessor by Lessee hereunder. Lessee shall not be deemed to be in default under any of the above

indemnification provisions so long as Lessee shall diligently prosecute such contest. In case any report or return is required to be made with respect to any Tax indemnified hereunder, Lessee will either make such report or return in such manner as will show the ownership of the Equipment in Lessor and send a copy of such report or return to Lessor and the Owner Participant or will notify Lessor and the Owner Participant of such requirement and make such report or return in such manner as shall be satisfactory to Lessor and the Owner Participant.

(c) Indemnity for Loss of Investment Credit, Depreciation Deductions, Etc. This Lease is being entered into on the assumption that the assumed tax consequences set forth in Schedule I to the Commitment Letter are applicable and that the Owner Participant will be entitled to take such credits, deductions and other benefits as are provided by the Code and the state and local taxing statutes in the jurisdiction in which the Owner Participant has its principal office, including, without limitation,

(1) the investment tax credit ("Investment Credit") pursuant to Section 38 of the Code for "new section 38 property" in an amount equal to 10% of Total Lessor's Cost;

(2) deductions for depreciation of the Total Lessor's Cost ("Depreciation Deductions") computed on the following basis:

(i) election of the class life asset depreciation range system of depreciation under Treasury Regulation Section 1.167(a)-11 and selection of an asset depreciation period of twelve (12) years,

(ii) six months of depreciation in the calendar year in which the Delivery Date for such Item falls, based on the election of the half-year convention,

(iii) use of the 200% double-declining-balance method of depreciation provided in Section 167(b)(2) of the Code switching to the sum-of-the-years-digits method in the third year of depreciation and

(iv) a net salvage value of 10% of Total Lessor's Cost reduced to zero by an election under Section 167(f) of the Code;

(3) interest deductions on Debt ("Interest Deductions") if Long-Term Debt is raised; and

(4) straight line amortization of Transaction Expenses ("Amortization Deductions").

The Owner Participant will claim the Investment Credit on its Federal income tax return and will claim the Depreciation Deductions, Interest Deductions and Amortization Deductions on its Federal income tax returns and on the appropriate state and local income or franchise tax returns.

Lessee agrees that neither it nor any corporation controlled by it, in control of it, or under common control with it, will at any time take any action, directly or indirectly, or file any returns or other documents inconsistent with the foregoing and that Lessee and any such corporation will file such returns, take such actions and execute such documents as may be reasonable and necessary to facilitate accomplishment of the intent expressed in the first paragraph of this subsection (c).

If for any reason whatever the Owner Participant shall not be allowed for any taxable year all or any portion of its Investment Credit and the Depreciation Deductions, Interest Deductions and Amortization Deductions to which it would have been entitled, or if during any such taxable year all or any portion of the Investment Credit or the Depreciation Deductions is recaptured pursuant to Section 47 or Section 1245 of the Code or any other similar provision (any such nonallowance or recapture being referred to hereafter as a "Loss"), then Lessee will pay to the Owner Participant such amount which, after reduction by an amount equal to all taxes required to be paid by the Owner Participant in respect of the receipt of such amount, shall be equal to the sum of the aggregate additional Federal, state or local income or franchise taxes plus, on an after-tax basis, an amount equal to any interest, additions to tax or penalties associated with such income or franchise taxes, payable by the Owner Participant as a result of such Loss. If, as a result of a Loss, the aggregate Federal, state or local income or franchise taxes paid by the Owner Participant for any taxable

year shall be less than the amount of such taxes which would have been payable had no such Loss occurred, then the Owner Participant will pay Lessee promptly the amount of such differences in taxes, plus any additional tax benefits realized provided, however, that the Owner Participants shall not be obligated to make any payment pursuant to this sentence to the extent that the sum of such payment and all other payments by the Owner Participant pursuant to this subsection (c) would exceed the amount of all payments by Lessee to the Owner Participant pursuant to this subsection. Except as otherwise provided in subsection (e) of this Section, all amounts payable to the Owner Participant hereunder shall be paid promptly and in any event within 30 days after receipt by Lessee of a written demand therefor, accompanied by a written statement describing in reasonable detail the related Loss and the computation of the amount so payable. Any payment due to Lessee from the Owner Participant pursuant to this paragraph shall be paid promptly and in any event within 30 days after the Owner Participant realizes any such savings in its income or franchise taxes or additional tax benefits, as the case may be; provided that, if an Event of Default shall have occurred and be continuing or if any amount payable under this Lease is due and unpaid, the Owner Participants shall hold all such payments and apply them to amounts then or thereafter due and payable to the Owner Participant by Lessee hereunder.

In lieu of paying an indemnity under this subsection, Lessee and Lessor may adjust Basic Rent to reflect variations from the assumed tax consequences set forth in Schedule I to the Commitment Letter.

Notwithstanding anything to the contrary set forth above, any Loss which would otherwise be indemnified by Lessee hereunder shall not be subject to indemnification to the extent that such Loss is a direct result of the occurrence of any of the following events:

(A) a transfer or other disposition by the Lessor or the Owner Participant of any interest in the Equipment, unless an Event of Default has occurred and is continuing;

(B) the failure of Lessor or the Owner Participant to claim the Investment Credit, the Depreciation Deductions, the Interest Deductions or the Amortization Deductions;

(C) the failure of Lessor or the Owner Participant to have sufficient liability for Tax within the meaning of Section 46 of the Code against which to credit the Investment Credit or to have sufficient gross income within the meaning of Section 61(a) of the Code to benefit from the Depreciation Deductions, the Interest Deductions or the Amortization Deductions;

(D) the failure of Lessor or the Owner Participant, respectively, to take timely action in contesting a claim made by the Internal Revenue Service with respect to such Loss if the Lessor or the Owner Participant were to take such action pursuant to subsection (e) of this Section 10;

(E) any change in or modification of applicable law occurring after the last Delivery Date; or

(F) an event which causes Lessee to pay in full the Stipulated Loss Value or Termination Value with respect to the Equipment.

(d) Indemnity for Capital Expenditures. If the Owner Participant is required by (i) any published revenue ruling, revenue procedure or other published statement of position by any taxing authority, (ii) a determination upon any audit of the Owner Participant's tax returns or (iii) advice received by the Owner Participant from its outside tax counsel, to include in its gross income for any taxable year for Federal, state or local income or franchise tax purposes an amount in respect of any alteration, improvement or addition to the Equipment or any cost of acquisition in excess of the maximum Total Lessor's Cost ("Capital Expenditures"), then Lessee will pay to the Owner Participant such amount which, after reduction by all taxes required to be paid by the Owner Participant in respect of the receipt of such amounts, shall be equal to the sum of the aggregate additional Federal, state or local income or franchise taxes payable by the Owner Participant as a result of such Capital Expenditures plus, on an after-tax basis, an amount equal to any interest, additions to tax or penalties associated with income or franchise taxes payable by Lessee as a result of such Capital Expenditures. If as a result of any such Capital Expenditures the aggregate Federal, state or local income or franchise taxes paid by the Owner Participant for

any taxable year shall be less than the amount of such taxes which would have been payable had no such Capital Expenditures been made, then the Owner Participant will pay to Lessee the amount of such savings in taxes plus any additional tax benefits realized by the Owner Participant as the result of such payment; provided that the Owner Participant shall not be obligated to make any payment pursuant to this sentence to the extent that the sum of such payment and all other payments by the Owner Participant pursuant to this subsection (d) would exceed the amount of all payments by Lessee to the Owner Participant pursuant to this subsection. Except as otherwise provided in subsection (e) of this Section, all amounts payable to the Owner Participant hereunder shall be paid promptly and in any event within 30 days after receipt by Lessee of a written demand therefor, accompanied by a written statement describing in reasonable detail the inclusion in gross income and the computation of the amount so payable. Any payment due to Lessee from the Owner Participant pursuant to this paragraph shall be paid promptly and in any event within 30 days after the Owner Participant realizes any such savings in its income or franchise taxes or additional tax benefits, as the case may be; provided that, if an Event of Default shall have occurred and be continuing or if there are any amounts payable by Lessee under this Lease, the Owner Participant shall hold all such payments and apply them to amounts then or thereafter due and payable to the Owner Participant by Lessee hereunder.

(e) Contest of Disallowance of Tax Benefits. In the event a claim shall be made at any time by the Internal Revenue Service which, if successful, would require Lessee to indemnify the Owner Participant under subsection (c) or (d) of this Section 10, Lessor agrees that it or the Owner Participant will take such action in connection with contesting such claim as Lessee shall reasonably request in writing from time to time; provided that: (i) no Event of Default shall have occurred and be continuing; (ii) within 30 days after notice by Lessor or the Owner Participant to Lessee of such claim, Lessee shall request that such claim be contested; (iii) Lessor or the Owner Participant, after consultation with Lessee, may, at the sole option of the Owner Participant, forego any and all administrative appeals, proceedings, hearings and conferences with the Internal Revenue Service in respect of such claim and may, at the sole option of the Owner Participant, either pay the tax claimed and sue for a refund in the appropriate United States District Court or the United States Court of Claims, as the Owner Participant

shall elect, or contest such claim in the United States Tax Court; (iv) prior to taking such action, Lessee shall have furnished the Owner Participant with an opinion of independent tax counsel reasonably satisfactory to the Owner Participant to the effect that a meritorious defense exists to such claim; and (v) Lessee shall have indemnified the Owner Participant in a manner reasonably satisfactory to the Owner Participant for any liability or loss which the Owner Participant may incur as the result of contesting such claim (excluding for this purpose liabilities for taxes not related to the Equipment or this Lease) and shall have agreed to pay the Owner Participant on demand an amount which, after payment of all taxes incurred in respect of the receipt thereof less any taxes saved by the deduction thereof, shall be equal to all costs and expenses which the Owner Participant may incur in connection with contesting such claim. If the Owner Participant elects to pay the tax claim and then seek a refund, Lessee will provide the Owner Participant with sufficient funds, on an interest-free basis, to pay the tax. If any such claim referred to above shall be made by the Internal Revenue Service, and Lessee shall have reasonably requested Lessor to contest such claim as above provided and shall have duly complied with all of the terms of this Section 10(e), Lessee's liability for indemnification shall become fixed upon final determination of the liability of the Owner Participant for the tax claimed and after giving effect to any refund obtained, together with interest thereon. At such time the Owner Participant shall become obligated to repay to Lessee any funds previously provided by Lessee for payment of tax in contemplation of a suit for refund, and Lessee shall become immediately obligated for the payment of any indemnification hereunder resulting from the outcome of such contest. The obligations of the Owner Participant and Lessee will first be set off against each other and any balance owing by either party shall be paid within 30 days after such final determination; provided that, if an Event of Default shall have occurred and be continuing or any amount is payable by Lessee under this Lease, Lessor shall hold all payments due to Lessee hereunder and apply them to amounts then or thereafter due and payable to Lessor or the Owner Participant by Lessee hereunder. If in connection with such final determination the Owner Participant receives a refund of tax for which Lessee provided funds hereunder, any interest also received by the Owner Participant and fairly attributable to such refund of tax will be paid over to Lessee; provided that, if an Event of Default shall have occurred and be continuing or any amount is payable by

Lessee under this Lease, Lessor shall hold all such payments and apply them to amounts then or thereafter due and payable to Lessor or the Owner Participant by Lessee hereunder. In the case of any such claim by the Internal Revenue Service referred to above, Lessor agrees to notify Lessee promptly in writing of such claim and agrees not to make payment of the tax claimed nor to consent to the assessment of any deficiency relating to such claim for at least 30 days after the giving of such notice, to the extent permitted by applicable law, and agrees to cooperate with Lessee in good faith in order to effectively contest any such claim.

(f) Definition of Lessor. For purposes of this Section 10, the terms "Lessor" and "Owner Participant" shall include any member of the affiliated group, within the meaning of Section 1504 of the Code, of which Lessor or the Owner Participant, respectively, is a member. For purposes of this Section 10, the term "Lessor" shall mean the Lessor in both its individual and fiduciary capacities.

(g) Survival. The representations, warranties, indemnities and agreements of Lessor and Lessee provided for in this Lease, and the obligations of Lessor and Lessee hereunder, shall survive the expiration or other termination of this Lease.

(h) Effect of Other Indemnities. The obligations of Lessee under the indemnities provided for in this Lease shall be those of a primary obligor whether or not the Indemnified Person shall also be indemnified with respect to the same matter under the terms of any other document or instrument, and the Indemnified Person may proceed directly against Lessee without first seeking to enforce any other right of indemnification.

SECTION 11. FURTHER ASSURANCES; FURNISHING OF INFORMATION; NOTICE OF LOSS, REQUISITION, ETC.

(a) Further Assurances. Lessee covenants and agrees with Lessor that Lessee will take all action necessary to protect Lessor's and the Owner Participant's right, title and interest in and to, and the Long-Term Lenders' lien on, the Equipment except to the extent that such right, title and interest may be affected by any liability of the Lessor or the Owner Participant as a result of businesses or transactions unrelated to this Lease. In addition, Lessee will

promptly and duly execute and deliver to Lessor and the Owner Participant such further documents and assurances (including supplements and amendments hereto, if appropriate or necessary) and take such further action as Lessor or the Owner Participant may from time to time reasonably request in order to carry out more effectively the intent and purpose of this Lease and to establish and protect the rights and remedies created or intended to be created in favor of Lessor or the Owner Participant and their assigns hereunder.

(b) Periodic Information. Lessee will deliver to Lessor, the Owner Participant and each Long-Term Lender the following information:

(i) not later than 90 days after the close of each fiscal year of Lessee, a certificate of Lessee, signed by an authorized officer of Lessee, (A) to the effect that such officer has made, or caused to be made under his supervision, a review of the relevant terms of this Lease and that such review has not disclosed the existence during such accounting period, nor does the signer have knowledge of the existence as at the date of such certificate, of any condition or event which constitutes an Event of Default or an Incipient Default or, if any such condition has occurred and is continuing, what action Lessee is taking and proposes to take with respect thereto and (B) if Lessor, the Owner Participant or a Long-Term Lender shall so request listing, for each Item, the number of days in such fiscal year during the Lease Term during which such Item was within the United States and the number of days in such fiscal year during which such Item was not within the United States;

(ii) as soon as is practicable after the availability thereof, copies of any press releases, annual reports, documents, reports or final registration statements filed with the Securities and Exchange Commission pursuant to the Securities Act of 1933 or the Securities and Exchange Act of 1934;

(iii) not later than 90 days after the close of each fiscal year of Lessee, copies of the audited Consolidated Balance Sheet as of the last date of such fiscal year and the audited Consolidated

Statements of Income and Changes in Financial Position for such fiscal year, certified as having been prepared in accordance with generally accepted accounting principles consistently applied and presenting fairly the financial position of Lessee as of such dates and the results of its operations for such periods;

(iv) not later than 60 days after the close of each fiscal quarter of Lessee, copies of the unaudited Consolidated Balance Sheet as of the last date of such fiscal quarter and the unaudited Consolidated Statement of Income for such fiscal quarter;

(v) the annual insurance certificate required to be delivered to Lessor, the Owner Participant and the Long-Term Lenders pursuant to Section 15(c) hereof; and

(vi) such other information relating to the Equipment as Lessor, the Owner Participant or a Long-Term Lender may reasonably request.

(c) Notice of Loss, Requisition, Sale, Casualties. Lessee will forthwith give notice (containing full particulars) to Lessor, the Owner Participant and the Long-Term Lenders of (i) each Event of Loss (or an event which with the lapse of time would constitute an Event of Loss), (ii) requisition of the use of the Equipment by any governmental authority or persons acting under the color thereof, (iii) the attachment, levying upon, detention, sequestration or taking into custody of the Equipment in connection with any proceeding and (iv) each casualty, accident or damage to an Item involving an amount in excess of \$30,000.

SECTION 12. LIENS; ATTACHMENT.

(a) Liens. Lessee will not directly or indirectly create, incur, assume or suffer to exist any Lien (other than any Permitted Lien and the respective rights of Lessor and Lessee as herein provided) on or with respect to the Equipment, title thereto or any interest therein or in this Lease.

(b) Attachments. In the event that the Equipment shall be attached, levied upon, or taken into custody or detained or sequestered (any such event being referred to herein as an "attachment") by virtue of any proceeding in any court or tribunal or by governmental or other authority in any jurisdiction, Lessee will promptly give notice to Lessor, the Owner Participant and the Long-Term Lender of the attachment, and Lessee, at its own expense within 60 days thereafter, will cause the Equipment to be released and will cause all Liens on the Equipment in connection with the attachment to be discharged (whether by furnishing a surety bond or otherwise), and will forthwith notify Lessor, the Owner Participant and the Long-Term Lenders of such release and discharge; provided that Lessee's obligations under the foregoing sentence shall not arise if the attachment resulted from any action or inaction of Lessor, the Owner Participant, the Long-Term Lender or their agents which is unrelated to the terms of this Lease. If, within said 60-day period, the Equipment is not so released and any such Lien discharged, Lessor or the Owner Participant or a Long-Term Lender may, at its option but without obligation so to do, obtain such release and discharge, and all expenses of Lessor, the Owner Participant or such Long-Term Lender, respectively, in connection therewith shall be reimbursed by Lessee on demand.

SECTION 13. MAINTENANCE AND OPERATION; USE, ASSIGNMENT AND SUBLEASE BY LESSEE; INSPECTION, ETC. This Lease is a net lease. Lessee will have the entire responsibility for maintenance, repair and operation of the Equipment and all expenses and liabilities in connection therewith.

(a) Maintenance and Operation. Lessee, at its sole expense, shall maintain, service, repair and test the Equipment to the same extent as other corporations of established reputations using similar Equipment maintain, service and repair similar equipment owned or leased by such corporations and in any event at least to the same extent as Lessee maintains similar equipment owned or leased by it and to the extent required to maintain the Equipment in as good operating condition as when delivered, ordinary wear and tear excepted, including without limitation lining each of the tank cars before using them to transport any products and re-lining them in accordance with prudent industry practice, and in compliance in all material respects with all applicable requirements of law or of the federal, state or

local governmental authorities having jurisdiction. Lessee shall comply with such operating or repair standards and periodic maintenance inspections as are required to enforce warranty claims against the Manufacturers or which are otherwise established by the Manufacturers as normal operating procedures for the Equipment. Lessee will permit the Equipment to be used or operated only for the purposes for which the Equipment was designed, by qualified personnel, in accordance with good railroad practice and in compliance with all applicable requirements of the insurance policies maintained pursuant to Section 15 hereof. Lessee hereby agrees that, unless it has obtained the prior written permission of Lessor, the Owner Participant and the Long-Term Lenders, Lessee will use the Equipment only for the transportation of non-corrosive products which will not affect the engineer's estimate of useful life and residual value referred to in Section 9(vii) of this Lease, such as polycaprolactam pellets in the hopper cars and alcohol, butanol, isobutanol and butyl-acrylates in the tank cars. Lessee further agrees that it will use or cause the Equipment to be used within the United States on more than half the days in any year during which this Lease is in effect.

(b) Use, Assignment and Sublease by Lessee. So long as no Event of Default has occurred and is continuing, Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease, but, without the prior written consent of Lessor, the Owner Participant and the Long-Term Lenders, Lessee shall not assign, transfer or encumber any of its rights or interest under this Lease or its leasehold interest under this Lease in any of the Equipment. Lessee shall not permit (x) more than 15% (in number) of the Items to be at any one time in regular use, or assigned for regular use, outside the continental United States of America, (y) more than 5% (in number) of the Items to be at any one time in Mexico or (z) any Items to be located at any time outside the continental United States of America, Canada and Mexico. Lessee further agrees that it shall not, without the prior written consent of Lessor, the Owner Participant and the Long-Term Lenders, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Items, except that nothing in this paragraph (b) shall be deemed (i) to restrict the right of Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any Person into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of Lessee as an entirety or

substantially as an entirety, provided such Person shall have duly assumed the obligations of Lessee hereunder in a writing satisfactory to Lessor, the Owner Participant and the Long-Term Lenders; (ii) to prohibit the assignment of any account or contract right or the creation of a security interest in any general intangible for money due or to become due to the extent that prohibitions thereof or requirements as to consent thereto are ineffective under mandatory provisions of law; or (iii) to prohibit the sublease of any Item by Lessee under a written sublease to a railroad classified by the Interstate Commerce Commission as a Class I railroad, or to a responsible company for less than one year, and the receipt and retention of compensation therefor by Lessee from such railroad or company, provided that (A) no Event of Default or Incipient Default has occurred and is continuing, (B) every such sublease shall expressly subject the rights of the sublessee thereunder to the rights of Lessor, the Owner Participant and the Long-Term Lenders, in respect of Items covered by such sublease, (C) no such sublease shall relieve Lessee of any of its obligations under this Lease, including without limitation its obligations to maintain the Equipment and promptly discharge any Liens thereon, (D) no such sublease shall permit the use or operation of any Item outside the continental United States of America, and (E) Lessee shall notify Lessor, the Owner Participant and the Long-Term Lenders in writing of any such sublease and, at the request of Lessor, the Owner Participant or such Long-Term Lender shall provide Lessor, the Owner Participant or such Long-Term Lender with a copy of any such sublease.

(c) Inspection. Lessee will permit any persons designated by Lessor, the Owner Participant or a Long-Term Lender to inspect the Equipment, provided that any such inspection will not unduly interfere with the normal operation of the Equipment.

(d) Compliance with Laws. Lessee at its expense shall comply with all applicable governmental laws, rules and regulations including, without limitation, the rules of the U.S. Department of Transportation and the Interchange Rules of the Mechanical Division, Association of American Railroads, in effect from time to time pertaining to the possession, use, maintenance and operation of each Item. However, Lessee need not comply with any such law, rule or regulation while its validity or application is being contested in good faith by appropriate legal proceedings unless

failure to comply will have a material adverse effect upon Lessor's title to or the Owner Participant's interest in, or the Long-Term Lenders' lien on, the Equipment.

(e) Termination Because of Obsolescence. So long as no Event of Default and no Incipient Default shall have occurred and be continuing, in the event that, at any time after the tenth year of the Basic Term, the Board of Directors of Lessee shall have determined in good faith, as evidenced by a resolution of such Board, that for any reason the Equipment shall have become economically obsolete and no longer suited for use in Lessee's business or surplus to the requirements of Lessee (such determination being hereinafter called a "Termination Event"), then Lessee shall have the right, at its option exercisable within 30 days after the occurrence of such Termination Event by giving written notice thereof to Lessor, the Owner Participant and the Long-Term Lenders, to terminate this Lease with respect to no less than all the Equipment or with respect to either no less than all the hopper cars or no less than all the tank cars as to which this Lease is in effect (the "Terminated Items"), effective upon the third Rental Payment Date next following the giving of such notice (such effective date being hereinafter called the "Termination Date"), provided that the conditions hereinafter set forth shall have been satisfied on or before the Termination Date. During the period from the giving of such notice until the date 30 days prior to the Termination Date, Lessee, as agent for Lessor but at Lessee's own expense, shall use its best efforts to secure the highest obtainable bids for the purchase of Lessor's title to and the Owner Participant's interest in the Terminated Items for cash from independent parties "as is, where is". In the event it receives any bid during such period, Lessee shall forthwith certify to Lessor and the Owner Participant in writing the amount and terms of such bid and the name and address of the party (which shall be a financially responsible Person) submitting such bid. On the Termination Date (A) Lessor and the Owner Participant shall, without recourse or warranty, sell its interest in the Terminated Items for cash to the bidder, if any, who shall have submitted the highest bid during such period, (B) Lessee shall deliver possession of the Terminated Items in place to such bidder together with such easements and rights-of-way as may reasonably be required to enable such bidder to remove the Terminated Items and (C) Lessee shall pay to Lessor (x) an amount equal to the excess, if any, of the Termination Value as of the Termination Date

over the purchase price received by Lessor, after deducting from such purchase price the expenses incurred by Lessor or the Owner Participant in connection with such sale (including, but not limited to, commissions, reserves and premiums, advertising and administrative expenses, sales and other taxes, recording and filing fees, and legal fees and expenses), plus (y) an amount equal to the Basic Rent due and payable by Lessee hereunder as of the Termination Date, plus (z) all Supplemental Rent due and payable by Lessee hereunder as of the Termination Date. Neither Lessee nor any Person controlled by, controlling, or under common control with Lessee may lease or operate the Terminated Items after the Termination Date. If no sale shall occur on the Termination Date, this Lease (including the provisions of this Section 13(e)) shall continue in full force and effect. In the event of any such sale of all the Equipment as to which this Lease is in effect and the receipt by Lessor of the amounts described above, and upon compliance by Lessee with the provisions of this Section 13(e), the obligation of Lessee to pay Rent accruing hereunder after, but not on or before, the Termination Date shall cease, and the Lease Term shall end on the Termination Date. In the event of any such sale of either all the hopper cars or all the tank cars as to which this Lease is in effect and the receipt by Lessor of the amounts described above, and upon compliance by Lessee with the provisions of this Section 13(e), (A) the obligation of Lessee to pay Rent accruing hereunder with respect to the Terminated Items after, but not on or before, the Termination Date shall cease, (B) the Lease Term as to such Terminated Items shall end on the Termination Date, and (C) thereafter, Lessee shall pay Rent at the rental rate in effect as specified in Section 3 or 4 hereof on Lessor's Cost of those Items as to which this Lease is still in effect. Lessor and the Owner Participant shall be under no duty to solicit bids, to inquire into the efforts of Lessee to obtain bids or otherwise to take any action in connection with any such sale other than to transfer to the purchaser named in the highest bid certified by Lessee to Lessor and the Owner Participant, without recourse or warranty but free of Liens resulting solely from acts of Lessor and the Owner Participant, Lessor's and the Owner Participant's rights, title and interest in and to the Terminated Items against receipt of the payments provided for herein.

SECTION 14. REPLACEMENT OF PARTS; ALTERATIONS, MODIFICATIONS, SUBSTITUTIONS AND ADDITIONS; FURTHER ASSURANCES.

(a) Replacement of Parts. Unless an Event of Loss shall have occurred, Lessee, at its sole expense, will as promptly as practicable replace all appliances, parts, instruments, appurtenances, accessories and other equipment of whatever nature (herein collectively called "Parts") which are or may from time to time be incorporated or installed in or attached to any Item and which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use. Lessee shall not remove any Parts from any Item except for reasonable periods of time in the ordinary course of maintenance, service, repair or testing. All replacement Parts shall be free and clear of all Liens and rights of others except Permitted Liens, and shall be in as good operating condition as, and shall have a value and utility at least equal to, the Parts replaced, assuming such replaced Parts were in the condition and repair required to be maintained by the terms hereof. All Parts at any time removed from any Item shall remain the property of Lessor, no matter where located, until such time as such Parts shall be replaced by Parts which have been incorporated or installed in or attached to such Item and which meet the requirements for replacement Parts specified above. Immediately upon any replacement Part becoming incorporated or installed in or attached to any Item as above provided, without further act, (i) title to the removed Part shall vest in such Person as shall be designated by Lessee, free and clear of all rights of Lessor, (ii) title to such replacement Part shall vest in Lessor and (iii) such replacement Part shall become subject to this Lease and the lien of the Long-Term Lenders and be deemed part of the Equipment for all purposes hereof to the same extent as the Parts originally incorporated or installed in or attached to the Equipment.

(b) Alterations, Modifications, Substitutions and Additions. Unless an Event of Loss shall have occurred, Lessee, at its sole expense, shall make such alterations, modifications, substitutions and additions (herein collectively called "Alterations") to the Equipment as may be required from time to time to meet the requirements of law or of the federal, state or local governmental authorities having jurisdiction. In addition, Lessee, at its sole expense, may from time to time make such Alterations to the

Equipment as Lessee may deem desirable in the proper conduct of its business; provided that no such Alteration shall diminish the value, utility or condition of any Item below the value, utility or condition thereof immediately prior to such Alteration, assuming any Item was then in the condition and repair required to be maintained by the terms hereof. All Alterations required or permitted by this Section 14(b) shall be completed in good and workmanlike manner, with reasonable dispatch and in compliance with Section 13 hereof. In the event that any Alteration permitted by the second sentence of this Section 14(b) involves an improvement or addition to an Item and not a replacement or substitution of any Part or Parts originally constituting part of such Item, such Alteration shall be readily removable without causing damage to such Item. Immediately upon any Part becoming incorporated or installed in or attached to an Item as the result of Alterations required or permitted by this Section 14(b), without further act, title to such Part shall vest in Lessor and such Part shall become subject to this Lease and the lien of the Long-Term Lenders and be deemed part of the Equipment for all purposes hereof to the same extent as the Parts originally incorporated or installed in or attached to such Item, (i) if such Part is in replacement of or in substitution for, and not in addition to, any Part originally incorporated or installed in or attached to an Item at the time of the acceptance thereof hereunder or any Part in replacement of, or substitution for, any such original Part, or (ii) if such Part is required to be incorporated or installed in or attached to such Item pursuant to the requirements of law or of any federal, state or local governmental authority having jurisdiction. Title to all other Parts attached to the Equipment as the result of Alterations permitted by this Section 14(b) shall remain in Lessee, and such Parts shall not be deemed part of the Equipment and may be removed by Lessee at any time prior to the redelivery of the Equipment to Lessor hereunder as provided in Section 19 hereof. Any Part which is not so removed by Lessee shall become, without further act, the property of Lessor upon redelivery of the Equipment pursuant to this Lease.

(c) Further Assurances. Lessee shall execute and deliver to Lessor any instruments reasonably requested by Lessor to confirm the transfer to Lessor of ownership of any Part or Alteration to which Lessor is entitled pursuant to paragraph (a) or (b) of this Section.

SECTION 15. INSURANCE.

(a) Lessee to Insure. Lessee shall at its own expense provide and maintain insurance, with financially sound insurers of recognized responsibility, on or with respect to the Equipment and the operation thereof during the Lease Term as follows:

(i) insurance against loss or damage to the Equipment or any part thereof, which insurance shall be in amounts aggregating at all times not less than 110% of the then Stipulated Loss Value of the Equipment; provided that Lessee may self-insure against such risks by deductible provisions of up to \$50,000 for each event of loss or damage;

(ii) insurance against loss or damage to the person or property of others, which insurance shall be against such risks, in such form and in such amounts as would be carried by a prudent user of railroad cars similar to the Equipment; provided that in no event will such insurance be less than that which Lessee carries on equipment owned or leased by it similar to the Equipment.

(b) Named Insured. The policies of insurance required by this Section shall name Lessor, the Owner Participant and the Long-Term Lenders as additional named insureds as their interests may appear.

(c) Insurance Certificate. Lessee will, at its expense, furnish or cause to be furnished to Lessor, the Owner Participant and the Long-Term Lenders on the first Delivery Date, and within 30 days prior to each anniversary date of the first Delivery Date during the Lease Term, a certificate of insurance issued by a firm of independent insurance brokers of recognized standing, appointed by Lessee and satisfactory to Lessor, the Owner Participant and the Long-Term Lenders, setting forth the amounts and types of insurance carried and maintained with respect to each Item, the names of the insurers providing such insurance, the expiration dates of all insurance policies covering the

Equipment and such other relevant insurance matters as Lessor, the Owner Participant or a Long-Term Lender may reasonably request. During the Lease Term, Lessee will promptly notify Lessor, the Owner Participant and the Long-Term Lenders in writing of any and all changes in, or cancellations or suspensions of, the insurance coverage for the Equipment.

(d) Notice of Cancellation, Modification or Nonpayment. All policies or certificates evidencing insurance required to be carried and maintained by this Section 15 shall provide for at least 30 days' prior written notice by the underwriter, insurance company or fund, as the case may be, to Lessor, the Owner Participant and the Long-Term Lenders in the event of cancellation, expiration or modification of the coverage of any insurance or of nonpayment of any premium.

(e) Insurance and Other Payments. Upon the occurrence of an Event of Loss with respect to an Item, all amounts of insurance or recoveries or condemnation proceeds relating thereto shall be payable to Lessor. If no Event of Default and no Incipient Default has occurred and is continuing, proceeds of insurance or recoveries for losses not exceeding \$30,000 with respect to any Item may be paid directly to Lessee or any repair business designated by Lessee for repair of such Item. Any other proceeds of insurance received by Lessor with respect to damage to such Item which does not constitute an Event of Loss will be paid over by Lessor to Lessee or any repair business designated by Lessee to the extent required to reimburse Lessee or pay for repairs made to such Item as a result of the occurrence for which such insurance proceeds are received.

(f) Inspection of Insurance Documents. Lessee will permit representatives of Lessor, the Owner Participant and the Long-Term Lenders to inspect all cover notes, policies, binders and certificates of entry in protection and indemnity associations and all endorsements and riders amendatory thereof providing the insurance coverage required by this Section 15.

(g) Proof of Loss. Lessee will, at its own expense, make or cause to be made all proofs of loss and take, or cause to be taken, all other action necessary or appropriate to make collections from the underwriters of

insurance required to be carried and maintained by this Section 15. To that end, Lessor and the Owner Participant, at Lessee's expense, will execute such claim papers and other documents, take such action and furnish such information as Lessee may reasonably request.

(h) No Act Impairing Insurance. Lessee will not do or omit any act, or voluntarily suffer or permit any act to be done or omitted, whereby any insurance required to be carried or maintained hereunder shall or may be suspended, impaired or defeated, and will not suffer or permit the Equipment to be used in any manner, not permitted under the policies of insurance in effect.

(i) Insurance Payable Notwithstanding Action, Inaction, Etc. All insurance carried by Lessee under Subsection (a)(i) of this Section 15 shall provide that in respect of the respective interests of Lessor, the Owner Participant and the Long-Term Lenders in such policies the insurance shall not be invalidated by any action or inaction of Lessee or any other Person (other than of Lessor, the Owner Participant or a Long-Term Lender, as the case may be) and shall insure Lessor, the Owner Participant and the Long-Term Lenders regardless of any breach or violation of any warranty, declarations or conditions contained in such policies by Lessee or any other Person (other than by Lessor, the Owner Participant or a Long-Term Lender, as the case may be).

(j) Lessee's Insurance Primary, Etc. All insurance carried by Lessee hereunder shall be primary without right of contribution from any insurance carried by Lessor, the Owner Participant or a Long-Term Lender. In the event Lessee fails to maintain the insurance herein provided, Lessor, the Owner Participant or a Long-Term Lender may at its option maintain such insurance, and Lessee shall reimburse Lessor, the Owner Participant or such Long-Term Lender respectively, upon demand as Supplemental Rent for the costs thereof and for the expenses incurred in connection with maintaining such insurance.

SECTION 16. EVENTS OF DEFAULT. The following events shall constitute Events of Default (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any

order, rule or regulation of any administrative or governmental body or any legislative enactment of any legislative body):

(a) Lessee shall fail to make any payment of Interim Rent, Basic Rent or Renewal Rent within five days after the same shall become due in accordance with the terms hereof, or Lessee shall fail to make any payment of Supplemental Rent within ten days after written notice thereof given by Lessor, the Owner Participant or a Long-Term Lender to Lessee;
or

(b) Lessee shall relinquish possession or shall sublease the Equipment contrary to the provisions of this Lease or shall transfer or assign this Lease in violation of the terms hereof;
or

(c) Lessee shall fail to comply with any of the provisions of Section 15 hereof; or

(d) Lessee shall fail to perform or observe any covenant, condition or agreement to be performed or observed by it hereunder (other than those referred to in (a), (b) and (c) above) or under the Purchase Order Assignment, and such failure shall continue unremedied for a period of 30 days after Lessee has received written notice of such failure from Lessor, the Owner Participant or a Long-Term Lender; or

(e) any representation or warranty made by Lessee herein or in the Purchase Order Assignment, or any document or certificate furnished by Lessee in connection herewith or therewith, or in connection with the Purchase Agreement, shall prove at any time to be incorrect in any material respect as of the date made; or

(f) any obligation of Lessee for any payment in respect of Indebtedness having a then outstanding principal amount in excess of \$1,000,000 shall not be paid when the same becomes due, whether by acceleration or otherwise, after the expiration of any applicable grace period; or

(g) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of Lessee in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of Lessee, or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(h) Lessee shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking of possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of Lessee or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action in furtherance of any of the foregoing; or

(i) Lessee shall suffer any judgment in excess of \$100,000, or shall suffer any judgment, writ of attachment or execution or any similar process (regardless of the amount of the underlying judgment or claim, as the case may be) to be issued or levied against the Equipment, which judgment, writ or similar process is not released, stayed, bonded or vacated within 90 days after its issue or levy.

SECTION 17. REMEDIES.

(a) Election of Remedies. Upon the occurrence of any Event of Default and at any time thereafter so long as the same shall be continuing, Lessor may, at its option, declare this Lease to be in default; and at any time thereafter, so long as Lessee shall not have remedied all outstanding Events of Default, Lessor may do one or more of the

following with respect to the Equipment as Lessor in its sole discretion shall elect, to the extent permitted by, and subject to compliance with any mandatory requirements of, applicable law then in effect:

(i) demand in writing that Lessee, and Lessee shall thereupon, relinquish possession of the Equipment promptly to Lessor in the manner and condition required by, and otherwise in accordance with, all of the provisions of Section 19 hereof as if the Equipment were being redelivered at the end of the Lease Term; or Lessor, at its option, may enter upon the premises where the Equipment is located and take immediate possession of and remove the same or any part thereof by summary proceedings or otherwise, all without Lessor being liable for or by reason of such entry or taking of possession, whether for the restoration of damage to property caused by such taking or otherwise;

(ii) sell or cause the Equipment to be sold at public or private sale, as Lessor may determine, or dispose of, hold, use, operate, lease to others, dismantle or keep idle the Equipment as Lessor, in its sole discretion, may determine, all free and clear of any rights of Lessee except as hereinafter set forth in this Section 17 and without any duty to account to Lessee with respect to such action or inaction or for any proceeds with respect thereto;

(iii) whether or not Lessor shall have exercised, or shall thereafter at any time have exercised, any of its rights under clause (i) or (ii) of this subsection, give written notice to Lessee specifying a payment date (which shall be a Rental Payment Date) not earlier than ten days from the date of such notice (unless the final Rental Payment Date of the Lease Term occurs earlier than ten days from the date of such notice, in which case it shall be such final Rental Payment Date) when Lessee shall pay Lessor, on the payment date specified in such notice, as liquidated damages for loss of a bargain and

not as a penalty, all unpaid Rent due on or before the payment date specified in such notice, together with Interest on such unpaid Rent as provided in Section 5 hereof accrued to the date of the actual payment of such Rent; and an amount (which amount shall be specified by Lessor in such notice) equal to the excess, if any, of the Stipulated Loss Value on the date specified for payment in such notice over the fair market sales value of the Equipment (as defined in subsection (c) of this Section) as of the payment date specified in such notice (together with Interest on such amount from such specified payment date until the date of actual payment of such amount);

(iv) by written notice to Lessee specifying a payment date which shall be a Rental Payment Date not earlier than ten days from the date of such notice (unless the final Rental Payment Date during the Lease Term occurs earlier than ten days from the date of such notice, in which case it shall be such final Rental Payment Date), cause Lessee to pay to Lessor, and Lessee shall pay Lessor, on the payment date specified in such notice, as liquidated damages for loss of a bargain and not as a penalty, all unpaid Rent due on or before the payment date specified in such notice, together with Interest on such unpaid Rent as provided in Section 5 hereof accrued to the date of the actual payment of such Rent, and an amount equal to the Stipulated Loss Value on the date specified for payment in such notice (together with Interest on such amount from such specified payment date until the date of actual payment of such amount), and upon payment in full of all such amounts Lessor shall, without recourse or warranty, transfer all of Lessor's right, title and interest in and to the Equipment to Lessee; or

(v) rescind this Lease or exercise any other right or remedy which may be available to Lessor under applicable law or proceed by appropriate court action to enforce the terms hereof or to recover damages for the breach hereof.

(b) Default-Related Expenses. In addition, Lessee shall be liable, without duplication of any of the foregoing,

for all legal fees and other damages, losses, costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of the Equipment in accordance with the terms of Section 19 hereof or in placing the Equipment in the operating condition required by such Section and all damages and losses incurred by Lessor in the event that, as a result of the failure of Lessee to return the Equipment in accordance with the terms of Section 19 hereof, the amount of the proceeds received by Lessor with respect to the sale or other disposition or the use or operation of the Equipment is less than the amount of such proceeds which would have been so received had such failure not occurred.

(c) Fair Market Sales Value. For the purpose of subsection (a)(iii) above, the "fair market sales value" of the Equipment or an Item shall mean the value, not reduced by any transportation or installation cost, which would obtain in an arm's length transaction between an informed and willing buyer intending to put the Equipment or Item into operation and an informed and willing seller, neither of which is under any compulsion to buy or sell. The "fair market sales value" of the Equipment or an Item shall be determined by Lessee and Lessor by mutual agreement or, in the absence of agreement, as specified in an appraisal mutually agreed to by two recognized, independent appraisers, one of which appraisers shall be chosen by Lessor and one by Lessee. If either party shall fail to appoint an appraiser within 30 days after written notice to do so from the other party, then the appraiser chosen by such other party shall act alone and any appraisal prepared and delivered by him shall be binding upon Lessor and Lessee. If such two appraisers are appointed and cannot agree on the amount of such appraisal, an appraisal shall be prepared by a third independent appraiser chosen by mutual consent of such two appraisers. If each party has appointed an appraiser and such two appraisers cannot agree on the amount of such appraisal and fail to appoint a third appraiser within 30 days of their appointment, then either party may apply to any court having jurisdiction for an order making such appointment. Any appraiser appointed pursuant to the foregoing procedure shall be instructed to complete his appraisal within 25 days of his appointment. The cost of all appraisals under this Section 17 (including without limitation the fees and expenses of each appraiser) shall be borne by Lessee.

(d) Remedies Cumulative. Except as otherwise expressly provided above, no remedy referred to in this Section 17 is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to Lessor at law or in equity and the exercise or beginning of exercise by Lessor of any one or more of such remedies shall not preclude the simultaneous or later exercise by Lessor of any or all of such other remedies; provided that because liquidated damages have been agreed to by the parties hereto pursuant to subsections (a)(iii) and (a)(iv) of this Section for loss of a bargain (and not as a penalty), Lessor shall not be entitled to recover from Lessee as damages upon the occurrence of one or more Events of Default an amount in excess of the sum of the amounts referred to in said subsections (a)(iii) or (a)(iv), as the case may be, and any other amounts referred to in any other provision of this Section 17. No express or implied waiver by Lessor of any Event of Default shall in any way be, or be construed to be, a waiver of any future or subsequent Event of Default. To the extent permitted by applicable law, Lessee hereby waives any rights now or hereafter conferred by statute or otherwise which may require Lessor to sell, lease or otherwise use the Equipment or an Item in mitigation of Lessor's damages except to the extent set forth in this Section 17 or which may otherwise limit or modify any of Lessor's rights or remedies under this Section 17.

SECTION 18. LOSS OR DESTRUCTION; REQUISITION OF USE; PURSUIT OF CLAIMS.

(a) Loss or Destruction. On the Rental Payment Date next following the date of the occurrence of an Event of Loss, Lessee shall pay to Lessor an amount equal to the Stipulated Loss Value of the Equipment or Item with respect to which such Event of Loss has occurred (or, at the option of Lessee, if such Event of Loss occurred less than 30 days prior to the next Rental Payment Date, then on the last Business Day occurring prior to the 31st day after the occurrence of such Event of Loss, Lessee shall pay to Lessor an amount equal to Stipulated Loss Value plus Interest thereon computed from the Rental Payment Date next succeeding such Event of Loss to and including such last Business Day); provided that: (i) any such amounts of Stipulated Loss Value and Interest thereon (if any) shall be reduced by the amount

of the net insurance proceeds paid to the Long-Term Lenders or, if no Long-Term Debt shall be outstanding, to Lessor or the Owner Participant under any insurance policy maintained by Lessee pursuant to Section 15 hereof; (ii) if any such amounts of Stipulated Loss Value and Interest thereon (if any) shall be less than the net proceeds of any marshal's sale or similar disposition of the Equipment or Item, Lessor shall also receive the excess of such net proceeds over any such amounts of Stipulated Loss Value and Interest; and (iii) notwithstanding the occurrence of such Event of Loss, Lessee shall continue to be obligated to pay, and shall pay, all installments of Rent coming due with respect to the Equipment or Item on the Rental Payment Date next succeeding the occurrence of such Event of Loss, but no longer. In the event of payment in full (or as reduced) of Stipulated Loss Value with respect to the Equipment as provided above, Interest, if any, thereon and any installment of Rent then due, (a) the obligation of Lessee to pay Rent hereunder with respect to the Equipment or Item after the date of such payment in full (or as reduced) shall terminate and (b) the Lease Term with respect to the Equipment or Item shall end effective as of the date of such payment in full (or as reduced). Thereafter, Lessee shall pay Rent at the rental rate in effect as specified in Section 3 or 4 hereof on Lessor's Cost of those Items as to which this Lease is still in effect. Lessor shall have the right, but not the obligation, to transfer to Lessee, without recourse or warranty (except as to Lessor's own acts), all of Lessor's right, title and interest in and to the Equipment or Item, or Lessor may otherwise dispose of the Equipment or Item.

(b) Requisition of Use. Requisition of the use of the Equipment or an Item by any governmental authority or any Person acting under color of governmental authority shall not terminate this Lease, and Lessee shall continue to pay Rent without interruption or abatement and shall remain liable for all other obligations under this Lease. The time the Equipment or an Item is under any such requisition shall count as part of the Lease Term, and all of the terms and conditions of this Lease shall be applicable. Lessee shall be entitled, so long as no Event of Default and no Incipient Default shall exist, to the total amount of requisition rent and any other amount payable by such governmental authority or such Persons with respect to such requisition.

(c) Pursuit of Claims. Lessor hereby appoints Lessee its agent, so long as no Event of Default occurs and

is continuing, to pursue in the name of and for the account of Lessor, the Owner Participant and/or Lessee, as their interests may appear, at Lessee's cost and expense, any claims on account of any loss, destruction or requisition of use of an Item.

SECTION 19. REDELIVERY OF THE EQUIPMENT. As soon as practicable on or after the expiration of the Lease Term and subject to the exercise of Lessee's right to purchase all the Equipment pursuant to Section 6 hereof, Lessee will, at its own cost and expense and at the request of Lessor, assemble and redeliver possession of the Equipment, other than Items with respect to which the Lease Term has terminated pursuant to Section 18(a) of this Lease, in the state of repair provided for in Section 13(a) hereof to Lessor upon such storage track or tracks of Lessee as Lessee may select, and permit Lessor to store such Equipment on such tracks for a period not exceeding four months and transport the same, at any time within such four month period, to any reasonable place or places or to any connecting carrier for shipment, all as directed by Lessor, the movement and storage of such Equipment to be at the expense of Lessee but at the risk of Lessor. In connection with such assembly, Lessee will give prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Item has been interchanged or which may have possession thereof to return such Item to the designated storage location. During any such storage period Lessee will permit Lessor or the Owner Participant or any person designated by either of them, including the authorized representative or representatives of any prospective purchaser of any such Equipment or any Item, to inspect the same. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having competent jurisdiction Lessor or the Owner Participant shall be entitled to a decree against Lessee requiring specific performance of the covenants of Lessee so to assemble, deliver, store and transport the Equipment. If Lessor shall elect to abandon any Item with respect to which an Event of Loss shall have occurred or with respect to which, after the expiration of this Lease, Lessor shall have deemed an Event of Loss to have occurred or if for any other reason Lessor shall elect to abandon any Item after the expiration of this Lease, it may deliver written notice to such effect to Lessee and

Lessee shall thereupon assume all, and hold Lessor and the Owner Participant harmless from all liability arising in respect of any, responsibility of ownership thereof from and after receipt of such notice, but no such abandonment made in the event of the occurrence of an Event of Loss with respect to any Item shall relieve Lessee from the obligation of paying the Stipulated Loss Value of such Item to Lessor as provided in Sections 13(e) and 18(a) hereof.

SECTION 20. LONG-TERM DEBT; LESSOR'S ASSIGNMENT OR CREATION OF SECURITY INTEREST IN EQUIPMENT. Lessee acknowledges that it is contemplated that the Original Long-Term Lender will provide 55% of the aggregate Invoice Prices of the Items subject to this Lease by making loans to Lessor pursuant to the Purchase Agreement. Lessee will enter into the Lease Assignment Consent and will furnish such certificates, opinions and other documents on each Lending Date as may be required by the Purchase Agreement. Pursuant to the Purchase Agreement, the Lessor is assigning certain of its rights in this Lease to the Long-Term Lenders and is creating a security interest in the Equipment to secure the Long-Term Debt.

SECTION 21. NO SET-OFF, COUNTERCLAIM, ETC. Lessee's obligations to pay all Rent payable hereunder to Lessor or to an assignee of Lessor pursuant to Section 20 hereof shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any set-off, claim, counterclaim, recoupment, defense or other right which Lessee may have against Lessor or any other Person for any reason whatsoever, whether in connection with the transactions contemplated hereby or otherwise, (ii) any defect in the title, condition, design, operation, or fitness for use of, or any damage to or loss or destruction of, the Equipment or any interruption or cessation in the use or possession thereof by Lessee for any reason whatsoever, (iii) any insolvency, bankruptcy, reorganization or similar proceedings by or against Lessee, (iv) any claim to such Rent by any party other than Lessor or an assignee of Lessor pursuant to Section 20 hereof, (v) the invalidity or unenforceability of the Lease or any other infirmity therein or any lack of power or authority of Lessee or Lessor to enter

into the Lease or (vi) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing. If for any reason whatsoever this Lease shall be terminated in whole or in part by operation of law or otherwise, except as specifically provided in Sections 6, 17 and 18 herein, Lessee nonetheless agrees to pay to Lessor, at Lessee's option, either (a) an amount equal to each Rent payment at the time such payment would have become due and payable in accordance with the terms hereof had this Lease not been terminated in whole or in part or (b) an amount equal to the greater of Stipulated Loss Value on the next Rental Payment Date or the fair market value of the Equipment, in either case payable on the Rental Payment Date following the termination of the Lease. Lessee hereby waives, and hereby agrees to waive at any future time at the request of Lessor, to the extent now or then permitted by applicable law, 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 this Lease except in accordance with the express terms hereof. Each payment of Rent made by Lessee shall be final and Lessee shall not seek to recover all or any part of such payment from any party for any reason.

SECTION 22. NOTICES. Unless otherwise specified herein all notices, requests, demands or other communications to or from the parties hereto shall be in writing and deemed to have been duly given and made, in the case of letters, upon deposit in the mail postage prepaid; in the case of cables, when delivered to the cable company; and in the case of telexes, when sent and the appropriate answerback received. Any such notice, request, demand or communication shall be addressed (i) if to Lessee, at Drawer D, Williamsburg, Virginia 23185, Attention: Corporate Distribution Department, or to such other address as Lessee shall from time to time designate in writing to Lessor; (ii) if to Lessor, at One Constitution Plaza, Hartford, Connecticut 06115, Attention: Corporate Trust Department, or to such other address as Lessor shall from time to time designate in writing to Lessee; (iii) if to the Original Long-Term Lender, at John Hancock Mutual Life Insurance Company, Attention of Bond Department, John Hancock Place, P.O. Box 111, Boston, Massachusetts 02117, or to such other address as the Original Long-Term Lender shall from time to time designate in writing to Lessee, or, if to any other Long-Term Lender, to such address as it shall from time to time designate in

writing to Lessee; and (iv) if to the Owner Participant, at 522 Fifth Avenue, New York, New York 10036, Attention: Leasing Officer, or to such other address as the Owner Participant shall from time to time designate in writing to Lessee.

SECTION 23. LESSOR'S RIGHT TO PERFORM FOR LESSEE.

If Lessee fails to perform any act or make any payment required to be made by it hereunder or which Lessor deems necessary for the maintenance and preservation of the Equipment and Lessor's title thereto and rights hereunder, or fails to perform or comply with any of its agreements contained herein, Lessor may (but shall not be required to) itself make such payment or perform or comply with such agreement (including, without limitation, payments for satisfaction of liens, insurance, repairs, taxes and levies), and the amount of such payment and the amount of the reasonable expenses, including legal expenses of Lessor incurred in connection with such payment or the performance of or compliance with such agreement, as the case may be, together with Interest thereon shall be deemed Supplemental Rent, payable by Lessee upon demand. The performance of any act or payment by Lessor shall not be deemed a waiver or release by Lessor of any obligation or default of Lessee.

SECTION 24. EXECUTION IN COUNTERPARTS.

This Lease may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall constitute but one and the same instrument.

SECTION 25. AMENDMENTS.

No term or provision of this Lease may be amended, modified, supplemented, waived, discharged or terminated except as otherwise permitted by the Lease Assignment Consent by an instrument in writing signed by the party hereto against which the enforcement of the amendment, modification, supplement, waiver, discharge or termination is sought.

SECTION 26. SEVERABILITY.

To the extent permitted by applicable law Lessee and Lessor hereby waive any provision of law which renders any provision hereof invalid,

prohibited or unenforceable in any respect and agree that if any provision of this Lease is invalid, prohibited or unenforceable in any jurisdiction, such invalidity, prohibition or unenforceability shall not invalidate or render unenforceable such provision in any other jurisdiction and the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

SECTION 27. NO LIABILITY OF LESSOR. This Lease is intended by the parties to be totally net with respect to Lessor, and Lessor shall during the Lease Term have no responsibility with respect to the use, operation, maintenance or repair of the Equipment and shall have no financial liability with respect to costs, expenses, liabilities or losses in any way relating to the Equipment.

SECTION 28. AGREEMENT OF LEASE. This Lease shall constitute a lease agreement, and nothing herein shall be construed as conveying to Lessee any right, title or interest in the Equipment except as a lessee only.

SECTION 29. IDENTIFICATION MARKS; FURTHER ASSURANCES, ETC.

(a) Identification Marks. Before any Item is accepted under this Lease, Lessee shall:

(i) number it with a reporting mark as set forth in Schedule I hereto; and

(ii) mark it conspicuously and legibly on each side with a legend in letters not less than 2" in height as follows:

LEASED TO BADISCHE AND SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION

Thereafter, Lessee shall replace as soon as practicable any such reporting mark or legend that is removed, defaced or destroyed. Lessee shall make such changes in the legend as may be required to protect under the laws of the United States Lessor's title to and the interest of Lessor and the Owner Participant in the Equipment. Lessee shall not change

any car numbers unless it first files a statement of substitute numbers with Lessor and the Long-Term Lenders and in each public office where the Lease is filed or recorded.

Notwithstanding the provisions of the preceding paragraph, the Items accepted under this Lease prior to January 1, 1980, shall be marked conspicuously and legibly on each side with a legend in letters not less than 2" in height with the legend "LEASED TO BADISCHE", but in the event such legend shall at any time be removed, defaced or destroyed or in the event any Item bearing such legend shall be repainted, such legend shall be replaced with a legend complying with the provisions of the preceding paragraph.

Except as provided above, Lessee shall not permit anyone's name to be placed on the Equipment as a designation of ownership. However, the Equipment may bear names, initials, insignia or designations:

(i) to identify Lessee's or another's right to use the Equipment under the Lease; or

(ii) for advertising purposes.

Lessee, at its cost and expense, shall remove any such markings from an Item prior to its return to Lessor.

(b) Further Assurances. Lessee shall at its own expense do all such further acts as may be necessary to preserve and protect Lessor's ownership of and title to the Equipment, including but not limited to designating Lessor as the registered owner of the Equipment on any certificate or document of title, subject to the lien of the Long-Term Lenders.

(c) Recording. Upon the execution and delivery of this Lease, the Lease Assignment and the Security Agreement, Lessee will cause the same to be filed and recorded with the Interstate Commerce Commission in accordance with Section 11303 of the Interstate Commerce Act (49 U.S.C. § 11303). Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, reregister, rerecord or redeposit whenever required) any and all further instruments required by law or reasonably requested by

Lessor or a Long-Term Lender for the purpose of proper protection, to its satisfaction, of its title to or lien on the Items or for the purpose of carrying out the intention of this Lease. Without prior request or demand, Lessee will promptly furnish to Lessor certified copies of all instruments so filed, registered, recorded, deposited, refiled, reregistered, rerecorded and redeposited. Actions taken by Lessee pursuant to this Section shall be at Lessee's sole expense.

SECTION 30. COVENANT OF QUIET ENJOYMENT. So long as neither an Event of Default shall have occurred and be continuing nor an Event of Loss or requisition for use shall have occurred, Lessor covenants and agrees with Lessee that Lessee shall and may quietly have, hold and enjoy the Equipment free and clear from repossession or disturbance by Lessor or its officers, agents, employees or servants or by anyone (including a Long-Term Lender) claiming by, through or under Lessor.

SECTION 31. MISCELLANEOUS. The terms and provisions of this Lease shall be binding upon and inure to the benefit of Lessor, Lessee, the Owner Participant, the Long-Term Lenders and their respective successors and assigns. Lessor and Lessee hereby agree that if any provision of this Lease shall call for the payment of interest or any amount equivalent to interest and the rate or amount thereof would exceed the maximum rate or amount permitted by applicable law, then such rate or amount shall be reduced to such maximum rate or amount. The section and paragraph headings in this Lease and the table of contents are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof and all references herein to numbered sections, unless otherwise indicated, are to sections of this Lease.

SECTION 32. GOVERNING LAW. This Lease is being delivered in the State of New York and shall be governed by, and construed in accordance with, the laws of the State of New York; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

SECTION 33. CONFIDENTIALITY. Wherever under this Lease Lessee is required or requested to furnish written reports or other documents to Lessor or the Owner Participant, Lessor and the Owner Participant agree to treat such information as confidential and proprietary to Lessee, provided that nothing in this paragraph shall be deemed to restrict the rights of Lessor or the Owner Participant, respectively, to furnish such reports or documents to its affiliates, its independent accountants, auditors or counsel, its creditors, any regulatory authority, or any transferee of its rights, title or interest under this Lease, the Purchase Order Assignment or the Owner Trust Agreement.

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Agreement to be duly executed as of the day and year first above-written.

THE CONNECTICUT BANK AND TRUST
COMPANY, not in its individual
capacity but solely as Owner
Trustee under an Amended and
Restated Owner Trust Agreement
dated as of November 1, 1979
between the Owner Trustee and
J. P. Morgan Interfunding Corp.

By _____
Authorized Officer

[Seal]

Attest:

Name:
Title: Authorized Officer

BADISCHE CORPORATION

By H. H. Kopper
Name: H. H. KOPPER
Title: PRESIDENT

NBP

[Seal]

Attest:

W. M. CAVISTON
Name: W. M. CAVISTON
Title: Assistant Secretary

SECRETARY

STATE OF CONNECTICUT)
) SS
COUNTY OF HARTFORD)

On this _____ day of February, 1980, 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, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[NOTARIAL SEAL]

My Commission Expires:

STATE OF VIRGINIA)
) SS
COUNTY OF JAMES CITY)

On this 18TH day of MARCH, 1980, before me personally appeared W.M. CAVISTON, to me personally known, who, being by me duly sworn, says that he is ASSISTANT SECRETARY of BADISCHE CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

N. Woodrow Pusey
Notary Public

[NOTARIAL SEAL]

My Commission Expires: April 28, 1982.

SCHEDULE I

DESCRIPTION OF EQUIPMENT

<u>Manufacturer</u>	<u>Number of Items</u>	<u>Description</u>	<u>Reporting Marks</u>	<u>Time of Delivery</u>	<u>AAR Mechanical Designation</u>	<u>AAR Car Type Code</u>
<u>A. Equipment delivered prior to December 31, 1979:</u>						
ACF Industries Incorporated	15	DOT 111A100W1 26,800-gallon noncoiled, noninsulated tank cars equipped with 100-ton roller bearing trucks; for the transportation of industrial alcohols.	DBCX 201 through 215, inclusive	4th quarter 1979	TM	T-000
ACF Industries Incorporated	14	5,250 cubic foot center-flow covered hopper cars equipped with 100-ton roller bearing trucks and 20-inch diameter Knapp hatches. Also equipped with No. 5130 outlets with 5 psi in transit features; for the transportation of polycaprolactum pellets.	DBCX 308 through 321, inclusive	4th quarter 1979	LO	L-354

SCHEDULE I (continued)

<u>Manufacturer</u>	<u>Number of Items</u>	<u>Description</u>	<u>Reporting Marks</u>	<u>Time of Delivery</u>	<u>AAR Mechanical Designation</u>	<u>AAR Car Type Code</u>
B. <u>Equipment to be delivered after December 31, 1979:</u>						
ACF Industries Incorporated	12	5,250 cubic foot center-flow covered hopper cars equipped with 100-ton roller bearing trucks and 20-inch diameter Knapp hatches. Also equipped with No. 5130 outlets with 5 psi in transit features; for the transportation of polycaprolactum pellets.	DBCX 322 through 333, inclusive	2nd quarter 1980 (estimated)	LO	L-354
(To be designated by the Lessee)	34	4,750 cubic foot aluminum covered hopper cars equipped with 100-ton roller bearing trucks and oblong hatches and gravity feed outlets; for transportation of fertilizers.	DBCX 151 through 184, inclusive	4th quarter 1980 (estimated)	LO	L-153

SCHEDULE II

STIPULATED LOSS VALUE TABLE

<u>Rental Payment Date</u>	<u>Stipulated Loss Value for Items Delivered prior to December 31, 1979 (as a percent of Lessor's Cost)</u>	<u>Stipulated Loss Value for Items Delivered after December 31, 1979 (as a percent of Lessor's Cost)</u>
Interim and 1	105.69	109.61
2	106.66	111.08
3	107.43	111.74
4	108.12	112.16
5	108.75	112.33
6	109.31	112.72
7	109.82	113.26
8	110.24	113.70
9	110.63	114.03
10	110.93	110.52
11	111.16	110.75
12	111.33	106.58
13	103.31	106.64
14	103.36	106.68
15	103.35	106.64
16	103.28	106.52
17	103.16	106.33
18	102.98	97.97
19	102.75	97.69
20	102.46	97.33
21	93.99	96.90
22	93.60	96.45
23	93.17	95.94
24	92.68	95.37
25	92.14	94.73
26	91.57	91.11
27	90.95	90.50
28	90.28	84.47
29	81.44	83.66
30	80.70	82.83
31	79.92	81.98
32	79.10	81.11
33	78.25	80.20
34	77.37	79.28
35	76.47	78.33
36	75.54	77.35
37	74.59	76.35
38	73.61	75.33
39	72.61	74.28
40	71.58	73.21

<u>Rental Payment Date</u>	<u>Stipulated Loss Value for Items Delivered prior to December 31, 1979 (as a percent of Lessor's Cost)</u>	<u>Stipulated Loss Value for Items Delivered after December 31, 1979 (as a percent of Lessor's Cost)</u>
41	70.54	72.13
42	69.47	71.02
43	68.38	69.90
44	67.28	68.75
45	66.16	67.59
46	65.02	66.42
47	63.87	65.23
48	62.70	64.03
49	61.53	62.81
50	60.34	61.58
51	59.14	60.35
52	57.93	59.10
53	56.72	57.84
54	55.49	56.57
55	54.25	55.28
56	53.00	53.99
57	51.73	52.68
58	50.45	51.35
59	49.16	50.01
60	47.85	48.66
61	46.53	47.29
62	45.20	45.91
63	43.85	44.51
64	42.48	43.10
65	41.10	41.67
66	39.71	40.22
67	38.30	38.76
68	36.87	37.28
69	35.43	35.79
70	33.98	34.28
71	32.50	32.76
72	31.02	31.22
73	29.51	29.66
74	27.99	28.02
75	26.45	26.50
76	24.90	24.95
77	23.30	23.37
78	21.69	21.75
79	20.07	20.13
80 and thereafter	18.43	18.50

SCHEDULE III

TERMINATION VALUE TABLE

<u>Rental Payment Date</u>	<u>Termination Value for Items Delivered prior to December 31, 1979 (as a percent of Lessor's Cost of Terminated Items)</u>	<u>Termination Value for Items Delivered after December 31, 1979 (as a percent of Lessor's Cost of Terminated Items)</u>
Interim and 1	102.62694	106.55205
2	103.55313	107.96978
3	104.27805	108.58932
4	104.91628	108.96219
5	105.50382	109.08283
6	106.01332	109.41880
7	106.46596	109.90987
8	106.84435	110.29828
9	107.17603	106.77406
10	107.42470	107.01906
11	107.60853	102.87009
12	99.57915	102.96512
13	99.64393	102.97790
14	99.63880	102.96065
15	99.57716	102.86425
16	99.44637	102.69108
17	99.27146	94.29952
18	99.03435	94.02156
19	98.74550	93.67594
20	90.25231	93.25891
21	89.85664	92.76877
22	89.40683	92.25485
23	88.91040	91.68347
24	88.35441	91.04676
25	87.75828	87.28855
26	87.11654	86.65627
27	86.43369	80.70850
28	77.55683	79.87946
29	76.78213	79.00317
30	75.97088	78.10712
31	75.12444	77.18310
32	74.23178	76.23425
33	73.30664	75.25990
34	72.35243	74.25937
35	71.37257	73.23194
36	70.36638	72.17690
37	69.33566	71.09904
38	68.27975	69.99774
39	67.19796	68.87237
40	66.08961	67.72228

<u>Rental Payment Date</u>	<u>Termination Value for Items Delivered prior to December 31, 1979 (as a percent of Lessor's Cost of Terminated Items)</u>	<u>Termination Value for Items Delivered after December 31, 1979 (as a percent of Lessor's Cost of Terminated Items)</u>
41	64.96096	66.55279
42	63.81148	65.36339
43	62.64059	64.15352
44	61.44772	62.92265
45	60.23899	61.67595
46	59.01396	60.41301
47	57.77220	59.13338
48	56.51325	57.83662
49	55.24306	56.52778
50	53.96133	55.20653
51	52.66774	53.87253
52	51.36198	52.52545
53	50.04447	51.16575
54	48.71490	49.79308
55	47.37294	48.40709
56	46.01826	47.00744
57	44.64865	45.59238
58	43.26369	44.16149
59	41.86298	42.71434
60	40.44609	41.25051
61	39.01360	39.77057
62	37.56507	38.27410
63	36.10009	36.76065
64	34.61821	35.22976
65	33.12002	33.68205
66	31.60509	32.11706
67	30.07296	30.53434
68	28.52318	28.93340
69	26.95635	27.31488
70	25.37204	25.67832
71	23.76976	24.02322
72	22.14904	22.34909
73	20.51051	20.65660
74	18.85371	18.94525
75	17.17814	17.22129
76	15.48330	15.53949
77	13.74640	13.81249
78	11.98858	12.05023
79	10.22005	10.28373
80 and thereafter	8.43798	8.50360

4. Equipment

General purpose and covered hopper rail cars.

5. Lessor's Cost

The purchase price payable to the Manufacturer plus freight charges if any, up to a total amount of \$5,000,000. Interfunding will provide equity equal to approximately 45% of Lessor's Cost.

6. Lease Term

The lease term (the "Lease Term") shall consist of (i) an interim period (the "Interim Term") beginning on the first delivery date, and ending on the earlier of the last delivery date or December 31, 1980 and (ii) a 20-year period (the "Basic Term") thereafter.

7. Rentals

Rent for the Interim Term ("Interim Rent") will be an amount equal to interest on Lessor's Cost from the respective delivery dates through the final delivery date at a rate equal to the minimum commercial lending rate posted from time to time by Morgan Guaranty Trust Company for borrowings by its prime customers (the "Prime Rate") until the long term lenders have made their funds available and thereafter at a rate per annum equal to the interest rate on the long-term debt (the "Debt Rate") and will be payable quarterly in arrears, accruing from the first delivery date. Rent for the Basic Term ("Basic Rent") will be payable ~~semi-annually~~ quarterly in arrears, and, assuming a Debt Rate of 10.75% ~~10%~~, will be as follows:

Quarterly	
semi-annual Basic Rent	1.92027%
as % of Lessor's Cost	3x72000x
	10.75%

If the Debt Rate differs from ~~10%~~ p.a., or if deliveries occur in the first half of 1980, Basic Rent will be adjusted to maintain Interfunding's anticipated after-tax rate of return and periodic after-tax cash flow.

8. Long-Term Debt

Long-term lenders will provide approximately 55% of Lessor's Cost by making loans to the Owner Trust (the "Long-Term Debt"). The Fund-

ing Services Group of our independent affiliate Morgan Guaranty Trust Company, would be pleased to seek commitments from long term lenders on the Lessee's behalf. The Long-Term Debt will be without recourse to the Lessor or Interfunding and will be secured by an assignment of the Rentals and other amounts payable under the Lease (except for tax and other indemnification payments which are for the benefit of Interfunding and the Lessor) and a security interest in the Equipment. A payment equal to interest only on the Long-Term Debt would be due on the first day of the Basic Term. Thereafter, installments of principal and interest on the Long-Term Debt will be payable semiannually in arrears over a 20-year period coinciding with the Basic Term of the Lease. In any event of default resulting from the nonpayment of any of the Lessee's monetary obligations under the Lease, Interfunding will have the option of curing such default by making payments on behalf of the Lessee and may prepay the Long-Term Debt without penalty. Interfunding reserves the right to reduce the amount of the Long-Term Debt as a percentage of Lessor's Cost or to alter the amortization schedule, provided that no such change in the amount or amortization schedule of the Long-Term Debt may require a change in the Basic Rent.

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9. Tax Matters

*Provided, however, that Lessee shall not be required to indemnify Lessor or Interfunding against any penalties, interest or other fees imposed on such taxes or other charges that are not paid when due, where the failure to pay such taxes or other charges when due is due to the failure of Lessor or Interfunding to reasonably advise Lessee of the amount or due date of such taxes or charges of which Lessor or Interfunding has been notified or of which Lessee is without knowledge.

The Lessee will pay and will indemnify the Lessor and Interfunding on an after-tax basis against any and all taxes or other charges relating to the Equipment, the Lease and other financing documents and the transactions contemplated hereby or thereby except for Federal income taxes of Interfunding and state and local franchise taxes of Interfunding imposed by the jurisdiction in which Interfunding has its principal office.* In addition, if any of the Assumed Tax Consequences set forth in Schedule I hereto are not obtained, the Lessee will indemnify Interfunding or agree to an increase in the Basic Rent so that the Net Economic Return of Interfunding contemplated at the time of execution of this commitment letter will be preserved.

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The Lessee will indemnify the Lessor and Interfunding on an after-tax basis if any payments by the Lessee for maintenance, repairs, alterations or improvements are treated as income to the Lessor or Interfunding. The Lessee may require Interfunding to contest any proposed adjustment by the IRS which would require indemnification, provided that (i) Interfunding will have the sole discretion to forego or pursue administrative remedies or appeals, pay the tax and sue for refund, choose the court in which to conduct the contest and require the Lessee to conduct the contest, (ii) all costs and expenses of the contest (including fees and disbursements of Interfunding's outside counsel) will be paid by the Lessee and (iii) the Lessee will provide funds on an interest-free basis for payment of the tax if a refund suit is contemplated.

10. General Indemnification

The Lessee will indemnify Interfunding against any and all expenses, liabilities or losses relating to or in any way arising from the proposed transaction or the construction, purchase, ownership or operation of the Equipment.

11. Net Lease

The Lessee will have the entire responsibility for maintenance, repair and operation of the Equipment and all expenses and liabilities in connection therewith.

12. Insurance

The Lessee will provide property and liability insurance with financially sound and reputable insurers covering such risks, in such amounts and on such terms and conditions as are satisfactory to Interfunding. Generally, insurance required to be carried will be consistent with prudent industry practice, and in no event less than insurance which is in effect from time to time for similar equipment owned or leased by the Lessee, and, in the case of property insurance, no less than 110% of the prevailing stipulated loss value. The Lessee will provide Interfunding with an annual certificate of an independent insurance broker acceptable to Interfunding to the effect that the Lessee

Mr. W. H. Bryant

Page Five

has complied with the insurance covenant. All insurance policies shall name the Lessor and Interfunding as additional insureds and loss payees as their interests may appear and shall provide for 30 days' prior written notice before any cancellation or material modification of coverage shall become effective.

13. Maintenance

The Lessee at its own expense will maintain, service, repair and test the Equipment so as to keep it in as good operating condition as when delivered, ordinary wear and tear excepted, and in compliance with any and all applicable laws and regulations.

14. Loss, Obsolescence

The Lease will provide that in the event of actual or constructive total loss of the Equipment or in the event of condemnation, the Lessee will be liable to the Lessor for any difference between stipulated loss value and any net proceeds of insurance or condemnation received by the Lessor.

So long as no event of default or other event which would give rise to an event of default has occurred and is continuing, the Lessee will have the right at any time after the tenth year of the Basic Term to terminate the Lease with respect to no less than all the Equipment if, in the opinion of the Board of Directors of the Lessee, the Equipment is obsolete or surplus to the requirements of the Lessee. In such a case the Lessee will be required, at its own expense, to seek cash bids from independent parties and to arrange for the Equipment to be sold. If the net sale proceeds received by the Lessor are less than the termination value, the Lessee will be liable to the Lessor for the difference. If no sale can be arranged, the Lease will continue in full force and effect.

Proposed stipulated loss and termination value schedules will be furnished by Interfunding at a later date.

15. Options to Renew,
Purchase

The Lessee will have an option to renew the

Lease for a renewal term of 5 years at one-half the Basic Rent, provided that Interfunding is supplied with sufficient support that the IRS guidelines as to useful life and residual value will be met at the end of such fixed rate renewal term. The Lessee may purchase no less than all of the Equipment at the end of the renewal term for its then prevailing fair market sales value.

16. Fees & Expenses

(A) Transaction Expenses. If the transaction is consummated, Interfunding will pay Transaction Expenses (defined below) up to 2% of Lessor's Cost. If Transaction Expenses exceed 2% of Lessor's Cost, the excess will be added to Lessor's Cost and financed by Interfunding and Basic Rent will be adjusted to maintain Interfunding's after tax rate of return and periodic recovery of net cash flow. If the transaction is not consummated all Transaction Expenses will be paid by the Lessee.

Transaction Expenses will include the debt placement fee, legal expenses of the long-term lenders and Interfunding, printing costs, and the initial and ongoing fees and expenses of the trustees. Counsel for the long term lenders will be Cravath, Swaine and Moore and such counsel will prepare the documents.

Klu
(B) Upset fee. If the transaction is not consummated by December 31, 1980 for any reason which is beyond the control of Interfunding and within the control of Lessee, the Lessee will pay to Interfunding an upset fee of \$100,000.

~~(B) Upset fee. If the transaction is not consummated by December 31, 1980 for any reason which is beyond the control of Interfunding, the Lessee will pay to Interfunding an upset fee of \$100,000.~~ *Klu*

17. Conditions to Commitment

Interfunding's obligation hereunder is subject to closing conditions which we and our counsel consider customary, including (a) execution of the Lease and all related documents in form and substance satisfactory to Interfunding, (b) receipt of a favorable opinion from our independent tax counsel as to the tax consequences of the proposed transaction in form and substance satisfactory to Interfunding, (c) the long term debt being placed by the earlier of the final

delivery date or December 31, 1980, (d) receipt of an opinion of an independent appraiser approved by Interfunding as to the residual value and useful life of the Equipment in form and substance satisfactory to Interfunding, (e) a determination that, as of each delivery date, no material adverse change has occurred in the financial condition, results of operations or prospects of the Lessee and (f) all licenses, easements, approvals and closing documentation deemed necessary by Interfunding and its counsel having been obtained in form and substance satisfactory to Interfunding.

18. Participations

Interfunding reserves the right at its own expense to participate any portion of its equity commitment to another eligible equity investor or to transfer its interest to any affiliate in the Morgan Companies.

19. Further Negotiations

While the parties are committed to the principal terms set forth herein, it is understood that, in view of the complexity of the proposed transaction, other issues of substance will have to be discussed and resolved as well as the precise form of the documents eventually executed by the parties. Interfunding and the Lessee both agree to use their best efforts to consummate the transaction on a mutually satisfactory basis.

J. P. Morgan Interfunding Corp.

Mr. W. H. Bryant

Page Eight

We appreciate the opportunity to present this proposal for your consideration and we will be happy to discuss in detail any questions you might have.

Sincerely,

J. P. MORGAN INTERFUNDING CORP.

By *William J. Matant*

The foregoing terms and conditions are hereby accepted and agreed to.

BADISCHE CORPORATION

By *A. H. Benson*

Title: Financial Vice President

Date: September 28, 1979

Schedule I

Assumed Tax Consequences

The tax consequences set forth below are assumed to be applicable for Federal, state and local income and franchise tax purposes, except that Investment tax credit and the Federal tax rate are assumed only for Federal purposes.

<u>Lease</u>	The Lease will be treated as a true lease.
<u>Owner Trust</u>	The Owner Trust will be treated as a grantor trust or (if there is more than one equity participant) as a partnership for Federal income tax purposes.
<u>Basis for Investment Credit and Depreciation</u>	100% of Lessor's Cost.
<u>Investment Tax Credit</u>	10%.
<u>Depreciation</u>	200% declining balance switching to sum of the years' digits on the half year convention (6 months of depreciation in the year of delivery) to a net salvage value of zero. Depreciation period of 12 years.
<u>Delivery Date</u>	The Equipment will go into service for tax purposes on the Delivery Date.
<u>Initial Federal Tax Rate</u>	46%.
<u>Interest Deductions</u>	All payments of interest in respect of the Long-Term Debt will be deductible.
<u>Transaction Expenses</u>	Transaction Expenses borne by Interfunding and not included in Lessor's Cost may be amortized or depreciated at a rate at least as rapid as straight line over the Basic Term.

EXHIBIT B

FORM OF LESSEE'S CERTIFICATE OF ACCEPTANCE

CERTIFICATE OF ACCEPTANCE NO.

BADISCHE CORPORATION ("Lessee") certifies that:

1. Pursuant to Section 2(a) of the Amended and Restated Lease Agreement dated as of November 1, 1979 (the "Lease"), between Lessee and THE CONNECTICUT BANK AND TRUST COMPANY, as Owner Trustee ("Lessor"), Lessee has inspected and accepted delivery of the units of railroad equipment (the "Items") shown on Schedule 1 hereto. Those Items were accepted at the place and on the date shown below:

Place Accepted:

Date Accepted:

2. To the extent Lessee's inspection can determine, each Item:

(a) is in good order and condition;

(b) conforms to the Purchase Order's specifications for it in all material respects; and

(c) conforms to applicable rules, regulations and specifications of the U.S. Department of Transportation and Interchange Rules of the Mechanical Division, Association of American Railroads.

3. No Item has been put into service prior to the date hereof.

4. The legend required by Section 29(a) of the Lease is conspicuously and legibly placed on both sides of each Item in letters not less than 2" in height.

5. Lessee has complied with all agreements and conditions in the Lease which it is required to comply with on or before the date hereof.

Schedule 1

(To Certificate of Acceptance No. _)

DESCRIPTION OF EQUIPMENT

Number of Items:

Description:

Reporting Marks:

Time of Delivery:

AAR Mechanical Designation:

AAR Car Type Code:

EXHIBIT C

AMENDED AND RESTATED
PURCHASE ORDER ASSIGNMENT

dated as of November 1, 1979

between

THE CONNECTICUT BANK AND TRUST COMPANY,
AS OWNER TRUSTEE,

LESSOR

and

BADISCHE CORPORATION,

LESSEE

TABLE OF CONTENTS*

	PAGE
Parties	1
Recitals	1
SECTION 1. Definitions	2
SECTION 2. Assignment	2
SECTION 3. Liability of Lessee	2
SECTION 4. Representations and Warranties of Lessee	3
SECTION 5. Power of Attorney	3
SECTION 6. Further Actions by Lessee	3
SECTION 7. Consent and Agreement	3
SECTION 8. Counterparts	4
SECTION 9. Governing Law	4
Signature Page	4

EXHIBIT

EXHIBIT A Form of Consent and Agreement

* The Table of Contents is not a part of this Assignment.

AMENDED AND RESTATED PURCHASE ORDER ASSIGNMENT dated as of November 1, 1979 (the "Assignment") between BADISCHE CORPORATION, a Delaware corporation ("Lessee"), and THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not in its individual capacity but solely as Owner Trustee under an Amended and Restated Owner Trust Agreement dated as of November 1, 1979 between the Owner Trustee and J. P. Morgan Interfunding Corp. ("Lessor").

W I T N E S S E T H :

WHEREAS, Lessee has entered into, or expects to enter into, certain purchase orders (the "Purchase Orders") with Amcar Division of ACF Industries, Incorporated and another manufacturer (the "Manufacturers") providing for the delivery of the Equipment (as defined in the Lease hereinafter referred to); and

WHEREAS, Lessee and Lessor have entered into an Amended and Restated Lease Agreement dated as of November 1, 1979 (the "Lease") which sets forth terms and conditions pursuant to which Lessee shall lease the Equipment from Lessor; and

WHEREAS, Lessee and Lessor have heretofore entered into the Purchase Order Assignment dated as of November 1, 1979, providing for the assignment of certain of the Purchase Orders and the parties desire to amend such Purchase Order Assignment in order to provide for the assignment of the balance of the Purchase Orders and to make certain other amendments to such Purchase Order Assignment.

NOW, THEREFORE, the Owner Participant and the Owner Trustee hereby agree that such Purchase Order Assignment shall be, and it hereby is, amended and restated in its entirety to read as follows:

SECTION 1. DEFINITIONS. Capitalized terms used in this Assignment which are not otherwise defined herein shall have the meanings set forth in the Lease.

SECTION 2. ASSIGNMENT. Lessee assigns to Lessor, and Lessor accepts the assignment of, all Lessee's rights and interests in and to the Equipment and the Purchase Orders as and to the extent that the same relate to the Equipment,

including, without limitation, (a) the right to purchase each Item and to take title thereto pursuant to the applicable Purchase Order, (b) the right to all claims for damages arising as a result of any failure to any Manufacturer to observe or perform any of the terms of any Purchase Order, (c) the right to all claims under and to all benefits of any warranties and indemnities extended by the Manufacturers, and (d) the right to compel performance of the terms of any Purchase Order.

If and so long as Lessor shall not have notified the Manufacturers in writing that an Event of Default under the Lease has occurred and is continuing, Lessee is authorized on behalf of Lessor, to exercise all rights of the purchaser (other than the right to purchase and take title to the Equipment) under all Purchase Orders and to retain for Lessee's account any recovery resulting from the enforcement of any warranty, indemnity or right to damages under the Purchase Orders or otherwise existing against the Manufacturers in respect of the Equipment.

SECTION 3. LIABILITY OF LESSEE. It is expressly agreed that, notwithstanding any provision of this Assignment:

(a) Lessee shall at all times remain liable to the Manufacturers to perform all of the duties of the purchaser under the Purchase Orders to the same extent as if this Assignment had not been executed except as provided in clause (c) below with respect to items accepted by Lessee on behalf of Lessor;

(b) the execution of this Assignment shall not modify any contractual rights or liabilities of the Manufacturers under the Purchase Orders; and

(c) Lessor shall not have any obligation or liability under the Purchase Orders by reason of this Assignment, other than the obligation of Lessor to pay the purchase price for the Equipment under the terms and conditions set forth in the Lease.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF LESSEE. Lessee represents and warrants that:

(a) Lessee is not in default in any material respect under any Purchase Order and each Purchase Order is, or will be, upon acceptance thereof by

the Manufacturer relating thereto, enforceable against Lessee in accordance with its terms; and

(b) Lessee has not assigned or pledged, and hereby covenants that it will not assign or pledge so long as this Assignment shall remain in effect, the whole or any part of the rights hereby assigned to anyone other than Lessor.

SECTION 5. POWER OF ATTORNEY. Lessee does hereby constitute, effective at any time after Lessor has declared the Lease to be in default and thereafter so long as Lessor has not rescinded such declaration thereunder, Lessor, its successors and assigns, Lessee's true and lawful attorney, irrevocable, with full power (in the name of Lessee or otherwise) to ask, require, demand, receive, compound and give acquittance for any and all monies and claims for money due and to become due under, or arising out of, the Purchase Orders in respect of the Equipment, to enforce any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which to Lessor may seem to be necessary or advisable in the premises.

SECTION 6. FURTHER ACTIONS BY LESSEE. Lessee agrees that at any time and from time to time, upon the written request of Lessor, Lessee will promptly and duly execute and deliver any and all such further instruments and documents and take such further action as Lessor may reasonably request in order to obtain the full benefits of this Assignment and of the rights and powers herein granted.

SECTION 7. CONSENT AND AGREEMENT. Payment for each Item by Lessor to the Manufacturer thereof shall be subject to the prior receipt by Lessor of the Consent and Agreement in substantially the form attached hereto as Exhibit A and duly executed by such Manufacturer.

SECTION 8. COUNTERPARTS. This Assignment may be executed by the parties hereto in any number of counterparts, each of which when so delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 9. GOVERNING LAW. This Assignment is delivered in the State of New York and shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be duly executed as of the day and year first above written.

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Owner Trustee under an Amended and Restated Owner Trust Agreement dated as of November 1, 1979 between the Owner Trustee and J. P. Morgan Interfunding Corp.

By _____
Authorized Officer

BADISCHE CORPORATION

By _____
Title:

EXHIBIT D

[Exhibit A to Amended and Restated
Purchase Order Assignment]

FORM OF MANUFACTURER'S CONSENT AND AGREEMENT

MANUFACTURER'S
CONSENT AND AGREEMENT

THE UNDERSIGNED,

a corporation ("Manufacturer"), acknowledges receipt of a copy of an Amended and Restated Purchase Order Assignment dated as of November 1, 1979 (the "Purchase Order Assignment") between The Connecticut Bank and Trust Company, as Trustee ("Lessor"), and Badische Corporation, a Delaware corporation ("Lessee") and as an inducement to and as part of the consideration for the performance by the parties thereto of their obligations thereunder:

1. consents to the assignment by Lessee to Lessor of the Purchase Orders on the terms set forth in the Purchase Order Assignment;

2. agrees that, as a condition of payment under the Purchase Orders, (A) concurrently with delivery of this Consent and Agreement by Manufacturer to Lessor, Manufacturer will, at its own cost and expense, cause to be delivered to Lessor, Lessee, J. P. Morgan Interfunding Corp. (the "Owner Participant") and John Hancock Mutual Life Insurance Company (the "Long-Term Lender") the opinion of counsel for Manufacturer substantially in the form attached hereto as Exhibit 2, and (B) prior to or concurrently with the acceptance of delivery by Lessee of each Item, Manufacturer will, at its own cost and expense, (i) execute and deliver a Bill of Sale substantially in the form attached hereto as Exhibit 1 dated as of the date of acceptance of delivery of such Item with warranty of title in favor of Lessor free and clear of all liens and encumbrances (but subject to the reservation therein, if any, of a vendor's lien and security interest to secure the payment by Lessor to Manufacturer of the purchase price thereof) with respect to such Item, and (ii) cause to be delivered to Lessor, Lessee, the Owner Participant and the Long-Term Lender the opinion of counsel for Manufacturer substantially in the form attached hereto as Exhibit 3, dated the date of acceptance of delivery of such Item;

3. agrees prior to each delivery to cause each Item to be plainly, distinctly and conspicuously marked by the stencil described in Section 29(a) of the Lease; and

4. agrees to indemnify and save Lessor and Lessee harmless from any liability, loss, damage, claim and expense which arises out of any claims for patent infringement relative to the Equipment, except in cases of designs specified by Lessee and not developed or purported to be developed by Manufacturer or any company controlled by Manufacturer, and articles and materials specified by Lessee and not manufactured by Manufacturer or by any company controlled by Manufacturer.

Nothing in the Purchase Order Assignment or in this Consent and Agreement shall be construed to modify or amend any of the terms of any Purchase Order or of any indemnification extended by Lessee thereunder, it being understood that Lessee shall be and remain solely liable for any such indemnity.

Dated: .

[NAME OF MANUFACTURER]

By _____
Name:
Title:

EXHIBIT E

[Exhibit 1 to Manufacturer's Consent and Agreement]

FORM OF MANUFACTURER'S
BILL OF SALE

For good and valuable consideration, the receipt of which is hereby acknowledged, the undersigned, (Seller") has bargained and sold, and by these presents does bargain, sell, assign, transfer and deliver and set over unto THE CONNECTICUT BANK AND TRUST COMPANY, AS LESSOR, not individually but solely in its capacity as Owner Trustee under an Amended and Restated Owner Trust Agreement dated as of November 1, 1979 between the Owner Trustee and J. P. Morgan Interfunding Corp. ("Buyer"), all of its right, title and interest in and to the following described Items, to wit:

[Description of Items]

TO HAVE AND TO HOLD the same unto Buyer, its successors and assigns forever.

Seller hereby covenants and warrants that:

1. Seller is the lawful owner and manufacturer of said Items and has good and marketable title thereto and good right to sell the same; that each Item was at the time of the delivery thereof and is at the time of passage of title thereto to Buyer free and clear of all liens and encumbrances; and that Seller will warrant and defend the title to the Equipment unto Buyer, its successors and assigns forever against the lawful claims and demands of all persons whomsoever;

2. Seller will do, execute, acknowledge and deliver all such further acts, bills of sale, assignments, transfers and assurances which may be necessary or proper to assure, confirm or evidence

the title and interest of Buyer in and to said Items;

3. no used components were utilized in the manufacture of the Items; and

4. at the time of delivery thereof to Buyer, each of the Items was new and unused, and neither Seller nor any other person operated or used any such Item for any commercial purpose, or for any other purpose whatsoever excepting only normal testing of the unassembled components thereof and the shipping of the Items to Buyer.

All covenants, agreements and warranties herein contained shall be binding upon Seller and its successors and assigns and shall inure to the benefit of Buyer and its successors and assigns.

IN WITNESS WHEREOF, the undersigned has caused this instrument to be executed by its duly authorized representative, and its corporate seal to be hereto affixed this _____ day of _____, 1980.

[NAME OF SELLER]

By _____
Name:
Title:

[Seal]

Attest:

Name:
Title:

EXHIBIT F

[Exhibit 2 to Manufacturer's Consent and Agreement]

FORM OF OPINION OF COUNSEL
RESPECTING MANUFACTURER'S CONSENT AND AGREEMENT

_____, 1980

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

J. P. Morgan Interfunding Corp., as
Owner Participant
522 Fifth Avenue
New York, New York 10036
Attention: Leasing Officer

John Hancock Mutual Life Insurance Company
John Hancock Place
P. O. Box 111
Boston, Massachusetts 02117
Attention: Bond Department

Badische Corporation, as Lessee
Drawer D
Williamsburg, Virginia 23185
Attention: Corporate Distribution Department

Dear Sirs:

We refer to the Consent and Agreement dated
_____, 1980 (the "Consent") of
_____, a _____ corporation (the
"Manufacturer"), in connection with the Amended and Restated
Purchase Order Assignment dated as of November 1, 1979,
between The Connecticut Bank and Trust Company, as Owner
Trustee ("Lessor"), and Badische Corporation ("Lessee").

We have considered and examined such legal matters,
advices from governmental authorities, certificates of
responsible persons of the Manufacturer and other matters as

we have deemed necessary or appropriate for the purpose of rendering this opinion. On the basis of the foregoing, we advise you, pursuant to Section 2 of the Consent, that in our opinion the Consent has been duly authorized, executed and delivered by the Manufacturer, and is a legal and valid agreement of the Manufacturer, enforceable in accordance with its terms.

Very truly yours,

EXHIBIT G

[Exhibit 3 to Manufacturer's Consent and Agreement]

FORM OF OPINION OF COUNSEL
RESPECTING TITLE TO EQUIPMENT

_____, 1980

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

J. P. Morgan Interfunding Corp.,
as Owner Participant
522 Fifth Avenue
New York, New York 10036
Attention: Leasing Officer

John Hancock Mutual Life Insurance Company
John Hancock Place
P. O. Box 111
Boston, Massachusetts 02117
Attention: Bond Department

Badische Corporation, as Lessee
Drawer D
Williamsburg, Virginia 23185
Attention: Corporate Distribution Department

Dear Sirs:

We refer to the Bill of Sale, dated _____,
_____, 1980 (the "Bill of Sale"), of _____
_____, a _____ corporation
(the "Manufacturer"), in connection with the Amended and
Restated Purchase Order Assignment (the "Purchase Order
Assignment") dated as of November 1, 1979, between The
Connecticut Bank and Trust Company, as Owner Trustee
("Lessor") and Badische Corporation ("Lessee").

We have considered and examined such legal matters as we have deemed necessary or appropriate for the purpose of rendering this opinion. On the basis of the foregoing, we advise you, pursuant to Section 2 of the Consent and Agreement dated _____, 1980 (the "Consent") of the Manufacturer, that in our opinion:

(a) The Manufacturer is a duly organized and existing corporation in good standing under the state of its incorporation and has the power and authority to own its properties and to carry on its business as now conducted;

(b) The Bill of Sale has been duly authorized, executed and delivered by the Manufacturer, is a legal and valid agreement of the Manufacturer and subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally, is a binding agreement of the Manufacturer, enforceable in accordance with its terms; and

(c) The Bill of Sale is valid and effective to transfer good and marketable title in and to the Items (as such term is used in the Consent) being sold on the date hereof to Lessor, free and clear of all liens and encumbrances of any nature other than those created under the Lease (as defined in the Purchase Order Assignment) or the Security Agreement (as defined in the Lease).

In rendering the foregoing opinion, we have assumed that the Items referred to above have been delivered into the possession of Lessee as agent for Lessor.

Very truly yours,