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RECORDATION NO. 14631

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APR 22 1985 - 10 40 AM

APR 22 1985 - 10 40 AM

INTERSTATE COMMERCE COMMISSION

INTERSTATE COMMERCE COMMISSION

April 22, 1985

*NOT ADMITTED IN NEW YORK

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

Dear Mr. Bayne:

I have enclosed six (6) originals of each of the two documents described below, each to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

The first document is a Lease of Railroad Equipment, a primary document, dated as of March 1, 1985.

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

Lessor: Steiner Financial Corporation
One Market Plaza, Suite 2400
San Francisco, California 94105

Lessee: Missouri-Kansas-Texas Railroad Company
701 Commerce Street
Dallas, Texas 75202

No.
Date APR 22 1985
Fee \$ 20.00
ICC Washington, D.C.

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Handwritten signature/initials

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The second document is a related Assignment of Lease and Agreement, dated as of April 1, 1985.

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

Assignor: Steiner Financial Corporation
One Market Plaza, Suite 2400
San Francisco, California 94105

Assignee: Liberty Life Insurance Company
2000 Wade Hampton Boulevard
Greenville, South Carolina 29615

A description of the equipment covered by these two documents follows:

Forty-One (41) screened bi-level auto racks manufactured by Thrall Car Manufacturing Company bearing Missouri-Kansas-Texas Railroad Company road numbers T-1 through T-41, inclusive, attached respectively to Trailer Train Company flatcars bearing Trailer Train Company road numbers TTGX 254131, TTGX 254055, TTGX 255205, TTGX 254041, TTGX 256190, TTGX 254087, TTGX 255554, TTGX 254016, TTGX 253902, TTGX 253887, TTGX 255182, TTGX 255283, TTGX 254371, TTGX 255560, TTGX 254385, TTGX 254265, TTGX 254403, TTGX 254453, TTGX 254121, TTGX 254779, TTGX 254083, TTGX 255393, TTGX 255212, TTGX 253985, TTGX 254607, TTGX 253928, TTGX 253925, TTGX 255158, TTGX 254178, TTGX 254459, TTGX 253918, TTGX 255235, TTGX 254255, TTGX 255413, TTGX 254170, TTGX 256228, TTGX 255450, TTGX 255338, TTGX 256146, TTGX 255262, and TTGX 254045.

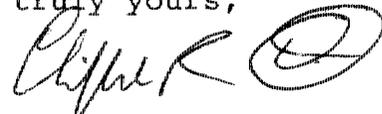
A short summary of the documents to appear in the index follows:

Covers 41 auto racks: T-1 through T-41.

A total fee of \$20 is enclosed, to cover the filing fees for these two documents.

Please return to bearer the stamped counterparts not needed by the Commission for its files.

Very truly yours,



Clifford R. Ennico, Esq.

APR 22 1985 - 10 40 AM

INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT dated as of March 1, 1985, between MISSOURI-KANSAS-TEXAS RAILROAD COMPANY, a Delaware corporation ("Lessee"), and STEINER FINANCIAL CORPORATION, a Utah corporation ("Lessor").

WHEREAS the Lessor, the Lessee and Liberty Life Insurance Company (the "Lender") have entered into a Participation Agreement (the "Participation Agreement") dated as of April 1, 1985, providing for the leveraged lease financing of the units of railroad equipment described in Appendix A hereto (hereinafter referred to in the singular as an "Item of Equipment" and, collectively, the "Equipment");

WHEREAS the Lessee has entered into a Purchase Order dated as of December 6, 1984 (the "Purchase Order") with Thrall Car Manufacturing Company ("Vendor") pursuant to the terms of which the Vendor has agreed to manufacture, sell and deliver the Equipment to the Lessee;

WHEREAS the Lessee is entering into a Purchase Order Assignment dated as of the date hereof ("Purchase Order Assignment") with Lessor pursuant to the terms of which the Lessee has assigned to Lessor its rights to purchase the Equipment and its other rights and interests with respect to the Equipment under the Purchase Order and the Vendor will acknowledge and consent thereto pursuant to a Consent and Agreement ("Consent") in the form attached to the Purchase Order Assignment;

WHEREAS the Lessee desires to lease such number of units of the railroad equipment as are delivered and accepted and settled for under the Purchase Order at the rentals and for the terms and upon the conditions hereinafter provided;

WHEREAS the Lessor will assign certain of its rights under this Lease for security to the Lender pursuant to a Security Agreement (the "Security Agreement") and an Assignment of Lease and Agreement (the "Assignment of Lease and Agreement"); and

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Equipment to the Lessee upon the following terms and conditions:

SECTION 1. NET LEASE

This Lease is a net lease. The Lessee's obligation to pay all rentals and other amounts hereunder shall be absolute and unconditional and, except as herein specifically provided, the Lessee shall not be entitled to any abatement of rent, reduction thereof, recoupment or setoff against rent or such other amounts, including, but not limited to, abatements, reductions, recoupments or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease, the Purchase Order, or the Purchase Order Assignment including the Lessee's rights by subrogation thereunder to the Vendor

or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Items of Equipment from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Items of Equipment, the prohibition of or other restriction against the Lessee's use of all or any of the Items of Equipment, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Items of Equipment except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final, and the Lessee shall not seek to recover all or any part of such payment from the Lessor or the Lender for any reason whatsoever.

SECTION 2. DELIVERY AND ACCEPTANCE OF EQUIPMENT

The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Equipment pursuant to the Purchase Order and Purchase Order Assignment. Each delivery of an Item of Equipment to the Lessor under the Purchase Order and Purchase Order Assignment shall be deemed to be a delivery hereunder to the Lessee at the point or points within the United States of America at which such Item of Equipment is so delivered to the Lessor. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same and, if such Item of Equipment is found to be acceptable, to accept delivery of such Item of Equipment on behalf of the Lessor under the Purchase Order and Purchase Order Assignment and on behalf of itself hereunder and execute and deliver to the Lessor a certificate of acceptance ("Certificate of Acceptance") in accordance with the provisions of the Purchase Order, stating that such Item of Equipment has been inspected and accepted on behalf of the Lessee and the Lessor on the date of such Certificate of Acceptance and is marked in accordance with § 5.1 hereof, whereupon such Item of Equipment shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

SECTION 3. RENTALS

3.1. Amount and Date of Payment.

(1) The Lessee agrees to pay the Lessor, as rental for each Item of Equipment subject to this Lease, (i) one interim rental payable on August 1, 1985, and (ii) forty (40) consecutive quarterly payments, payable in arrears, on November, February, May and August in each year commencing November 1, 1985, to and including August 1, 1995. The forty quarterly rental payments shall each be in an amount equal to the basic lease rate set forth in Appendix B hereto for the applicable payment date multiplied by the Purchase Price of each Item of Equipment subject to this Lease.

(2) The basic lease rates set forth in Appendix B hereto have been calculated on the assumption that the Equipment will have been settled for on or before the date and in the amount as follows:

<u>Assumed Settlement Date</u>	<u>Assumed Settlement Amount</u>
April 25, 1985	\$1,062,843

If for any reason any Items of Equipment are settled for other than on the Assumed Settlement Date or other than in the Assumed Settlement Amount, then such basic lease rates (and the related Casualty Values set forth in Appendix C hereto) payable by the Lessee hereunder in respect of the Equipment from and after August 1, 1985, shall be increased or decreased, as the case may be, by such amount as shall, in the reasonable opinion of the Lessor, cause the Lessor's after-tax economic yields and cash flows (computed on the same assumptions, including tax rate, as were utilized by the Lessor in originally evaluating this transaction, such yields and cash flows being hereinafter called "Net Economic Return") to equal the Net Economic Return that would have been realized by the Lessor if all of the Equipment had been settled for on the Assumed Settlement Date in the Assumed Settlement Amount. The Lessor shall provide a schedule of such rentals and Casualty Values to the Lessee and the Lender promptly after the facts have been determined and the calculations have been made by the Lessor.

(3) In the event that any dispute should arise as to the calculation of such rentals under § 3.1(2) (or the related Casualty Values), the Lessee agrees, pending resolution of such dispute, to pay on account of such rentals (or such Casualty Values), on the dates due hereunder, amounts at least equal to the principal and/or interest payable on each such date under Section 2.2 of the Participation Agreement and Schedule I attached to the promissory note of the Lessor in the principal amount of \$774,154.00 made payable to the Lender (the "Note"), but no such payment shall, as between the Lessor and the Lessee, prejudice the right of the Lessor to receive from the Lessee any amount in addition thereto, due and payable hereunder.

(4) Anything in the foregoing provisions of this § 3.1 to the contrary notwithstanding, it is agreed that the aggregate of the rentals payable pursuant to this § 3.1 on each rental payment date and the related Casualty Values shall in no event be less than the principal and interest payment due on each such date pursuant to Section 2.2 of the Participation Agreement and Schedule I attached to the Note.

3.2. Payments on Nonbusiness Days. If any of the rental payment dates referred to in § 3.1 is not a business day the rental payment otherwise payable on such date shall be payable on the next business day, and no interest shall be payable thereon for the period from and after the scheduled date for payment thereof to such next business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, San Francisco, California, Greenville, South Carolina or Dallas, Texas are authorized or obligated to remain closed.

3.3. Instructions To Pay Vendor and Lessor. If the Purchase Order Assignment is executed and delivered, until the Vendor shall have advised the Lessee in writing that all sums due from the Lessor under the Purchase Order have

been fully satisfied and discharged, the Lessor irrevocably instructs the Lessee to make all Payments (as defined in the Purchase Order Assignment) to the Vendor, for the account of the Lessor, in care of the Vendor, with instructions to the Vendor (a) first to apply such payments to satisfy the obligations of the Lessor under the Purchase Order Assignment known to the Vendor to be due and payable on the date such payments are due and payable hereunder, and (b) second, so long as no event of default under the Purchase Order Assignment shall have occurred and be continuing, to pay any balance promptly to the Lessor or to the order of the Lessor in immediately available funds at such place as the Lessor shall specify in writing. If the Purchase Order Assignment is not executed and delivered, or if the Lessee shall have been advised by the Vendor in writing that all sums due from the Lessor under the Purchase Order Assignment have been fully discharged and satisfied, the installments of rental due hereunder and any Casualty Payment thereafter due pursuant to § 8 hereof shall be made to the Lessor in immediately available funds in the manner provided in § 3.4 hereof.

3.4. Payment in Immediately Available Funds. The Lessee agrees to make each payment provided for herein as contemplated by Section 3 hereof in immediately available funds at or prior to 11:00 a.m. in the city where such payment is to be made.

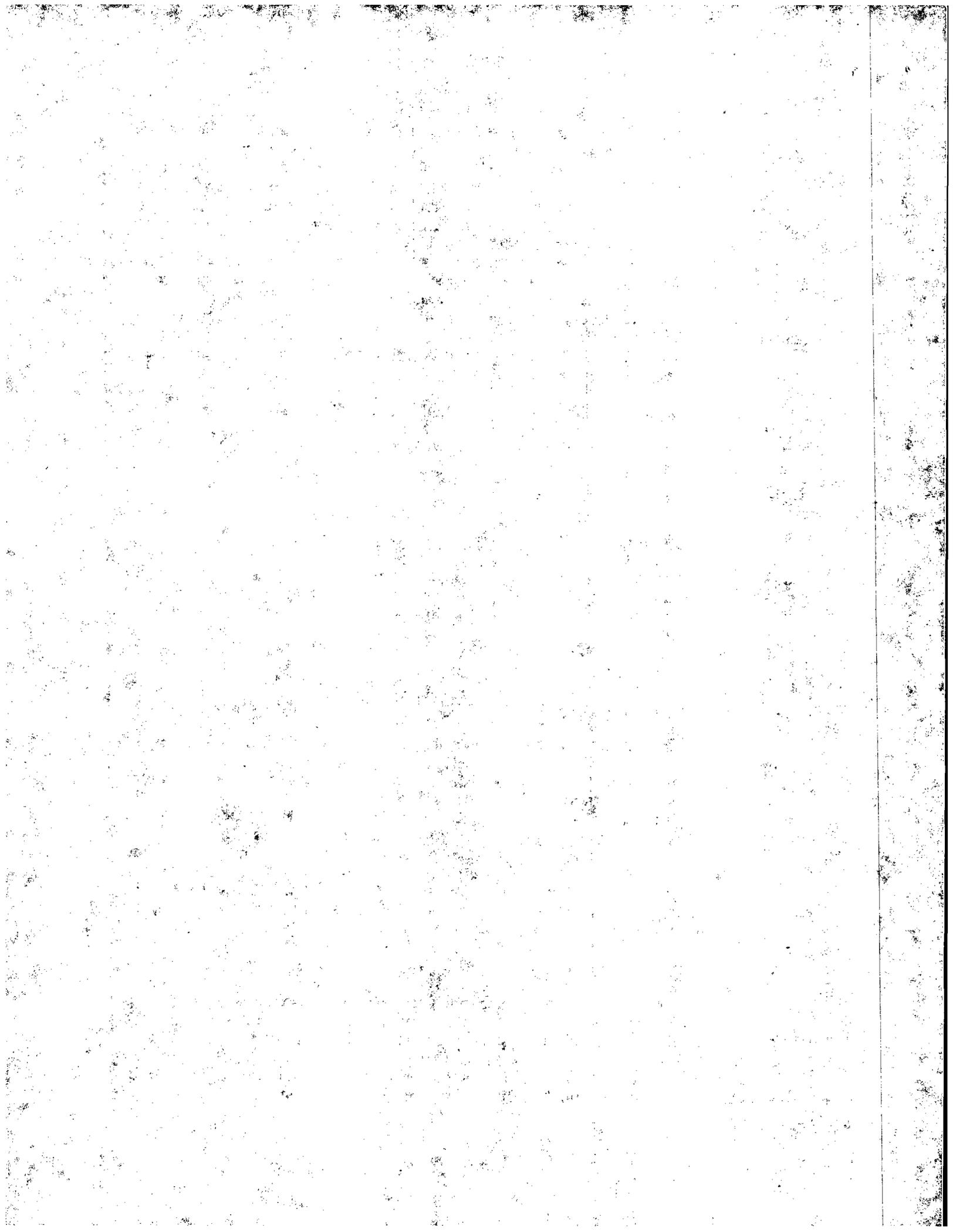
SECTION 4. TERM OF LEASE

4.1. Beginning and Termination; Survival. The term of this Lease as to each Item of Equipment shall begin on the date of delivery of such Item of Equipment under the Purchase Order and, subject to the provisions §§ 8, 14 and 17 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due pursuant to § 3.1 hereof. The obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 6, 7, 8, 11, 12, 13, 15, 18 and 20 hereof) shall survive the expiration of the term of this Lease.

4.2. Rights and Obligations of Lessee Subject to the Participation Agreement and the Security Agreement. Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Equipment are subject to the rights of the Lender under the Participation Agreement and the Security Agreement. If an event of default should occur under the Participation Agreement or the Security Agreement, the Lender may terminate this Lease without affecting the indemnities which by the provisions of this Lease survive the termination of its term (or rescind its termination), all as provided therein; provided, however, that so long as (i) no Event of Default exists hereunder, (ii) the Vendor is complying with the provisions of the Consent and (iii) the Lessor is entitled to apply the payments due pursuant to Section 3.1 hereof in accordance with Sections 3.1(3) and 3.1(4), this Lease may not be terminated and the Lessee shall be entitled to the rights of possession, use and assignment provided under § 16 hereof.

SECTION 5. IDENTIFICATION MARKS

5.1. Identifying Numbers; Legend; Changes. The Lessee will cause each Item of Equipment to be kept numbered with the identifying number set forth in Appendix A hereto, or in the case of any Item of Equipment not there listed such number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Item of Equipment, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Item of



Equipment, in letters not less than one inch in height, the words "OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION," or other appropriate words designated by the Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's and Lender's title to and property in such Item of Equipment and the rights of the Lessor under this Lease. The Lessee will not place any such Item of Equipment in operation or exercise any control or dominion over the same until such words shall have been so marked on both sides thereof and will replace promptly any such words which may be removed, obliterated, defaced or destroyed. The Lessee will not change the identifying number of any Item of Equipment unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Lender and the Lessor and filed, recorded and deposited by the Lessee in all public offices where this Lease, the Participation Agreement and the Security Agreement shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Lender and the Lessor an opinion of counsel in form and substance acceptable to the Lender and the Lessor to the effect that such statement has been so filed, recorded and deposited, such filing, recordation and deposit will protect the Lender's and the Lessor's interests in such Equipment and no filing, recording, deposit or giving of notice with or to any other Federal, state or local government or agency thereof is necessary to protect the interests of the Lender and the Lessor in the Equipment.

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

SECTION 6. TAXES

6.1. Indemnification for Nonincome Taxes. Whether or not any of the transactions contemplated hereby are consummated, the Lessee agrees to pay, and to indemnify and hold the Lessor (both in its individual and fiduciary capacities), the Vendor and the Lender harmless from, all taxes, assessments, fees and charges of any nature whatsoever, together with any penalties, fines, additions to tax or interest thereon, howsoever imposed, whether levied or imposed upon the Lessor, the Vendor, the Lessee, or the Lender, by any Federal, state or local government or governmental subdivision in the United States or by any foreign country or subdivision thereof, upon or with respect to, any Item of Equipment or any part thereof; the purchase, ownership, delivery, leasing, possession, use, operation, transfer of title, return or other disposition thereof; the indebtedness with respect thereto; the rentals, receipts or earnings arising therefrom; or this Lease, the Participation Agreement, the Security Agreement, the Purchase Order, the Purchase Order Assignment, or any payment made pursuant to any such agreement (all such taxes, assessments, fees, charges, penalties, fines, additions to tax and interest imposed as aforesaid being hereinafter called "Taxes"); excluding, however: (i) Taxes of the United States or of any state or political subdivision thereof and (if and to the extent that any person indemnified hereunder is entitled to a credit therefor against its United States Federal income taxes) of any foreign country or subdivision thereof, imposed on or measured solely by the net income or excess profits of the party seeking indemnification or franchise taxes to the

extent measured by gross receipts or net income based on gross receipts of the party seeking indemnification, or gross receipts taxes other than gross receipts taxes in the nature of sales or use taxes or Taxes arising out of or imposed in respect of the receipt of indemnification payments pursuant to this Lease; provided that (x) Taxes of any foreign country or subdivision thereof incurred as a result of the indemnified party being taxed by such foreign country or subdivision on its world-wide income without regard to the transactions contemplated by this Lease shall be excluded in all cases, whether or not the indemnified party is entitled to a credit against its United States Federal income taxes and (y) state and local Taxes imposed on the Lessor shall not be excluded if they are imposed by a jurisdiction in which the Lessor is subject to tax solely as a result of the transactions contemplated by this Lease; (ii) any Taxes imposed as a direct result of a voluntary transfer or other voluntary disposition by the Lessor or any transfer or disposition by the Lessor resulting from bankruptcy or other proceedings for the relief of debtors in which the Lessor is the debtor, whether voluntary or involuntary, of any interest in any Item of Equipment or interest in rentals under this Lease; (iii) any Taxes imposed on or measured by any fees or compensation received by the Lessor or the Lender; and (iv) Taxes which are imposed on or measured solely by the net income of the Lessor, or the Lender if and to the extent that such Taxes are in substitution for or reduce the Taxes payable by the respective indemnitee which the Lessee has not agreed to pay or indemnify against pursuant to this § 6.1; provided, however, that the Lessee shall not be required to pay any Taxes during the period it may be contesting the same in the manner provided in § 6.2 hereof. The Lessee further agrees to pay on or before the time or times prescribed by law any tax imposed on or measured solely by the net income of the Lessee under the laws of the United States or of any state or political subdivision thereof, or of any foreign country or subdivision thereof which, if unpaid, might result in a lien or other encumbrance upon any Item of Equipment; provided, however, that the Lessee shall not be required to pay any such tax during the period it may be contesting the same in good faith by appropriate proceedings if in the opinion of independent tax counsel selected by the Lessee and reasonably acceptable to the Lessor and the Lender such contest or the nonpayment of such tax would not adversely affect the title, property or rights of the Lessor hereunder or of the Lender under the Participation Agreement or the Security Agreement.

6.2. Claims; Contests; Refunds. If claim is made against the Lessor or the Lender for any Taxes indemnified against under this § 6, such party shall promptly notify the Lessee. If reasonably requested by the Lessee in writing, the Lessor or the Lender, as the case may be, shall, upon receipt of any indemnity satisfactory to it for all its reasonable charges for its services rendered in connection therewith and for all costs, expenses, losses, legal and accounting; fees and disbursements, penalties, fines, additions to tax and interest, and at the expense of the Lessee, contest in good faith the validity, applicability or amount of such Taxes by (a) resisting payment thereof if possible, (b) not paying the same except under protest, if protest is necessary and proper, or (c) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative or judicial proceedings, or both. The Lessee may also contest, at its own expense, the validity, applicability or amount of such Taxes in the name of the Lessor or the Lender; provided that no proceeding or actions relating to such contest shall be commenced (nor shall any pleading, motion, brief or other paper be submitted or filed in the name of the Lessor or the Lender in such proceeding or action) if in

the opinion of the Lessor or the Lender such contest or the nonpayment of the Taxes would adversely affect the title, property or rights of the Lessor hereunder or of the Lender under the Participation Agreement or the Security Agreement. The Lessee agrees to give the Lessor and the Lender reasonable notice of such contest prior to the commencement thereof. If the Lessor or the Lender shall obtain a refund of all or any part of such Taxes previously reimbursed by the Lessee in connection with any such contest or an amount representing interest thereon, the Lessor or the Lender, as the case may be, shall pay the Lessee the amount of such refund or interest net of expenses; provided, however, that no Event of Default and no event which with notice or lapse of time or both would constitute an Event of Default shall have occurred and be continuing.

6.3. Reports or Returns. In case any report or return is required to be made with respect to any obligation of the Lessee under or arising out of this § 6 (except obligations resulting from the last sentence of § 6.1), the Lessee will, where permitted to do so under applicable rules and regulations, make and timely file such reports and returns in such manner as to show the interest of the Lessor and the Lender in the Equipment as shall be satisfactory to the Lessor and the Lender or, where not so permitted, will notify the Lessor and the Lender of such requirement and will prepare and deliver such reports to the Lessor and the Lender within a reasonable time prior to the time such reports are to be filed. All costs and expenses (including legal and accounting fees) of preparing any such return or report shall be borne by the Lessee.

6.4. Survival. All the obligations of the Lessee under this § 6 shall survive and continue, but only with respect to periods included in the term of this Lease, notwithstanding payment in full of all amounts due under the Purchase Order, the Participation Agreement, the Security Agreement or the termination of this Lease. Payments due from the Lessee to the Lessor or the Lender under this § 6 shall be made directly to the party indemnified.

SECTION 7. TAX INDEMNITY

7.1. Tax Assumptions. In entering into the transaction, the Lessor and the Lessee made the following assumptions regarding the income tax characterization of the transaction for federal income tax purposes (the "Tax Assumptions"):

(1) the Lessor will be treated as the purchaser, owner, original user and lessor of the Equipment;

(2) each Item of Equipment will be treated as placed in service by the Lessor on its respective Delivery Date;

(3) each Item of Equipment will qualify in respect of the Lessor as "new section 38 property" and as property the "original use" of which will commence with the Lessor, within the meaning of Section 48(b) of the Code;

(4) the Lessor will be entitled for its taxable year ending June 30, 1985 to an investment credit in respect of each Item of Equipment equal to 10 percent of Lessor's Cost;

(5) in the hands of the Lessor each Item of Equipment will constitute "recovery property" and "5-year property" within the meaning of Section 168 of the Code;

(6) the Lessor will be entitled to accelerated cost recovery deductions under Section 168(b)(1) of the Code with respect to each Item of Equipment equal to 14.25 percent of the Equipment's Purchase Price in its taxable year ending June 30, 1985; 20.9 percent of the Equipment's Purchase Price in its taxable year ending June 30, 1986; and 19.95 percent of the Equipment's Purchase Price in each of its taxable years ending June 30, 1987, 1988 and 1989, respectively;

(7) except in the event that an Item of Equipment suffers a Casualty Occurrence no portion of the cost recovery deductions or investment credit in respect of any Item of Equipment shall be recaptured at any time prior to the expiration of the term of the Lease;

(8) the indebtedness incurred under the Participation Agreement or the Security Agreement will constitute indebtedness of the Lessor, and the Lessor will be entitled to current deductions for interest paid or accrued thereon;

(9) the only amounts that the Lessor will be required to include in gross income with respect to the transactions contemplated by this Lease, the Purchase Order Assignment, the Participation Agreement and the Security Agreement prior to the expiration of the term of this Lease (or on or after such expiration if such inclusion relates to events or matters arising or occurring prior to or coincident with such termination) will be (i) rentals in such amounts as are paid or accrued under Section 3.1(1) hereof; (ii) amounts to the extent they are offset by deductions in the same taxable year of the Lessor in which such amounts were includable in gross income; (iii) any indemnity pursuant to Section 6 or this Section 7 of this Agreement; (iv) Casualty Value payments; or (v) gain attributable to the Lessee's purchase of the Property pursuant to Section 17.3 of this Lease;

(10) the Lessor will not be required to include any amount received with respect to the transactions contemplated by this Lease, the Purchase Order Assignment, the Participation Agreement and the Security Agreement in its gross income in a taxable year prior to the taxable year in which it would include such income under its accrual basis method of accounting assuming such amount was paid when due under this Lease, the Purchase Order Assignment and the Security and Loan Agreement;

(11) the Lessor shall be entitled to amortize over a period not longer than the original term of the Lease all costs and expenses, other than costs and expenses included in the Purchase Price of the Equipment, paid or incurred by the Lessor with respect to the transactions contemplated by this Lease, the Purchase Order Assignment, the Participation Agreement and the Security Agreement that are not currently deductible; and

(12) all amounts includable in gross income by, and all deductions allowed to, the Lessor with respect to the Equipment will be treated as income or deductions derived from or allocable to sources within the United States.

7.2. Lessee's Special Tax Representations, Warranties and Covenants. The Lessee hereby represents, warrants and covenants to the Lessor as follows:

(1) As of the respective Delivery Date for each Item of Equipment:

(a) The Item of Equipment constitutes "recovery property" and "5-year property" (within the meaning of Section 168 of the Code), and is "new section 38 property" (within the meaning of Section 48 of the Code).

(b) The Item of Equipment will not have been used by any person so as to preclude the "original use" of such property, within the meaning of Section 48(b) of the Code, from commencing with the Owner.

(c) The Purchase Price of the Item of Equipment approximates its fair market value.

(d) It is reasonable to assume that at the end of the original term of the Lease the Item of Equipment will have a remaining useful life of at least 4.1 years and a residual value (computed without regard to inflation) equal to at least 20% of the Purchase Price of the Item of Equipment.

(e) The Item of Equipment will not require any improvements, modification or additions (other than ancillary items of equipment of a kind that are customarily selected and furnished by purchaser or lessees of equipment that is similar to the Item of Equipment) in order to be rendered complete for its intended use by the Lessee.

(f) The Lessee, all affiliates of the Lessee, and all shareholders and other persons related to the Lessee shall have been fully reimbursed for all costs and expenses (if any) included in the Purchase Price of the Item of Equipment paid or incurred by them with respect to the Item of Equipment.

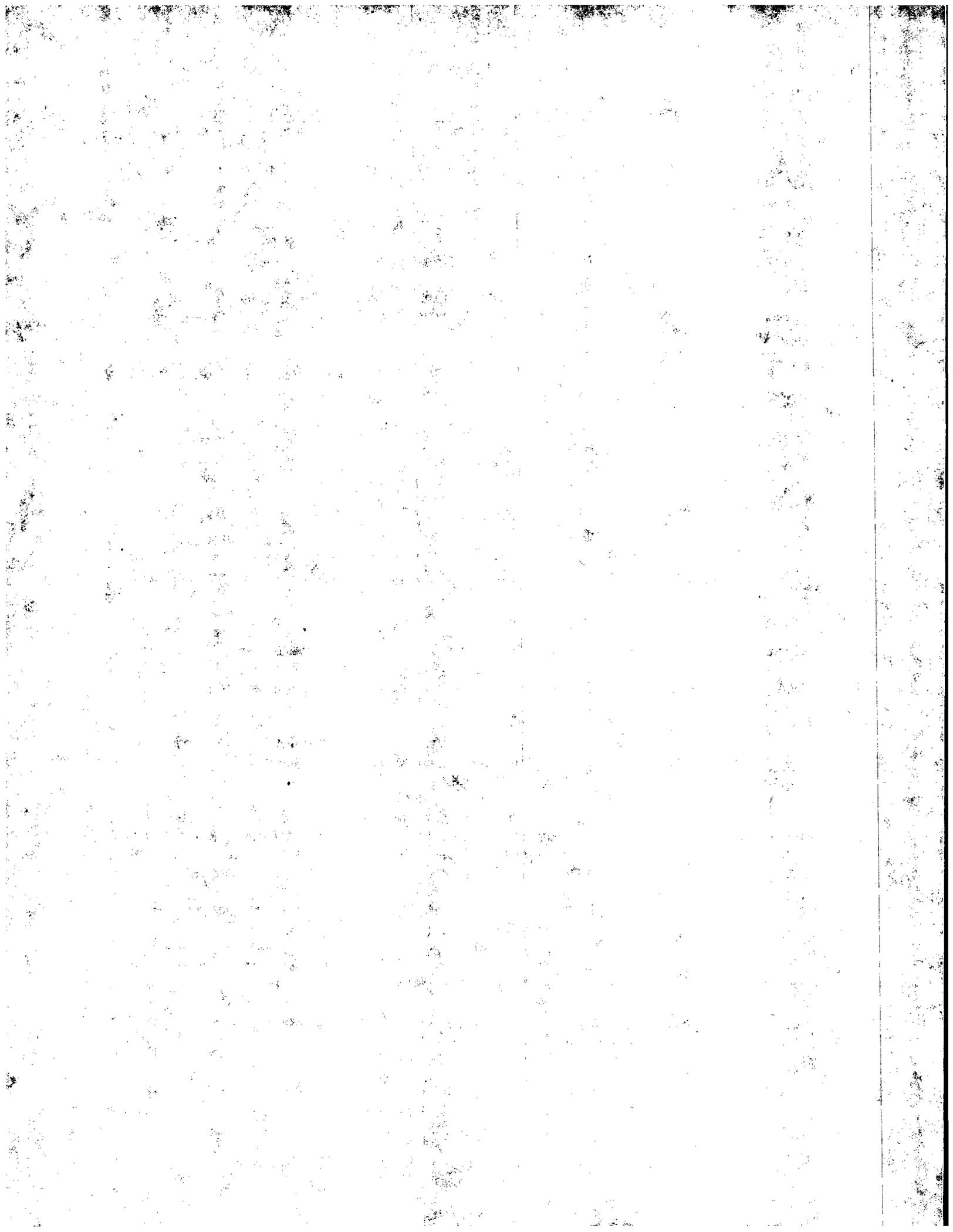
(2) No Item of Equipment will at any time prior to the expiration of the term be used in a manner which causes it to cease to be "section 38 property" within the meaning of Section 48 of the Code.

(3) No loss, damage, condemnation, confiscation, seizure or requisition to or of an Item of Equipment which does not constitute a Casualty Occurrence or require the payment of Casualty Value will result in the loss, or disallowance of any of the tax benefits in or resulting from the Tax Assumptions.

(4) The Equipment does not constitute "limited use property" within the meaning of Rev. Proc. 76-30, 1976-2C.B. 647.

(5) For purposes of Sections 46 and 168 of the Code, each Item of Equipment will be placed in service on its respective Delivery Date.

(6) The Equipment will not constitute "finance lease property" within the meaning of Section 168(f)(8)(B) of the Code.



7.3. Loss of Tax Benefits. If, (a) by reason of the acts or omissions of the Lessee or of any other person in possession of the Equipment or an Item of Equipment; or (b) by reason of the inaccuracy or breach by Lessee of the representations, warranties or covenants contained in Section 7.2 of this Agreement or in any of the other Operative Agreements: the Lessor, in determining its federal income tax liability for any taxable year shall lose, or shall not have, or shall lose the right to claim, or shall suffer a disallowance of, or delay in claiming all or any portion of the tax benefits described in or resulting from the Tax Assumptions, including a delay in utilizing foreign tax credits arising from unrelated transactions, (any such event being hereinafter called a "Loss"), or shall be required to include in its gross income any amounts other than those amounts expressly assumed to be includable in gross income as a Tax Assumption, or shall be required to include any amount in gross income at an earlier date than is contemplated by the Tax Assumptions, or shall lose or be denied the right or be unable to exclude from its income any amount that would be so excludable if the Tax Assumptions were correct (any such required inclusion being referred to as an "Inclusion"), then the Lessee shall pay the Lessor an indemnity with respect to such Loss or Inclusion in the amount determined below, provided that the Lessee shall not be required to pay any such indemnity to the extent that a Loss or Inclusion is attributable to one or more of the following events:

(a) the failure of the Lessor in its federal income tax returns for the appropriate years to elect or otherwise claim in a timely and proper manner any deductions, credits and treatment of income and deductions described in or resulting from the Tax Assumptions, unless such failure is due to the Lessee's failure timely to provide the Lessor with the information reasonably necessary to make such claim or election (but only if such information was previously requested by the Lessor), or unless in the reasonable opinion of independent tax counsel selected by the Lessor and approved by the Lessee (whose approval shall not be unreasonably withheld) there is no reasonable basis for such claim or treatment;

(b) a voluntary disposition by the Lessor of its interest in the Equipment or any Item of Equipment, if such disposition shall not be pursuant to or in connection with the exercise of any remedy available to the Lessor under Section 14 of this Lease;

(c) a disposition by the Lessor of its interest in the Equipment or any Item of Equipment in a transaction in which the Casualty Value is payable (pursuant to Section 8 of the Lease); or

(d) a transfer by the Lessor resulting from bankruptcy or other proceedings for the relief of debtors in which the Lessor is the debtor (voluntarily or involuntarily), of its interest in the Equipment or any Item of Equipment; or

(e) the application of Section 465, 467, 46(c)(8) or 47(d) of the Code to the Lessor.

7.4. Amount of Indemnification. In the case of any Loss of Inclusion that is indemnifiable pursuant to Section 7.3, the Lessee shall pay to the Lessor an amount that after deduction of all taxes, fees, withholdings, and other charges

required to be paid by the Lessor as a direct result of the receipt or accrual of such amount under the laws of any federal, state or local taxing authority, shall be, with respect to each taxable year of the Lessor, equal to the sum of (a) the aggregate amount of additional federal income taxes payable by the Lessor from time to time as a direct result of such Loss or Inclusion, plus (b) the aggregate amount of any interest, penalties or additions to tax payable by the Lessor with respect to such year as a result of such Loss or Inclusion.

The Lessor shall pay to the Lessee from time to time amounts equal to the sum of (a) the reduction in federal taxes (together with the excess of interest received from the Internal Revenue Service that is attributable to such reduction over all taxes paid by the Lessor with respect to that interest), if any, realized by the Lessor directly or indirectly attributable to or resulting from any Loss or Inclusion previously indemnified by the Lessee hereunder, or to any amount paid by the Lessee to the Lessor under the immediately preceding paragraph and (b) the reduction in federal, state or local taxes realized by the Lessor as a direct result of any payment pursuant to this sentence; provided, however, that (x) the aggregate amount paid by the Lessor to the Lessee under this paragraph with respect to any such Loss or Inclusion shall not exceed the aggregate amount paid by the Lessee to the Lessor under the immediately preceding paragraph with respect to any Loss or Inclusion, and (y) any disallowance or reduction of such additional tax benefits subsequent to the year of realization by the Lessor shall be treated as a Loss and subject to the provisions of this Section 7. Anything to the contrary herein notwithstanding the Lessor shall not be obligated to make any payments to the Lessee hereunder if, and so long as, a Default shall have occurred and be continuing, provided such amount, together with interest thereon (from the last date such amount would have been payable in the absence of a Default) at the rate applicable to obligations of the U.S. government having a maturity of thirty days, shall be paid to the Lessee when there is no longer a Default continuing. Any amount that would be due to the Lessee by the Lessor pursuant to this paragraph as applied without clause (x) above, and not payable as a result of clause (x), shall be carried over to future years and such amount shall be offset against any future payments otherwise required under this 7.4 to be made by the Lessee to the Lessor.

Any amount payable to the Lessor pursuant to this Section 7 shall be paid not later than thirty (30) days after receipt by a written demand therefor from the Lessor, but such payment shall not be due prior to the earliest of (a) payment by the Lessor of the additional taxes (including payments of estimated tax) which become due as a result of the Loss or Inclusion, (b) the date the Lessor shall suffer a reduction in the amount of any refund of federal income tax that Lessor would have been entitled to receive but for such Loss or Inclusion, or (c) in the case of a contest pursuant to Section 7.6 hereof, the time prescribed in Section 7.6 for such payment.

Any amount payable to the Lessee pursuant to this Section 7.4 shall be paid not later than thirty (30) days after the date on which the Lessor shall realize any such reduction in federal income tax (including payments of estimated tax) and shall be accompanied by a written statement describing in reasonable detail the computation of the amount so payable as reasonably determined by the Lessor. The Lessor shall use reasonable efforts to claim and maximize any such reduction in federal income tax.

7.5. Computations. Whenever it may be necessary to determine (a) whether there is a Loss or Inclusion, (b) the amount of a Loss or Inclusion or (c) the amount of any payment required to be made hereunder by either the Lessee or Lessor, such determination and such computation shall be made on the assumptions that (a) the Lessor could have currently fully utilized (at a federal income tax rate of 46% (the "Tax Rate")) the deduction or other tax benefit or attribute that shall be the basis of the Loss or, as the case may be, shall have suffered a full detriment (at the Tax Rate) with respect to the Inclusion, (b) the Lessor can currently fully utilize (at the Tax Rate) the deductions, inclusion, nontaxability, or other allowances attributable to tax benefits arising from any Loss or Inclusion (or payments to the Lessee) and (c) the payment, receipt or accrual by the Lessor of any such indemnity payment and of any interest on any refund of federal income tax to the extent includable in the Lessor's gross income and/or the payment or accrual by the Lessor to the Lessee on account of any tax benefits arising from any Loss or Inclusion to the extent such payment or accrual is deductible by the Lessor, will, as the case may be, currently be subject to or benefited by federal income tax at the Tax Rate.

All computations required to be made hereunder shall be made reasonably by the Lessor, and the results of such computations, together with a statement describing in reasonable detail the manner in which such computations were made, shall be delivered to the Lessee in writing. Within fifteen (15) days following the Lessee's receipt of such computations, the Lessee may request that an accounting firm (other than any accounting firm that regularly prepares the Lessor's certified financial statements or that provides services to the Lessor on an ongoing basis), such firm to be selected by the Lessor and reasonably acceptable to the Lessee, determine whether such computations of the Lessor are mathematically accurate and based on reasonable assumptions. Such accounting firm shall be requested to make its determination within thirty (30) days. If such accounting firm shall determine that such computations are inaccurate or unreasonable, then such firm shall determine that it believes to be the appropriate computations. The computations of the Lessor or the accounting firm selected as provided above, whichever is applicable, shall be final, binding and conclusive upon the Lessee and the Lessor and the Lessee shall have no right to inspect the books, records, tax returns or other documents of or relating to the Lessor to verify such computations or for any other purpose. All fees and expenses payable to an accounting firm under this paragraph shall be borne solely by the Lessee.

7.6. Right to Contest. In the event a "Claim" (as defined below) shall be made by the Internal Revenue Service, which, if successful, would result in a Loss or Inclusion under circumstances that would require the Lessee to indemnify the Lessor for such Loss or Inclusion, the Lessor hereby agrees to take such action in connection with contesting such Claim as the Lessee shall reasonably request in writing from time to time, provided that: (a) within sixty (60) days (or thirty (30) days if the Owner has received a 30-day letter from the Internal Revenue Service) after notice by the Lessor to the Lessee of such Claim, the Lessee shall request that such Claim be contested; (b) the Lessor, at its sole option, may forego any and all administrative appeals, proceedings, hearings and conferences with the Internal Revenue Service authorities in respect of such Claim and may, at its sole option, either contest the Claim in the United States Tax Court or pay the tax claimed and sue for a refund in the appropriate United States District Court and/or the United States Claims Court, considering, however, in good faith such

request as the Lessee shall make concerning the most appropriate manner in which to proceed; (c) prior to taking such action, the Lessee shall have furnished the Lessor with an opinion of independent tax counsel chosen by the Lessee and reasonably acceptable to the Lessor, to the effect that a reasonable basis exists for contesting the Claim; (d) prior to taking such action the Lessee shall have agreed to reimburse the Lessor, on demand, all costs and expenses that the Lessor may incur in connection with contesting such Claim, including, without limitation, (A) reasonable attorneys' and accountants' fees and disbursements, and (B) the amount of any interest, penalties or additions to tax indemnified hereunder that may ultimately be payable to the United States Government as a result of contesting such Claim; and (e) within 6 months after requesting the Lessor to contest the Claim the Lessee shall have acknowledged its obligation to indemnify hereunder the Lessor in the event the Lessor does not prevail in such contest (provided, however, that notwithstanding such acknowledgement the Lessee shall not be obligated to so indemnify the Lessor to the extent the Final Determination clearly establishes that no Loss or Inclusion has occurred). In the event the Lessor shall pay the tax claimed and then seek a refund, the Lessor may either (a) require the Lessee to advance funds sufficient to pay the tax that would be indemnified by the Lessee hereunder if the Claim were resolved adversely to the Lessor, in which case, to the extent the refund Claim is successful, such funds as are not required to be applied to an indemnity payable hereunder, together with interest, if any, received from the taxing authority and attributable thereto, shall be refunded to the Lessee within sixty (60) days, or (b) forego such an advance, in which case, if the Final Determination (as such term is defined hereinafter) of such claim shall be adverse to the Lessor, Lessee shall pay to the Lessor interest at the rate from time to time applicable to deficiencies in such tax on the amount of tax paid attributable to the Loss of Inclusion computed from the date of payment of such tax to the date the Lessee shall reimburse the Lessor for the payment of such tax in accordance with the terms hereof. If any such Claim shall be made by the Internal Revenue Service and the Lessee shall have requested the Lessor to contest such Claim as above provided and shall have duly complied with all of the terms of this Section 7.6, the Lessee's liability with respect to such Loss or Inclusion as a consequence of such Claim shall become fixed upon Final Determination of the liability of the Lessor for the tax claimed and after giving effect to any refund obtained, together with interest thereon. In the case of any such Claim by the Internal Revenue Service referred to above, the Lessor agrees to notify promptly the Lessee in writing of such Claim and agrees not to make payment of the tax claimed for at least sixty (60) days (or 30 days if the Lessor has received a 30-day letter from the Internal Revenue Service) after the giving of such notice (provided, however, that the Lessor may make payment within a shorter period if necessary to preserve the Lessor's procedural remedies with respect to the Claim) and agrees to give to the Lessee any information that is relevant and material to the contest of such claim to the extent such information is particularly within the knowledge of the Lessor, including, but not limited to, copies of all Internal Revenue Service correspondence, examiner's reports and other Internal Revenue Service documents pertaining to the Claim and to cooperate in all other respects with the Lessee in good faith in order to contest any such claim effectively. The Lessee and its counsel shall maintain confidentiality with respect to all such information insofar as is possible, consistent with the conduct of a contest hereunder.

Lessee shall be entitled to appear in person or through its representatives and to participate in any administrative or judicial proceeding involving a Claim, provided that, in the opinion of the Lessor's counsel, such appearance or participation does not adversely affect in any material respect any other interest of the Lessor or any affiliate of the Lessor in such proceeding, whether such interest is related or unrelated to this Lease. The Lessor shall supply Lessee with such information requested by Lessee in writing that, in the opinion of the Lessor's counsel, is necessary for Lessee to participate in any proceeding to the extent permitted hereunder.

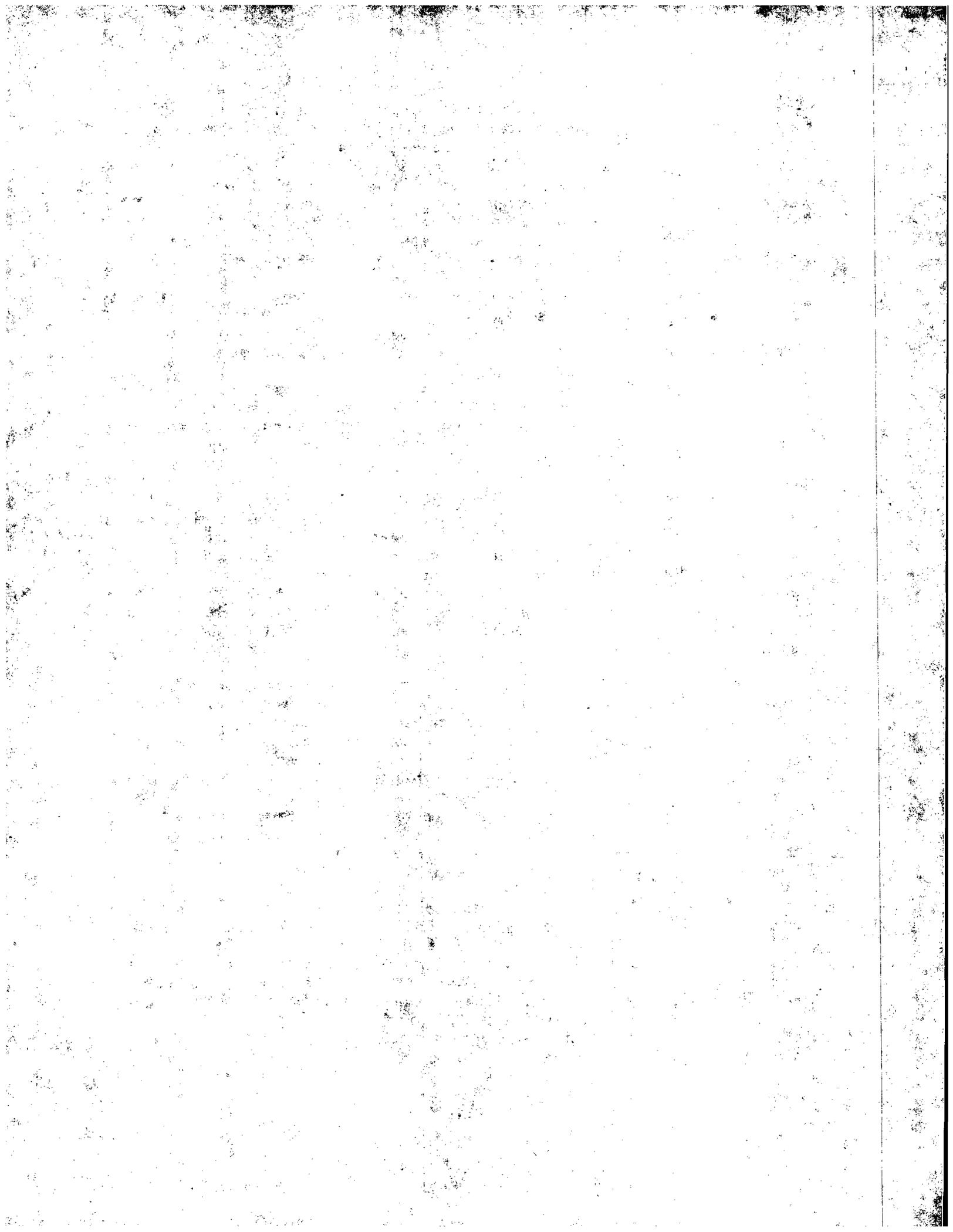
Upon a prompt and timely request by the Lessee, accompanied by an opinion of independent tax counsel chosen by the Lessee and reasonably acceptable to the Lessor to the effect that the Lessor has a reasonable likelihood of success with respect to an appeal relating to the Claim, the Lessor shall appeal any adverse judicial decision to the appropriate court.

For purposes of this Section 7, a "Claim" shall be deemed to be made by the Internal Revenue Service when the Lessor receives any document, in proposed or final form, from the Internal Revenue Service indicating that the Internal Revenue Service opposed the Lessor's treatment of an item.

For purposes of this Agreement, a "Final Determination" shall be deemed to occur with respect to a Loss or Inclusion when (a) there is a decision, judgment, decree or other order by any court of competent jurisdiction, which decision, judgment, decree or other order has become final, i.e., all allowable appeals requested by the Lessee pursuant to this Section have been exhausted by either party to the action, (b) there is a closing agreement made under Section 7121 of the Code, or (c) the time for instituting a claim for refund has expired, or if a refund claim was filed, the time for instituting suit with respect thereto has expired.

The Lessor shall lose its right to be indemnified hereunder if (i) the Lessor fails to give the Lessee prompt notice of a Claim and as a result of such failure the Lessee is effectively precluded from exercising its rights to cause the Lessor to contest such Claim, or (ii) the Lessor shall enter into a settlement or compromise with the Internal Revenue Service with respect to, or otherwise concedes, any indemnified claim (other than an indemnified claim that the Lessor is not required to contest hereunder) without the prior written consent of the Lessee with respect to such settlement, compromise or concession. The Lessor may elect not to contest a Claim, in which case if the Lessor is otherwise required to contest such Claim hereunder, it shall lose its right to be indemnified with respect to the Loss or Inclusion that is the subject of the Claim.

7.7. Survival. All of the obligations of the Lessee and the Lessor accruing under this Agreement shall continue in full force and effect notwithstanding the expiration or other termination of the Lease, provided, however, that no obligations shall arise under this Agreement with respect to any period after the Equipment has been redelivered in accordance with the Lease, other than redeliveries as a result of the exercise of remedies under the Lease upon the occurrence of an Event of Default, as defined in the Lease, provided that such obligations do not relate to events or matters occurring prior to or coincident with such redelivery.



7.8. Recomputation of Casualty Values. If any amount is required to be paid hereunder by one party to another and shall actually be so paid, the Lessor shall recompute Casualty Values on the basis of new assumptions (taking into account the circumstances giving rise to the Loss or Inclusion resulting in such payment or payments) with respect to the federal tax consequences of the transaction to the Lessor and otherwise in accordance with the manner in which such Casualty Values were originally computed by the Lessor. The Lessor shall deliver the results of such recomputation to the Lessee. The verification procedures set forth in Section 7.5 shall apply equally to the recomputation of Casualty Values hereunder. Such recomputed Casualty Values shall be substituted for the Casualty Values then appearing in the Lease and shall be set forth in a written agreement executed and delivered by the Lessor and the Lessee, but the failure to so set forth such recomputed Casualty Values shall not affect the validity of such recomputed Casualty Values for the purposes of the transaction; provided, however, that as a result of such recomputation none of such Casualty Values shall be decreased to an amount less than the amount sufficient to pay in full as of the date of payment thereof the aggregate unpaid principal amount of the Notes then outstanding, and the accrued and unpaid interest thereon, together with the aggregate of all other amounts, if any, then due to the holder of any Notes. All fees and expenses payable to any accounting firm under this paragraph shall be borne solely by the Lessee.

SECTION 8. PAYMENT FOR CASUALTY OCCURRENCES; INSURANCE

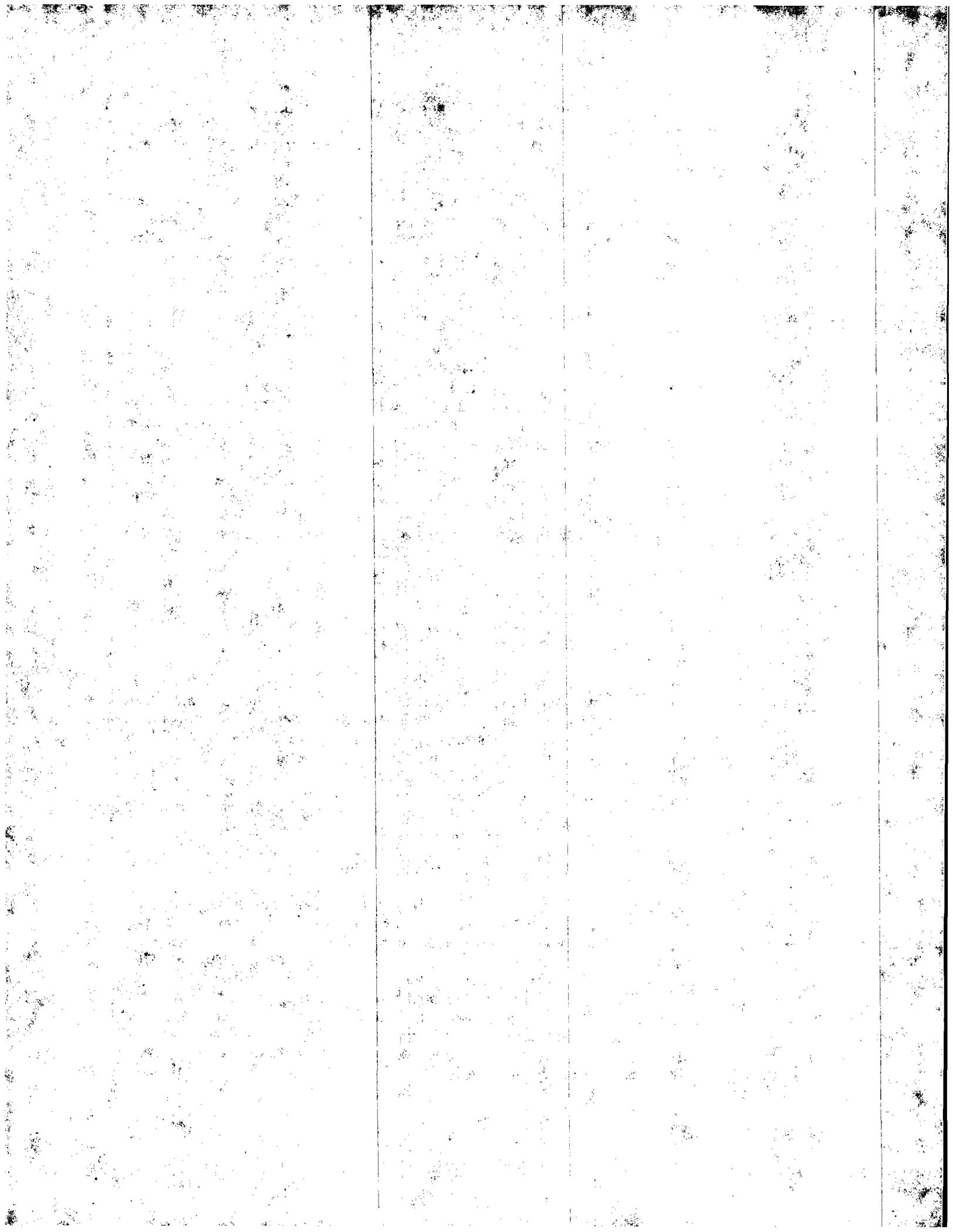
8.1. Definitions of Casualty Occurrence; Payments. In the event that any Item of Equipment shall be or become worn out, lost, stolen, destroyed, or, in the opinion of the Lessee with the concurrence of the Lessor, irreparably damaged, from any cause whatsoever during the term of this Lease or any renewal term hereof or until such Item of Equipment is returned pursuant to § 15 or § 18 hereof, or the Purchase Price of any Item of Equipment shall have been refunded by the Vendor of such Item of Equipment pursuant to the terms of its patent indemnity therefor or any Item of Equipment shall be taken or requisitioned by condemnation or otherwise by the United States government for a stated period which shall exceed the then remaining term of this Lease or by any other governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days during the term of this Lease or during any renewal term hereof ("Casualty Occurrence"), the Lessee shall promptly and fully notify the Lessor and the Lender with respect thereto. Upon request by the Lessor or the Lender, the Lessee shall also provide the Lessor and the Lender with such evidence regarding the Casualty Occurrence as the Lessor or the Lender may reasonably request. On the next succeeding rental payment date occurring at least 10 days after such notice from the Lessee has been received (each such date being hereinafter called a "Casualty Payment Date"), the Lessee shall pay to the Lessor a sum equal to the Casualty Value (as hereinafter defined) of any such Item of Equipment as of such Casualty Payment Date plus the rental for such Item of Equipment payable on the Casualty Payment Date; provided, however, that in the event of a Casualty Occurrence during the period any Item of Equipment is required to be returned pursuant to § 15 or § 18 hereof and the 10 days prior thereto, the Lessee shall make such payment of the Casualty Value, and any earnings or rentals accrued pursuant to § 15 or § 18 hereof, to the Lessor on a date 30 days after such Casualty Occurrence. Upon the making of such payment by the Lessee in respect of any Item of Equipment, the rental for such Item of Equipment shall cease to accrue,

the term of this Lease as to such Item of Equipment shall terminate and (except in the case of the loss, theft, complete destruction or return to the Vendor of such Item of Equipment) the Lessor shall be entitled to recover possession of such Item of Equipment.

In addition to the occurrences constituting a Casualty Occurrence under the preceding paragraph, if any Item of Equipment shall have been taken or requisitioned by the United States Government or any other governmental entity and such taking or requisition shall not theretofore constitute a Casualty Occurrence as aforesaid, such taking or requisition shall be deemed a Casualty Occurrence if the same shall be continuing at the end of the original or any renewal term of this Lease; in which event the Lessee shall promptly and fully notify the Lessor with respect thereto and pay the Lessor an amount equal to the Casualty Value of such Item of Equipment as of the end of such term. Following such payment, the Lessee shall be entitled to receive condemnation payments in respect of such Item of Equipment up to an amount equal to such Casualty Value and any balance of such payments shall be the property of the Lessor. In the event such Item of Equipment shall be returned by the governmental entity prior to the time the Lessee shall have been reimbursed by such application of condemnation payments in an amount equal to such Casualty Value, then the Lessee shall dispose of such Item of Equipment as agent for the Lessor at the highest price obtainable and shall retain the proceeds of such disposition to the extent that the aggregate of the amounts so retained and the condemnation payments theretofore received by the Lessee shall be less than or equal to the Casualty Value, and the balance of such proceeds shall be promptly paid to the Lessor. In the event such Item of Equipment shall be returned by the governmental entity following the time the Lessee shall have been reimbursed by such application of condemnation payments in an amount equal to such Casualty Value, such Item of Equipment shall be returned by the Lessee to the Lessor in the manner provided in § 18 hereof.

8.2. Requisition of Item of Equipment by United States Government. In the event of the requisition for use by the United States Government of any Item of Equipment for a period which does not exceed the then remaining term of this Lease (except where deemed a Casualty Occurrence pursuant to the last paragraph of § 8.1 hereof), all of the Lessee's obligations under this Lease with respect to such Item of Equipment shall continue to the same extent as if such requisition had not occurred. All payments received by the Lessor or the Lessee from the United States Government for the use of such Item of Equipment during the term of this Lease shall be paid over to, or retained by, the Lessee; provided that no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing.

8.3. Lessee Agent for Disposal. The Lessor hereby appoints the Lessee its agent to dispose of any Item of Equipment suffering a Casualty Occurrence or any component thereof before and after expiration of this Lease, at the best price obtainable under the circumstances on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor (i) the Lessee shall be entitled to the net proceeds of such sale to the extent they do not exceed the Casualty Value of such Item of Equipment, and shall pay any excess to the Lessor and (ii) the Lessee shall be entitled to credit against the Casualty Value payable in respect of any Item of Equipment returned to a Vendor pursuant to the patent indemnity provisions of the Purchase Order an amount equal to any payment made by such Vendor to the Lessor in respect thereof under the Purchase Order.



8.4. Payments After Expiration of Lease. If the date upon which the making of the payment by the Lessee in § 8.1 hereof in respect of any Item of Equipment is required as aforesaid shall be after the term of this Lease or any renewal term thereof in respect of such Item of Equipment has expired, no rental for such Item of Equipment shall accrue after the end of such term.

8.5. Amount of Casualty Value. The Casualty Value of each Item of Equipment as of the Casualty Payment Date on which payment is made shall be an amount equal to that percentage of the Purchase Price of such Item of Equipment as is set forth in Appendix C hereto opposite the Casualty Payment Date next succeeding the actual date of such Casualty Occurrence or, if there is no such Casualty Payment Date, the last rental payment date; but in no event shall such amount be less than the Casualty Value as of such Casualty Payment Date. Anything contained in this paragraph to the contrary notwithstanding, it is agreed that the aggregate of the Casualty Values shall in no event be less than the principal and interest due on each Casualty Payment Date (or, if there is no such Casualty Payment Date, the last rental payment date) pursuant to Section 2.2 of the Participation Agreement and Schedule I attached to the Note.

8.6. No Release. Except as hereinabove in this § 8 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Item of Equipment from and after delivery and acceptance thereof by the Lessee hereunder.

8.7. Insurance To Be Maintained.

(1) The Lessee will, at all times prior to the return of the Equipment to the Lessor, at its own expense, cause to be carried and maintained (i) property insurance in respect of the Equipment at the time subject hereto; provided, however, that subject to the further proviso contained below the Lessee may self-insure such Equipment to the extent it self-insures equipment similar to the Equipment and to the extent such self-insurance is consistent with prudent industry practice, and (ii) public liability insurance with respect to third-party personal and property damage, and the Lessee will continue to carry such insurance in such amounts and for such risks and with such insurance companies as is consistent with prudent industry practice but in any event at least, not less comprehensive in amounts and against risks customarily insured against by the Lessee in respect of equipment owned or leased by it similar in nature to the Equipment; provided further, such policies as required by (i) and (ii) above shall in no event have a deductible in excess of \$2,000,000 irrespective of industry practices. The proceeds of any property insurance shall be payable to the Lender so long as the indebtedness, if any, evidenced by the Participation Agreement and the Security Agreement shall not have been paid in full, and thereafter to the Lessor and the Lessee as their interests may appear. Any policies of insurance carried in accordance with this paragraph shall name the Lessor and the Lender as additional named insureds and loss payees as their respective interests may appear and in the event such policies shall contain breach of warranty provisions such policies shall provide that in respect of the interests of the Lessor and the Lender in such policies the insurance shall not be invalidated by any action or inaction of the Lessee or any other person (other than the Lessor and the Lender, respectively) and shall insure the Lessor and the Lender regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Lessee or by any other person (other than the Lessor or the Lender, respectively). Prior to the first date of delivery of any Item of Equipment

pursuant to the Purchase Order, and thereafter on or before the expiration dates of the expiring policies required hereunder, the Lessee shall deliver to the Lessor and the Lender certificates of insurance showing compliance with the provisions hereof. Each such certificate shall provide that the issuer thereof shall give 30 days' prior notice to the Lessor and the Lender in the event of cancellation or material change in coverage as to any policy identified in the certificate.

(2) In the event that the Lessee shall fail to maintain insurance as herein provided, the Lessor may at its option provide such insurance (giving the Lessee and the Lender prompt written notice thereof) and, in such event, the Lessee shall, upon demand from time to time, reimburse the Lessor for the cost thereof together with interest, on the amount of the cost to the Lessor of such insurance which the Lessee shall have failed to maintain, at the rate per annum specified in § 20 hereof.

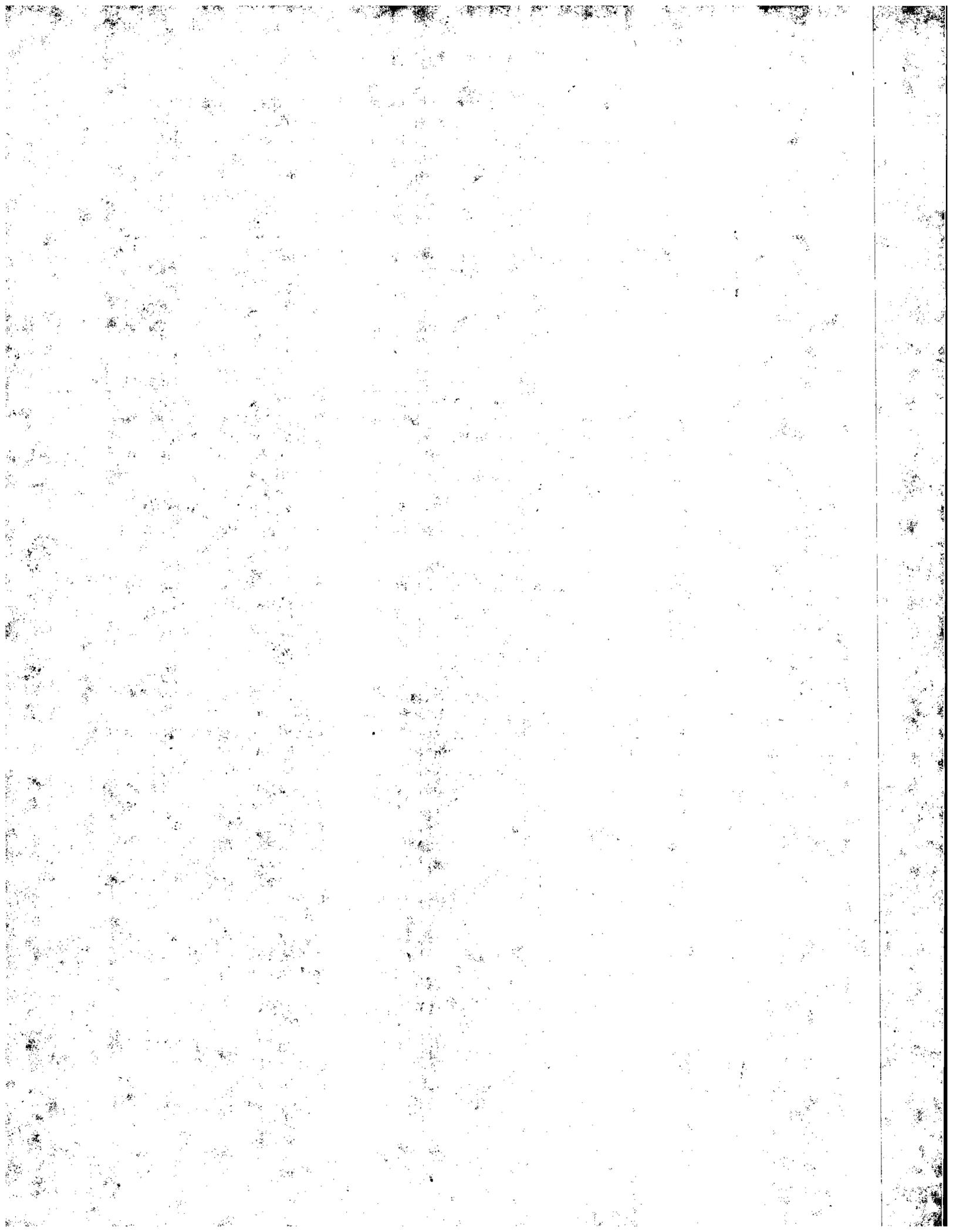
8.8. Insurance Proceeds and Condemnation Payments. If the Lessor shall receive (directly or from the Lender) any insurance proceeds or condemnation payments in respect of an Item of Equipment suffering a Casualty Occurrence, the Lessor shall pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to an Item of Equipment paid by the Lessee and any balance of such proceeds or condemnation payments shall remain the property of the Lessor; provided, however, that no Event of Default shall have occurred and be continuing and the Lessee shall have made payment of the Casualty Value thereof, and accrued rentals in respect of such an Item of Equipment, to the Lessor. All insurance proceeds received by the Lessor (directly or from the Lender) in respect of any Item of Equipment not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Item of Equipment in respect of which such proceeds were paid has been fully repaired.

SECTION 9. REPORTS

On or before May 31 in each year, commencing with the calendar year 1986, the Lessee will furnish to the Lessor and the Lender an accurate statement (a) setting forth as at the preceding December 31 the total number, description and road numbers of all Equipment then leased hereunder and covered by the Purchase Order, the total number, description and identifying numbers of all Items of Equipment that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending repair (other than running repairs) and setting forth such other information regarding the condition and state of repair of the Equipment as the Lessor or the Lender may reasonably request and (b) stating that, in the case of all Items of Equipment repainted or repaired during the period covered by such statement, the numbers and markings required by Section 5.1 hereof have been preserved or replaced. The Lessor and the Lender shall each have the right (but not any obligation) by its agents to inspect the Equipment and the Lessee's records with respect thereto at such reasonable times as the Lessor and the Lender may request during the continuance of this Lease.

SECTION 10. DISCLAIMER OF WARRANTIES

THE LESSOR DOES NOT MAKE, HAS NOT MADE AND SHALL NOT BE DEEMED TO MAKE OR HAVE MADE ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN,

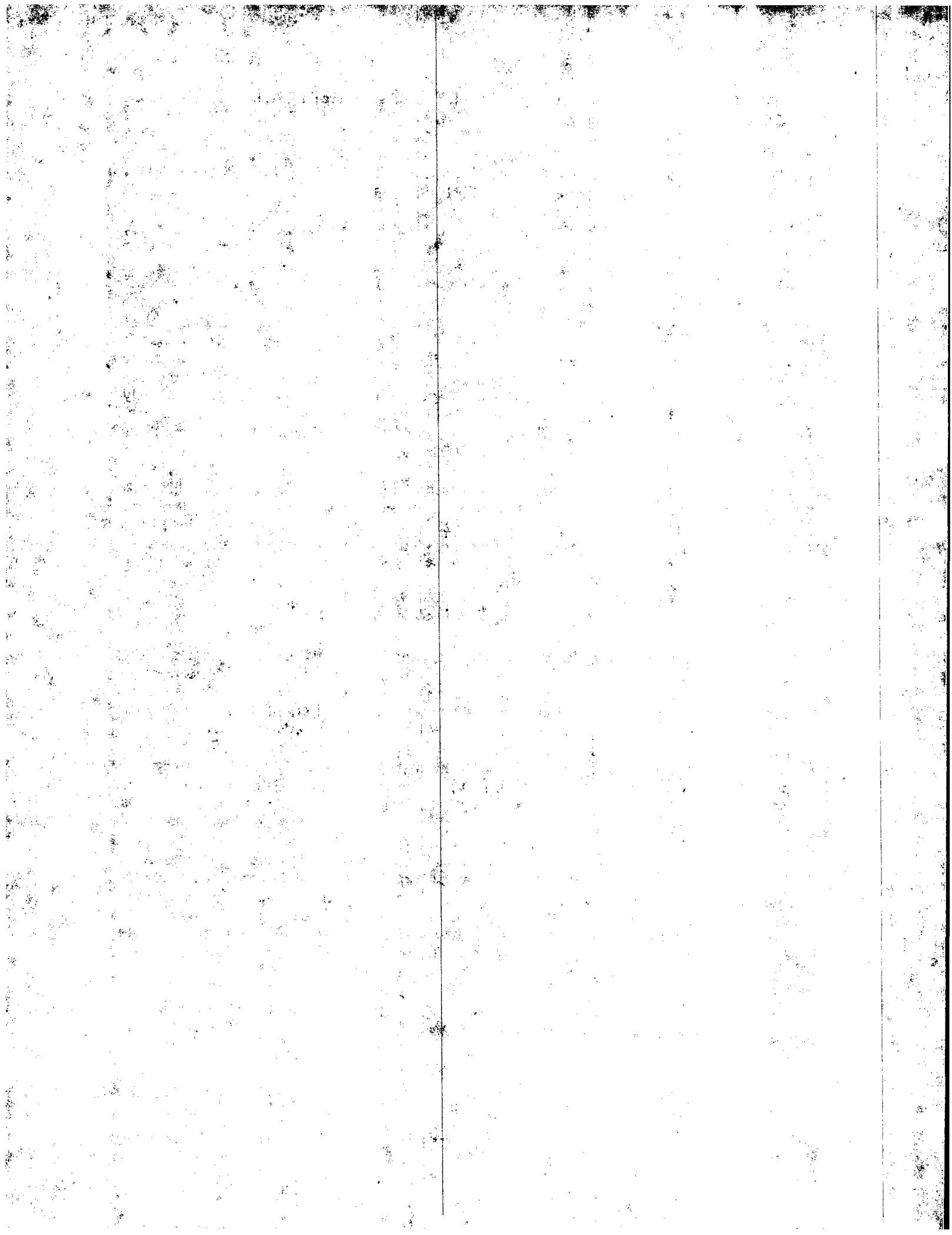


THE EQUIPMENT DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR DOES NOT MAKE ANY WARRANTY OF MERCHANTABILITY OR FITNESS OF THE EQUIPMENT FOR ANY PARTICULAR PURPOSE NOR AS TO TITLE TO THE EQUIPMENT OR ANY COMPONENT THEREOF, NOR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY ITEM OF EQUIPMENT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, the provisions of the Purchase Order; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Items of Equipment or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Items of Equipment or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Items of Equipment. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Items of Equipment described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor or the Lender based on any of the foregoing matters.

SECTION 11. LAWS AND RULES

11.1. Compliance. The Lessee agrees, for the benefit of the Lessor and the Lender, to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Item of Equipment) with all laws of the jurisdictions in which its operations involving the Equipment may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment, to the extent that such laws and rules affect the title, operation or use of the Equipment or are necessary to comply with health, safety or environmental standards as more fully described in Section 4(4) of Internal Revenue Service Rev. Proc. 75-21 as modified by Rev. Proc. 79-48, and in the event that such laws or rules require any alteration, replacement or addition of or to any part of any Item of Equipment, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor or the Lender, adversely affect the property or rights of the Lessor or the Lender under this Lease, the Participation Agreement or under the Security Agreement.

11.2. Reports by Lessor. The Lessee will prepare and deliver to the Lessor and the Lender within a reasonable time prior to the required date of filing (or, to



the extent permissible, file on behalf of the Lessor and the Lender) any and all reports (other than income tax returns) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor or the Lender of the Equipment or the leasing thereof to the Lessee.

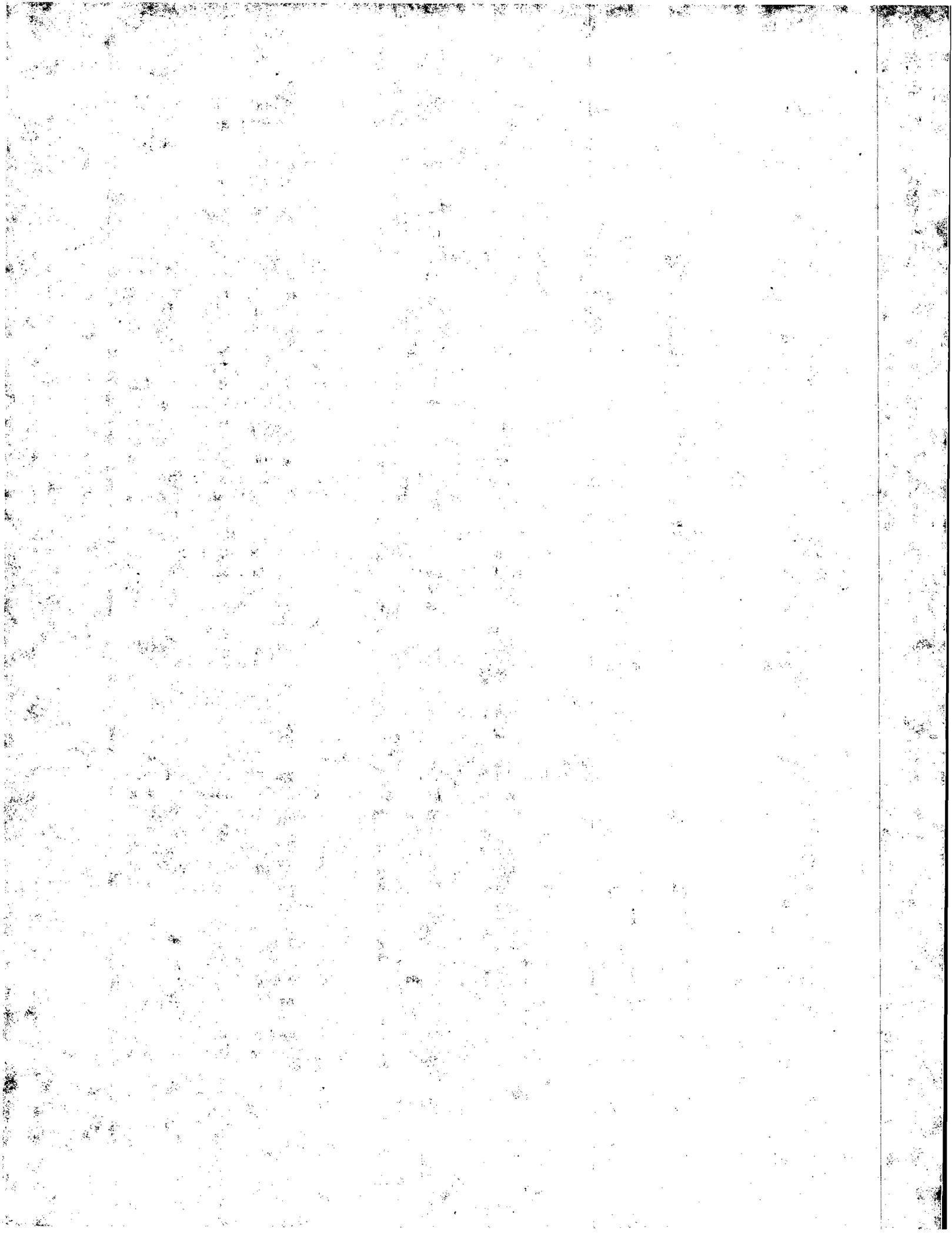
SECTION 12. MAINTENANCE

12.1. Equipment in Good Operating Order. The Lessee, at its own expense, will maintain, service and repair the Equipment to the same extent as a prudent individual would in the management of its own properties for the full useful life of a similar Item of Equipment as if owned by the Lessee and without reference to the remaining term hereunder, and in all events to the extent required to maintain such an Item of Equipment in good repair and in the same working order and operating condition as when delivered to the Lessee, ordinary wear and tear excepted. In addition, the Lessee shall maintain each Item of Equipment in such condition as will enable such Item of Equipment to perform the functions for which it was originally intended, including but not limited to being fit for use in interchange under load, and shall maintain each Item of Equipment in accordance with the specifications of the manufacturer of such Item of Equipment and in accordance with the standards prescribed by the Association of American Railroads or any governmental authority having jurisdiction over the Equipment and without limiting the foregoing, according to those standards applied by the Lessee to equipment owned by it. Without limitation to any other provision of this § 12.1, each Item of Equipment subject hereto shall be operated safely and carefully by properly trained persons and shall not be operated or used in a negligent, reckless, careless or abusive manner or used beyond its maximum load capacity, or axle limits or without adequate oil pressure, coolant levels, fluid levels, sealant or hoses and belts. The Lessee shall prepare and maintain a repair and service log for the Equipment reflecting all shop maintenance, and shall make the log available to the Lessor and the Lender for reasonable inspection and shall deliver copies of the log to the Lessor together with surrender of the Equipment.

12.2. Additions and Accessions.

(1) Except as set forth in § 11.1 and 12.1 hereof, the Lessee, at its own cost and expense, may from time to time make such other additions, modifications and improvements to the Equipment during the term of this Lease as are readily removable without causing material damage to the Equipment and do not adversely and materially affect the value of the Equipment. The additions, modifications and improvements made by the Lessee under the preceding sentence shall be owned by the Lessee if removed from the Equipment prior to the time such Equipment is returned as provided in §§ 15 and 18, except to the extent such additions, modifications or improvements are made in order to comply with Section 12.2(2) hereof.

(2) Any and all parts installed on and additions and replacements made to any Item of Equipment (i) which are not readily removable without causing material damage to such Item of Equipment and were installed or were added to such Item of Equipment in contravention of its agreements contained in § 12.2(1) hereof, or (ii) the cost of which is included in the Purchase Price of such Item of Equipment, or (iii) in the course of ordinary maintenance of the Equipment or (iv) which are required for the operation or use of such Item of Equipment by



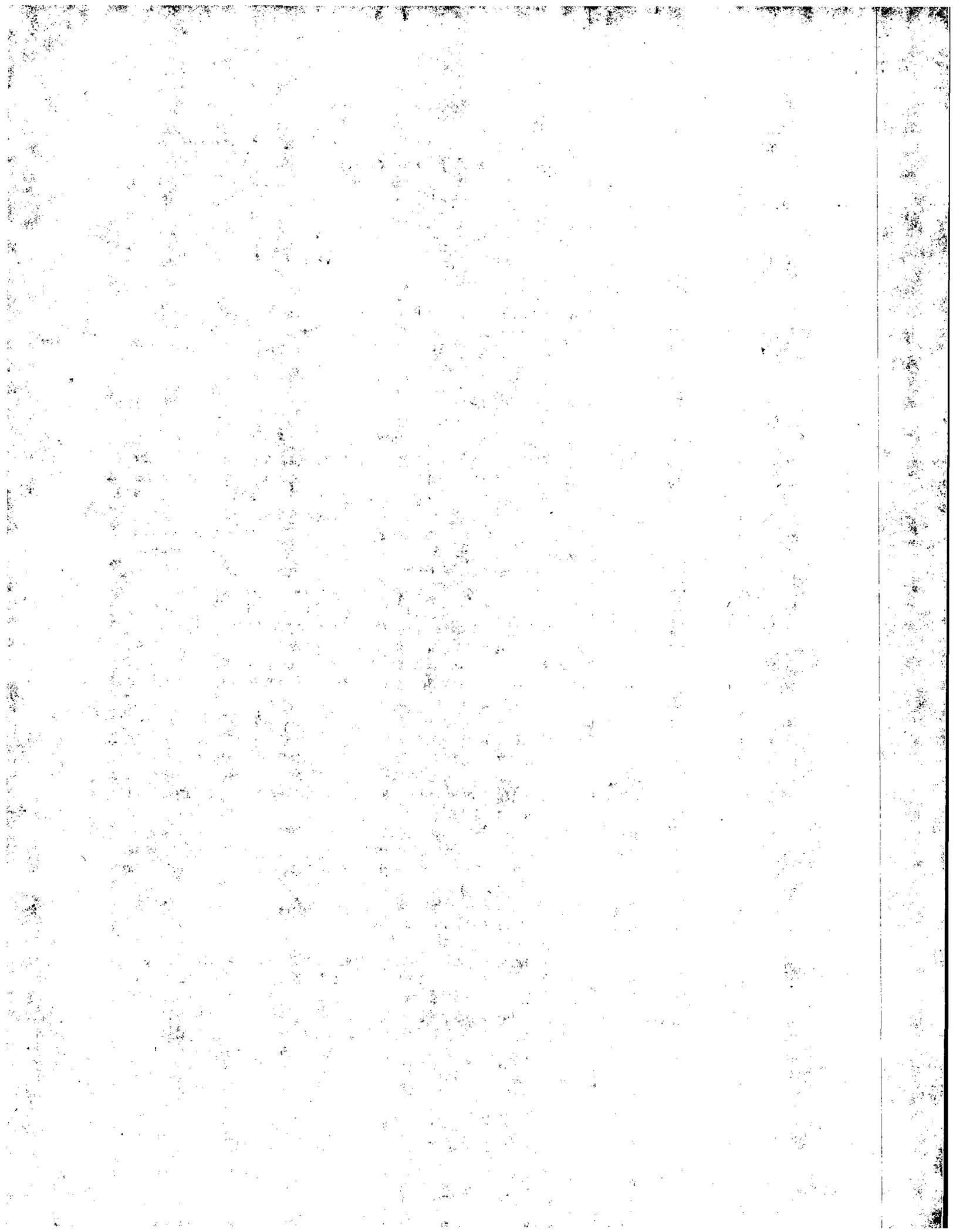
the interchange rules of the Association of American Railroads or by the regulations of the Department of Transportation, the Interstate Commerce Commission or any other applicable regulatory body, shall constitute accessions to such Item of Equipment and full ownership thereof free from any lien, charge, security interest or encumbrance (except for those created by the Participation Agreement or the Security Agreement) shall immediately be vested in the Lessor.

(3) In no event shall the cost to the Lessee of any additions, modifications or improvements described in this § 12.2 be considered rent received by the Lessor.

(4) Upon the termination of this Lease with respect to any Item of Equipment as to which such additions have been made, the Lessee shall remove any such additions and restore such Item of Equipment to the condition required by § 12.1 hereof.

SECTION 13. INDEMNIFICATION

13.1. Indemnified Persons. The Lessee shall pay, and shall protect, indemnify and hold the Lessor (in both its individual and fiduciary capacities), and the Lender and their respective successors, assigns, agents and servants ("Indemnified Persons"), harmless from and against any and all causes of action, suits, penalties, claims, demands or judgments, of any nature whatsoever which may be imposed on, incurred by or asserted against any Indemnified Person (including any or all liabilities, obligations, damages, costs, disbursements, expenses [including without limitation attorneys' fees and expenses of any Indemnified Person] relating thereto) in any way relating to or arising, or alleged to arise, out of this Lease, the Participation Agreement, the Security Agreement, or the Equipment, including, without limitation, those in any way relating to or arising or alleged to arise out of (i) the manufacture, construction, purchase, acceptance, rejection, ownership, delivery, nondelivery, lease, possession, use, operation, condition, sale, return or other disposition of any Item of Equipment or portion thereof, (ii) any latent and other defects whether or not discoverable by the Lessor, the Lender or the Lessee, (iii) any claim for patent, trademark or copyright infringement, (iv) any claims based on strict liability in tort, (v) any injury to or the death of any person or any damage to or loss of property on or near the Equipment or in any manner growing out of or concerned with, or alleged to grow out of or be connected with, the ownership, use, replacement, adaptation or maintenance of the Equipment or of any other equipment in connection with the Equipment (whether owned or under the control of the Lessor, the Lessee or any other person) or resulting or alleged to result from the condition of any thereof, (vi) any violation of any provision of this Lease (except by the Lessor) or of any agreement, law, rule, regulation, ordinance or restriction affecting or applicable to the Equipment or the leasing, ownership, use, replacement, adaptation or maintenance thereof, or (vii) any claim arising out of any of the Lessor's obligations under, or the Lender's retention of a security interest under, the Participation Agreement or the Security Agreement, except to the extent such claim arises from an act or omission of the party claiming indemnification (all of which matters hereinabove set forth in this paragraph being hereinafter called "Indemnified Matters"). The Lessee shall be obligated under this § 13.1, irrespective of whether any Indemnified Person shall also be indemnified with respect to the same Indemnified Matter under any other



agreement by any other person, and the Indemnified Person seeking to enforce the indemnification may proceed directly against the Lessee under this § 13.1 without first resorting to any such other rights of indemnification. In case any action, suit or proceeding is brought against any Indemnified Person in connection with any Indemnified Matter, the Lessee may and, upon such Indemnified Person's request, will at the Lessee's expense resist and defend such action, suit or proceeding, or cause the same to be resisted or defended by counsel selected by the Lessee and approved by such Indemnified Person and, in the event of any failure by the Lessee to do so, the Lessee shall pay all costs and expenses (including without limitation attorneys' fees and expenses) incurred by such Indemnified Person in connection with such action, suit or proceeding. In the event the Lessee is required to make any payment under this § 13, the Lessee shall pay such Indemnified Person an amount which, after deduction of all taxes required to be paid by such Indemnified Person in respect of the receipt thereof under the laws of the United States or of any political subdivision thereof (after giving credit for any saving in respect of any such taxes by reason of deductions, credits or allowances in respect of the payment of the expense indemnified against, and of any other such taxes as reasonably determined by the Indemnified Person), shall be equal to the amount of such payment. The Lessee and the Lessor each agree to give each other promptly upon obtaining knowledge thereof written notice of any claim or liability hereby indemnified against. Upon the payment in full of any indemnities as contained in this § 13 by the Lessee, and provided that no Event of Default (or other event which with lapse of time or notice or both would constitute an Event of Default) shall have occurred and be continuing, the Lessee shall be subrogated to any right of such Indemnified Person (except against another Indemnified Person) in respect of the Indemnified Matter against which indemnity has been given. Any payments received by such Indemnified Person from any person (except the Lessee) as a result of any Indemnified Matter with respect to which such Indemnified Person has been indemnified by the Lessee pursuant to this § 13.1 shall be paid over to the Lessee to the extent necessary to reimburse the Lessee for indemnification payments previously made to such Indemnified Party. Nothing in this § 13.1 shall constitute a guarantee by the Lessee of the Indebtedness of the Lessor under the Participation Agreement or the Security Agreement or a guarantee of the residual value of any Item of Equipment or an indemnity against any Tax. It is understood and agreed by the parties hereto that Tax indemnities are covered in Sections 6 and 7 of this Lease.

13.2. Survival. The indemnities contained in this § 13 shall survive the expiration or termination of this Lease with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination and are expressly made for the benefit of, and shall be enforceable by, any Indemnified Person. None of the indemnities in this § 13 shall be deemed to create any rights of subrogation in any insurer or third party against the Lessee therefor, from or under any Indemnified Person, whether because of any claim paid or defense provided for the benefit thereof or otherwise.

SECTION 14. DEFAULT

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

(1) default shall be made in payment of any amount provided for in this Lease, and such default shall continue for 5 days;

(2) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or the right to possession of the Equipment, or any thereof;

(3) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein (excluding the Tax Assumptions) or in the Consent and such default shall continue for 30 days after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

(4) any representation or warranty made by the Lessee herein or in any certificate or statement furnished to the Lessor or the Lender pursuant to or in connection with any such agreements proves untrue in any material respect as of the date of issuance or making thereof;

(5) a petition for reorganization under Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceeding in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed and otherwise in accordance with the provisions of 11 U.S.C. § 1168, or any successor provision as the same may hereafter be amended; or

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

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

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

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises, insofar as the Lessee may be lawfully authorized so to permit, where any of the Items of Equipment may be located, without judicial process if this can be done without breach of the peace and in accordance with due process of law, and take possession of all or any of such Items of Equipment and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Equipment for any purposes whatever; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty (i) a sum, with respect to each Item of Equipment, which represents (x) the excess of the present value, at the time of such termination, of the entire unpaid balance of all rentals for such Item of Equipment which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Item of Equipment, such present value to be computed on the basis of an 8% per annum discount, compounded semi-annually from the respective dates upon which rental would have been payable hereunder had this Lease not been terminated over the then present value of the rental which the Lessor reasonably estimates to be obtainable for each Item of Equipment during such period, such present value to be compounded semi-annually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated or, if such Item of Equipment is sold, the net proceeds of the sale plus (y) any damages and expenses, including, without limitation, reasonable attorneys' fees and expenses, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant, representation or warranty of this Lease other than for the payment of rental or (ii) an amount equal to the excess, if any, of the Casualty Value as of the Casualty Payment Date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Item of Equipment at such time; provided, however, that in the event the Lessor shall have sold any Item of Equipment, the Lessor, in lieu of collecting any amounts payable by the Lessee pursuant to the preceding clause (ii) with respect to such Item of Equipment, may, if it shall so elect, demand that the Lessee

pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Item of Equipment, as of the Casualty Payment Date on or next preceding the date of termination over the net proceeds of such sale.

The Lessee will pay all reasonable expenses, including, without limitation, attorneys' fees and expenses, incurred by the Lessor or the Lender in enforcing its remedies under the terms of this Lease.

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

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

14.4. Notice of Event of Default. The Lessee also agrees to furnish the Lessor and the Lender, promptly upon any responsible officer becoming aware of any condition which constituted or constitutes an Event of Default under this Lease or which, after notice or lapse of time, or both, would constitute such an Event of Default, written notice specifying such condition and the nature and status thereof. For the purposes of this § 14.4, a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of the Lessee in this Lease contained, any corporate officer of the Lessee who, in the normal performance of his operational responsibilities, would have knowledge of such matter and the requirements of this Lease with respect thereto.

SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT

15.1. Return of Equipment. If this Lease shall terminate pursuant to § 14 hereof, the Lessee shall forthwith deliver possession of the Equipment to the Lessor; each Item of Equipment so returned to be attached to an underlying flatcar. Each Item of Equipment so delivered shall be in the operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted, shall meet the standards then in effect under the Interchange Rules of the Association of American Railroads and/or the applicable rules of any governmental agency or other organization with jurisdiction, shall have been maintained in accordance with the provisions of Section 12.1 and shall have attached or affixed thereto any special device considered an accession thereto as provided in § 12 and shall have removed therefrom at the Lessee's expense any addition, modification or improvement which, as provided in § 12, is owned by the Lessee. For the purpose of delivering possession of any Item or Items of Equipment as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Item or Items of Equipment have been interchanged or which may have possession thereof to return the Item or Items of Equipment) and at the usual speed place such Item or Items of Equipment upon such storage tracks of the Lessee or any of its affiliates as the Lessor reasonably may designate;

(b) permit the Lessor to store such Item or Items of Equipment on such tracks at the risk of the Lessee without charge for insurance, rent or storage until all such Item or Items of Equipment have been sold, leased or otherwise disposed of by the Lessor; and

(c) transport the same to any place on the lines of railroad operated by the Lessee or any of its affiliates or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage, insurance and transporting of the Item or Items of Equipment as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store, insure and transport the Item or Items of Equipment. During any storage period, the Lessee will, at its own cost and expense, maintain and keep the Equipment insured and in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or user of any such Item or Items of Equipment, to inspect the same. All amounts earned in respect of the Item or Items of Equipment after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor.

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

SECTION 16. POSSESSION AND USE

16.1. Lessee's Rights To Use the Equipment, To Permit Use Thereof by Others and To Sublease the Equipment.

(1) So long as (i) no Event of Default exists hereunder, and (ii) the Lessee is complying with the provisions of the Consent, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease, the Participation Agreement and the Security Agreement but only within the continental United States of America. Without the prior written

consent of the Lessor and the Lender, the Lessee shall not assign or transfer its leasehold interest under this Lease in any of the Items of Equipment or sublease any of the Items of Equipment, except as provided in paragraph (2) of this § 16.1; and the Lessee shall not, without the prior written consent of the Lessor and the Lender, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Items of Equipment, except to the extent permitted by the provisions of paragraph (2) of this § 16.1. The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor or the Lender or resulting from claims against the Lessor or the Lender not related to the ownership of the Equipment or any encumbrance on the leasehold estate of the Lessee which is subject and subordinate to the interests of the Lessor and the Lender) upon or with respect to any Item of Equipment, including any accession thereto, or the interest of the Lessor, the Lender or the Lessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises.

(2) So long as no Event of Default exists hereunder, the Lessee shall be entitled to the possession of the Equipment and to the use of the Equipment upon lines of railroad owned or operated by it or upon lines of railroad over which the Lessee has trackage or other operating rights or over which railroad equipment of the Lessee is regularly operated pursuant to contract and shall be entitled to permit the use of the Equipment upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements. Upon, but only upon, the prior written consent of the Lessor and the Lender, the Lessee may assign its rights to the Equipment or its interest as Lessee under this Lease or to sublease the Equipment to any of its affiliates or to any railroad company incorporated in the United States of America or any state thereof or the District of Columbia, but only upon and subject to all the terms and conditions of this Lease, the Participation Agreement and the Security Agreement; provided, however, that any such sublease to any nonaffiliated railroad company shall not exceed a period equal to 180 days for any 12-month period, and provided further, however, that the Lessee shall not assign, sublease or permit the assignment, sublease or use of any Item of Equipment outside the continental United States of America nor shall the Lessee assign or sublease to, or permit the sublease or use of the Equipment by, any person in whose hands such Items of Equipment would not qualify as "section 38 property" within the meaning of the Internal Revenue Code of 1954, as amended to the date hereof and as may be hereafter amended. The Lessee may receive and retain compensation for the use of any of the Items of Equipment from other railroads so using such Items of Equipment. Any sublease permitted by this paragraph shall by its terms be subject and subordinate to the rights and remedies of the Lender under the Participation Agreement and the Security Agreement and the Lessor under this Lease in respect to the Equipment covered by such sublease upon the occurrence of an event of default or Event of Default thereunder or hereunder. An affiliate of the Lessee shall mean any corporation directly or indirectly controlling or controlled by or under direct or indirect common control with the Lessee. A copy of each such sublease shall be delivered to the Lender and the Lessor. No assignment, sublease or other relinquishment of the possession of any Item of Equipment (whether or not authorized hereunder) shall in any way discharge or diminish any of the Lessee's obligations to the Lessor hereunder, and the Lessee shall continue to be primarily liable hereunder irrespective of any sublease.

16.2. Transfers by Lessee Through Merger, Acquisition or Consolidation. Nothing in this § 16 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any railroad corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety; provided, however, that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease and shall have assumed all of the obligations of the Lessee under this Lease and the Consent by an appropriate instrument in writing, and provided however, that such assignee or transferee shall have a net worth of at least \$50,000,000 after giving effect to such transaction unless such assignee or transferee is a corporation the assets and liabilities of which are, after giving effect to the transaction, the same as the assets and liabilities of the Lessee immediately prior to the transaction. In the event any such assignee or transferee does not have such a net worth, the Lessee may nevertheless seek the approval of the Lessor and the Lender for such assignment or transfer (setting forth all relevant facts), which approval shall not be unreasonably withheld.

SECTION 17. RENEWAL OPTION; PURCHASE OPTION

17.1. Renewal Option. Provided that this lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may elect, by written notice delivered to the Lessor not more than 270 and not less than 180 days prior to the end of the original term or the first extended term of this Lease, elect to extend such original or extended term of this Lease, as the case may be, for one (1) year commencing on the scheduled expiration of such original or extended term, as the case may be, of this Lease. The rental payable during each extended term shall be payable quarterly in arrears on the first day of each February, May, August and November of each year of such extended term and shall be in an amount equal to the "Fair Market Rental."

17.2. Determination of Fair Market Rental.

(1) "Fair Market Rental" shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease and, in such determination, (i) it shall be assumed that the Equipment is in the condition and repair required by Section 12 hereof and that it is free and clear of all liens, claims and encumbrances, (ii) the value of the additions, modifications and improvements as to which Lessee retains title pursuant to Section 12 shall not be included and (iii) costs of removal from the location of current use shall not be a deduction from such value.

(2) If, within 30 days following receipt of the notice required by the preceding paragraph, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental of the Equipment, such Fair Market Rental shall be determined in accordance with the foregoing definition by the appraisal procedure described in § 17.4(2).

17.3. Purchase Option. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, at the end of the second extended term of this Lease the Lessee may by written notice delivered to the Lessor not less than 180 days prior to the end of such extended term of this Lease, elect to purchase all but not less than all the Equipment then covered by this Lease for the lesser of (i) then Fair Market Value thereof, or (ii) 44.5% of the original Purchase price thereof.

17.4. Determination of Fair Market Value.

(1) Fair Market Value shall be equal in amount to the value which would obtain in an arm's-length transaction between an informed and willing buyer and an informed and willing seller under no compulsion to sell and, in such determination, (i) it shall be assumed that the Equipment is in the condition and repair required by Section 12 hereof and that it is free and clear of all liens, claims and encumbrances, (ii) the value of the additions, modifications and improvements as to which the Lessee retains title pursuant to Section 12 shall not be included and (iii) costs of removal from the location of current use shall not be a deduction from such value.

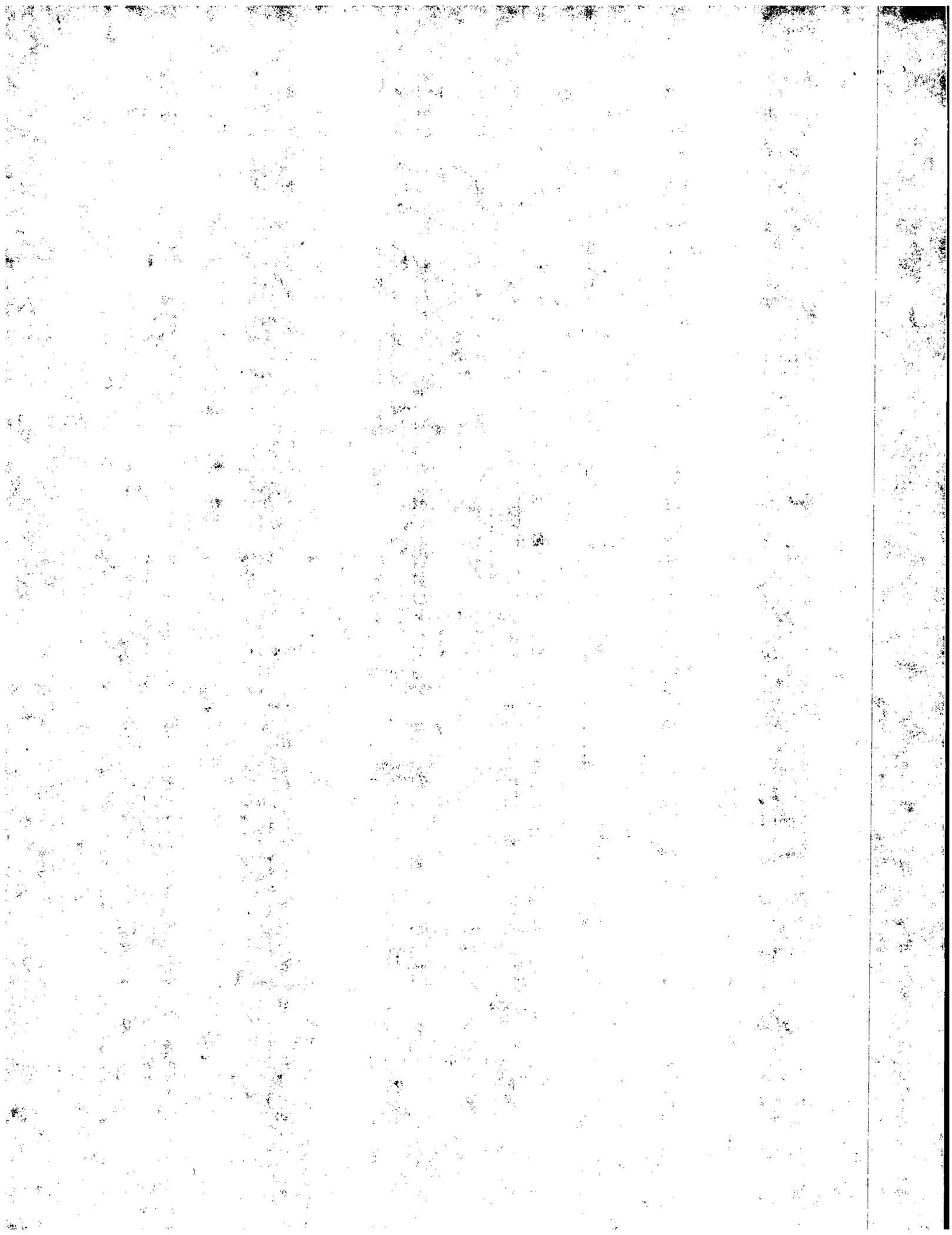
(2) If, after 30 days from the giving of notice by the Lessee of the Lessee's election to purchase, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Value of the Equipment, such value shall be determined in accordance with the foregoing definition by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of such value by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 days after such notice is given, each party shall appoint an independent appraiser within 25 days after such notice is given, and the two appraisers so appointed shall, within thirty days after such notice is given, appoint a third independent appraiser. If no such third appraiser is appointed within 30 days after such notice is given, and the two appraisers so appointed shall, within thirty days after such notice is given, each party shall appoint an independent appraiser within 25 days after such notice is given, either party may apply to the American Arbitration Association to make such appointment, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Value of the Equipment within 60 days after his or their appointment. If the parties shall have appointed a single appraiser, the determination of Fair Market Value of the single appraiser appointed shall be final. If 3 appraisers shall be appointed, the determination of the appraiser which differs most from the other 2 shall be excluded, the remaining 2 determinations shall be averaged and such average shall be final and binding upon the parties hereto as the Fair Market Value. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Value and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne one-half by the Lessee and one-half by the Lessor.

SECTION 18. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM

Not later than 180 days prior to the expiration of the Lease, the Lessee will notify the Lessor, in writing, of its intention to exercise or not to exercise its right of renewal. In the event that the Lessee does not exercise its rights of renewal, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Item of Equipment affixed to an underlying flatcar or, at Lessor's option, dismantle such Item of Equipment and deliver possession of such Item of Equipment unattached to an underlying flatcar, to the Lessor upon such storage tracks of the Lessee as the Lessor may reasonably designate, or, in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Item of Equipment on such tracks for a period not exceeding 90 days, and additionally, at Lessor's option, to store such Item of Equipment for an additional 90 days (during such period Lessor will reimburse Lessee at the per diem rate charged Lessee for the underlying flatcars) and transport the same upon any reasonable place on the lines of railroad operated by the Lessee, or to any connecting carrier for shipment, all as directed by the Lessor, the movement and storage of such Item of Equipment to be at the expense and risk of the Lessee. During any such storage period, the Lessee will continue the insurance required hereunder and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or user of such Item of Equipment, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser or user, the rights of inspection granted under this sentence. Each Item of Equipment returned to the Lessor pursuant to this § 18 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted, (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads and/or the applicable rules of any governmental agency or other organization with jurisdiction and (iii) have been maintained in accordance with the provisions of § 12.1 and (iv) have attached or affixed thereto any special device considered an accession thereto as provided in § 12 hereof and have removed therefrom any such device not so considered an accession. During any such storage period the Lessee shall maintain the Equipment in such manner as the Lessee normally maintains similar units of railroad equipment owned or leased by it in similar storage circumstances, which maintenance shall in no event be to a standard lower than that required by the Association of American Railroads. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Equipment.

SECTION 19. RECORDING

The Lessee, at its own expense, will cause this Lease, the Security Agreement and the Assignment of Lease and Agreement to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303. The Lessee will undertake the filing required of the Lessor under the Participation Agreement and the Security Agreement. The Lessee in addition will from time to time do and perform any other act and will execute, acknowledge, deliver and file (and will refile whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Lender for the purpose of proper protection, to their satisfaction, of the Lender's and the Lessor's respective interests in the Equipment, or for the purpose of carrying out the intention of this Lease, the Participation Agreement and the Security Agreement; and the Lessee will



promptly furnish to the Lender and the Lessor evidence of all such filings and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Lender and the Lessor.

SECTION 20. INTEREST ON OVERDUE RENTALS

Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount equal to interest at 15.75% per annum on the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

SECTION 21. LESSOR'S RIGHT TO PERFORM FOR THE LESSEE

If the Lessee fails to perform or comply with any of its agreements contained herein, except for the obligation to make payments pursuant to Section 20, the Lessor may (but shall not be obligated to do so) upon notice to the Lessee itself perform or comply with such agreement, and the amount of the reasonable cost and expenses of the Lessor incurred in connection with such performance or compliance, together with interest on such amount at a rate two percent per annum above the rate which Crocker National Bank charges for unsecured 90-day loans to large corporate borrowers at the time in effect, shall be payable by the Lessee upon demand except as otherwise provided in this Lease. No such performance or compliance by the Lessor shall be deemed a waiver or the rights and remedies of the Lessor or any assignee of the Lessor against the Lessee hereunder or be deemed to cure the default of the Lessee hereunder.

SECTION 22. NOTICES

Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when mailed, first class, postage prepaid, addressed as follows:

(a) if to the Lessor, at One Market Plaza, Steuart Street Tower, Suite 2400, San Francisco, California 94105, Attention: President; and

(b) if to the Lessee, at 701 Commerce Street, Dallas, Texas 75202, Attention of Karl R. Ziebarth, Executive Vice President - Financial; with a copy to Arthur M. Albin, Esq., Law Department, Missouri-Kansas-Texas Railroad Company, 701 Commerce Street, Dallas, Texas 75202.

or addressed to any party at such other address as such party shall hereafter furnish to the other parties in writing. A duplicate copy of each such notice or communication shall be delivered to the Lender at 2000 Wade Hampton Boulevard, Greenville, South Carolina 29615 or at Post Office Box 789, Greenville, South Carolina 29602, Attention: Securities Department, or at such other address as the Lender shall notify each of the Lessor and the Lessee in writing, for as long as any amount payable to the Lender pursuant to the Participation Agreement, the Security Agreement or the Note is outstanding.

SECTION 23. SEVERABILITY

Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such

prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 24. EFFECT AND MODIFICATION OF LEASE

This Lease exclusively and completely states the rights and obligations of the Lessor and the Lessee with respect to the leasing of the Equipment and supersedes all other agreements, oral or written, with respect hereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

SECTION 25. THIRD PARTY BENEFICIARIES

Nothing in this Lease shall be deemed to create any right in any person not a party hereto (other than the Lender and the permitted successors and assigns of a party), and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of a third party except as aforesaid.

SECTION 26. EXECUTION

This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Lender pursuant to the Participation Agreement and the Security Agreement shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

SECTION 27. LAW GOVERNING

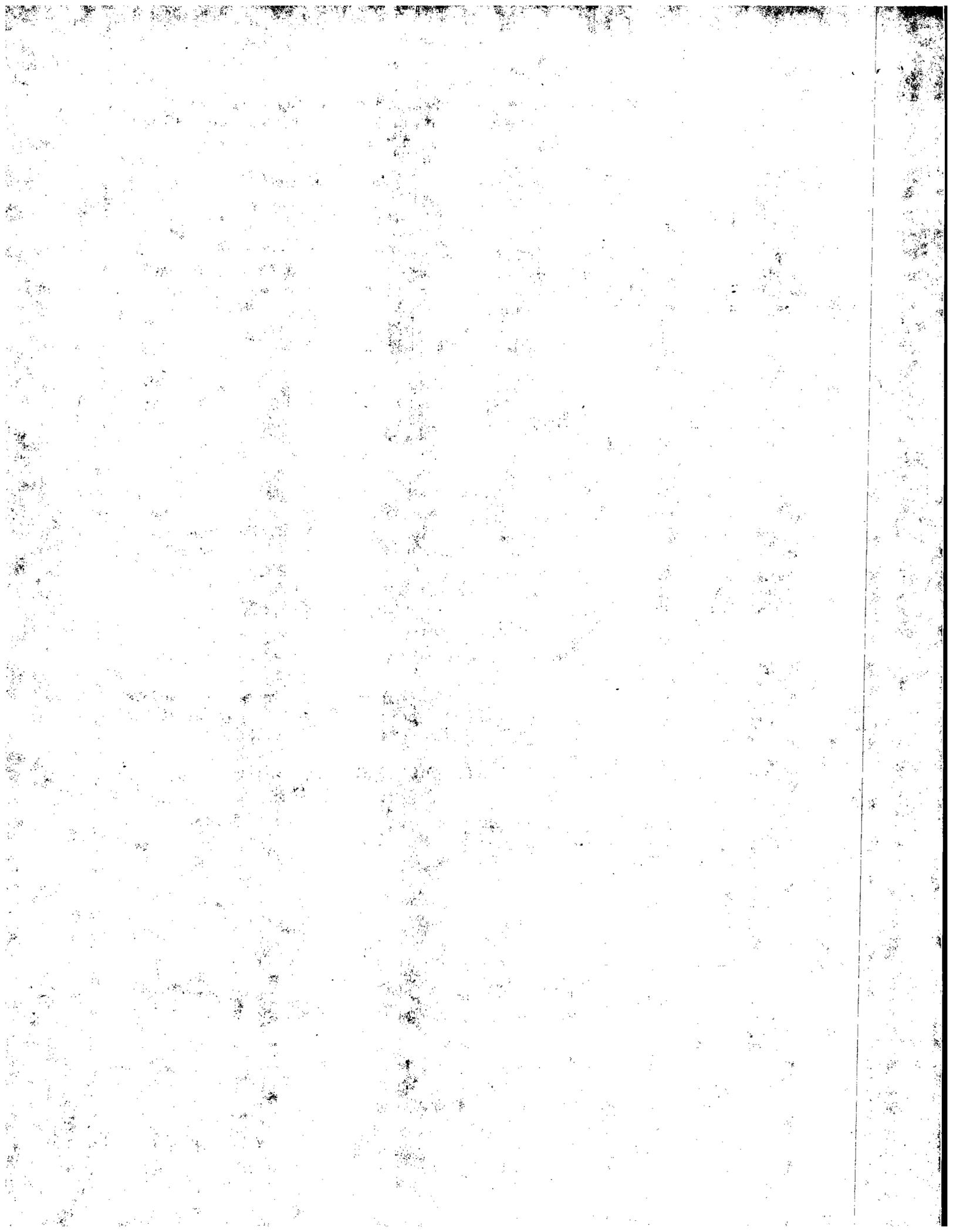
The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of California; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

SECTION 28. AGREEMENTS FOR BENEFIT OF LENDER AND LENDER'S AND LESSOR'S ASSIGNS

All rights of the Lessor hereunder (including, but not limited to, its rights under Sections 6, 8, 10, 14, 15 and 18 and the right to receive the rentals payable under this Lease) shall inure to the benefit of the Lessor and the Lessor's assigns including the Lender.

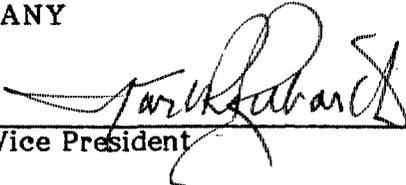
SECTION 29. TERM LESSOR OR LESSEE

Whenever the term "Lessor" is used in this Lease it shall apply and refer to the Lessor and any assignee of the Lessor (including, so long as any Indebtedness under the Participation Agreement and the Security Agreement or interest thereon shall remain unpaid or any other obligation thereunder be continuing, the Lender).



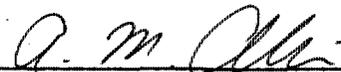
IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

MISSOURI-KANSAS-TEXAS RAILROAD
COMPANY

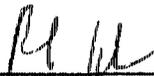
By 
Vice President

[Seal]

Attest:

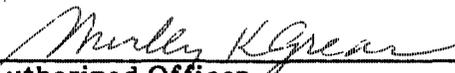

Assistant Secretary

STEINER FINANCIAL CORPORATION

By 
Authorized Officer

[Seal]

Attest:


Authorized Officer

STATE OF TEXAS,)
) ss.:
COUNTY OF DALLAS,)

On this 19th day of April, 1985, before me personally appeared Karl R. Ziebarth, to me personally known, who, being by me duly sworn, says that he is a Vice President of Missouri-Kansas-Texas Railroad Company, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Shirley Heerman
Notary Public

STATE OF CALIFORNIA)
) ss:
COUNTY OF SAN FRANCISCO)

On this 19th day of April, in the year 1985, before the undersigned, a Notary Public in and for the State of California, personally appeared Paul Kepler, known to me (or proved to me on the basis of satisfactory evidence) to be the President of Steiner Financial Corporation, and acknowledged that he executed the same on behalf of said Corporation by authority of its Board of Directors.

WITNESS my hand and official seal.

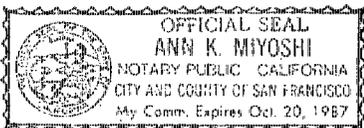
My Commission Expires:

10-20-87

Ann K. Miyoshi

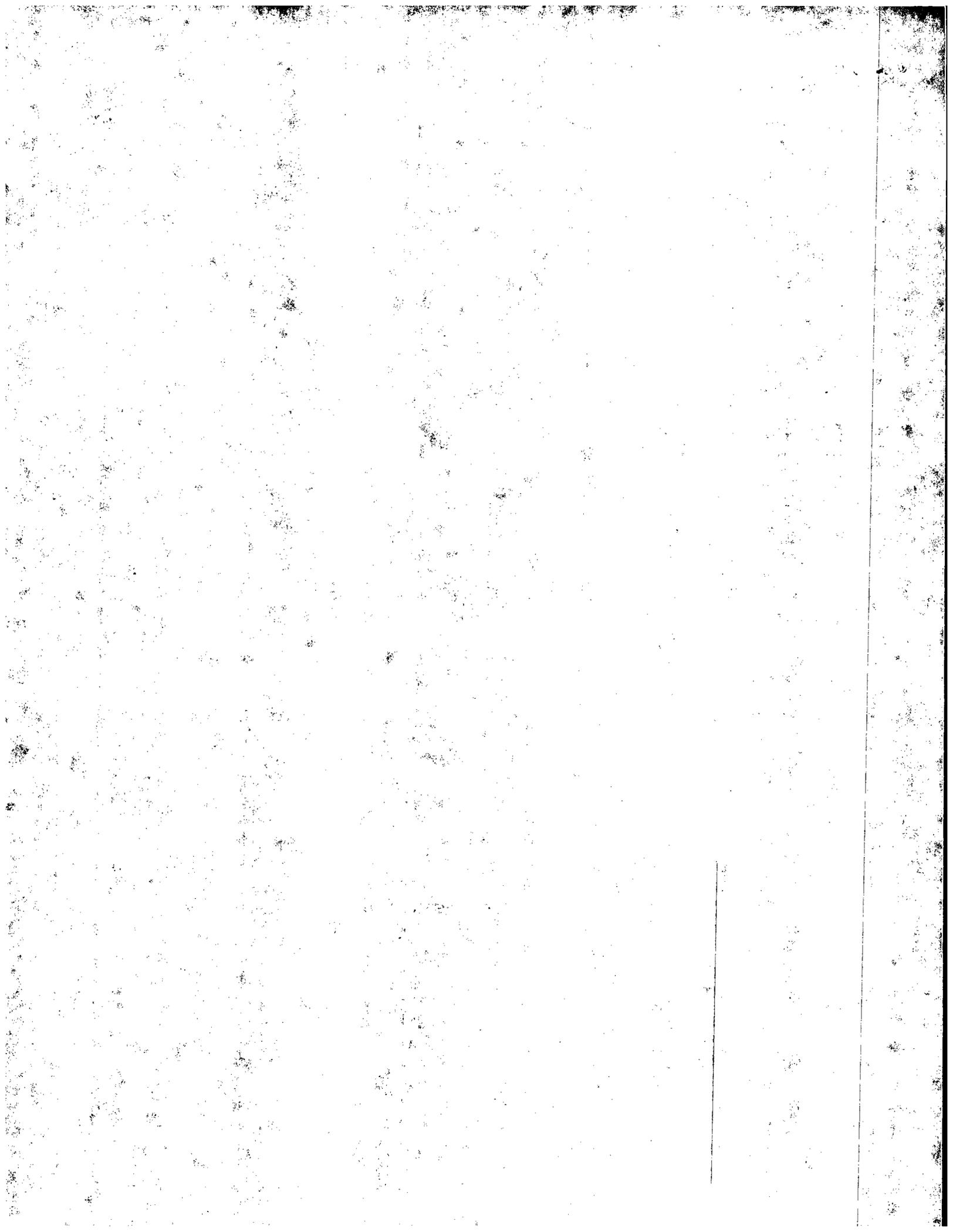
NOTARY PUBLIC

[NOTARY SEAL]



APPENDIX A TO LEASE

<u>Type</u>	<u>Builder</u>	<u>Builder's Specifications</u>	<u>Builder's Plant</u>	<u>Quantity</u>	<u>Lessee Road Numbers (Both Inclusive)</u>	<u>Estimated Unit Base Price</u>	<u>Estimated Total Base Price</u>	<u>Estimated Time and Place of Delivery</u>
Fully Enclosed Screened Bi-Level Autoracks Including Extended Radial End Doors	Thrall Car Manufacturing Company	Thrall Specifications and Drawings ASK-7848 Dated July, 1983		41	T1 to T41	\$25,923	\$1,062,843	April, 1985



APPENDIX B TO LEASE

Lease Rate Factors

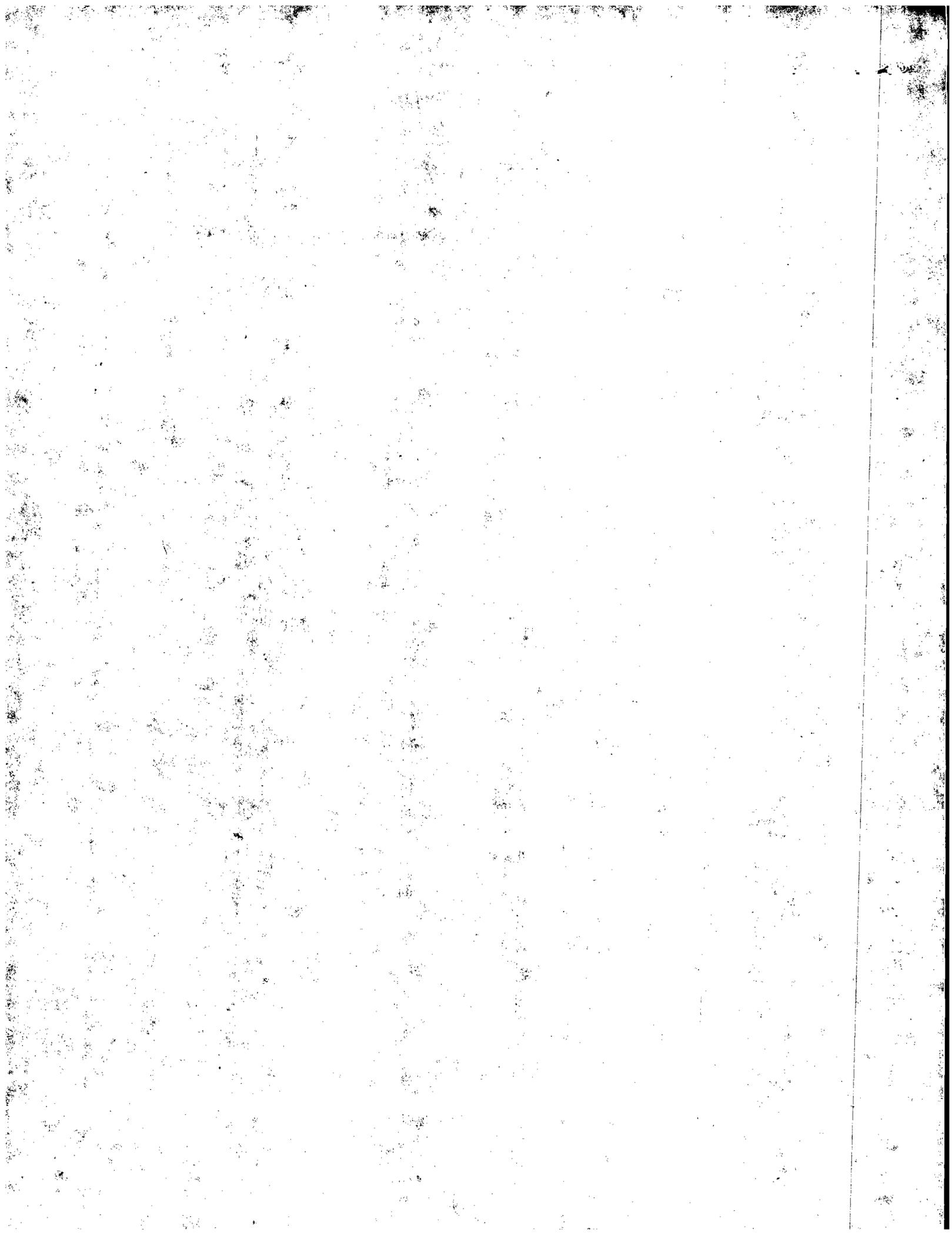
The lease rate factors, expressed as a percentage of Equipment Cost, are as follows:

<u>Payment</u>	<u>%</u>
1-20	3.5287
21-40	4.3128

Interim Rent

Interim Rent per Unit shall be calculated by the following formula:

.04356% of the Purchase Price per day from the date each Item of Equipment is accepted by the Lessee until the interim rental payment date.



APPENDIX C TO LEASE

Casualty Values

<u>Casualty Payment Dates</u>	<u>Percentage of Purchase Price</u>
August 1, 1985	108.57878660
November 1, 1985	109.66198251
February 1, 1986	110.48338330
May 1, 1986	111.12232071
August 1, 1986	111.56513047
November 1, 1986	109.05316438
February 1, 1987	109.10949971
May 1, 1987	108.95154391
August 1, 1987	108.56320021
November 1, 1987	105.17054870
February 1, 1988	104.29676401
May 1, 1988	103.15117210
August 1, 1988	101.82652559
November 1, 1988	97.57555761
February 1, 1989	96.12839965
May 1, 1989	94.63155027
August 1, 1989	93.08330323
November 1, 1989	88.63004184
February 1, 1990	86.97364437
May 1, 1990	85.26037088
August 1, 1990	83.48826843
November 1, 1990	78.01936517
February 1, 1991	75.31242201
May 1, 1991	72.51249950
August 1, 1991	69.70902812
November 1, 1991	66.93690841
February 1, 1992	64.38823141
May 1, 1992	61.77886069
August 1, 1992	59.10572582
November 1, 1992	56.28306170
February 1, 1993	53.47016913
May 1, 1993	50.58775579
August 1, 1993	47.63214027
November 1, 1993	44.51050817
February 1, 1994	41.39070747
May 1, 1994	38.18787176
August 1, 1994	34.89732174
November 1, 1994	31.53553016
February 1, 1995	28.29668440
May 1, 1995	25.11512245
August 1, 1995	20.00000000