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RECORDATION NO. Filed 1425

RECORDATION NO. 9737-C Filed 1425

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INTERSTATE COMMERCE COMMISSION

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LETTER OF TRANSMITTAL

Secretary of the Interstate  
Commerce Commission  
Constitution and 12th Street, N.W.  
Washington, D.C. 20423

RECORDATION NO. 9942-J Filed 1425

FFB 20 1981 -1 45 PM

Dear Sir:

INTERSTATE COMMERCE COMMISSION

Pursuant to Part 1116 of the regulations of the Interstate Commerce Commission, 49 CFR Part 1116, I hereby request that you record under 49 U.S.C. §11303 the following documents:

1. Equipment Lease dated as of June 13, 1980 between The Connecticut Bank and Trust Company, not in its individual capacity but solely as Trustee, and Grand Trunk Western Railroad Company;
2. Equipment Lease dated as of June 13, 1980 between The Connecticut Bank and Trust Company, not in its individual capacity but solely as Trustee, and Grand Trunk Western Railroad Company. *Rec. 12944*
3. Security Agreement - Trust Deed Supplement dated as of June 13, 1980 between The Connecticut Bank and Trust Company, not in its individual capacity but solely as Trustee, and Continental Illinois National Bank and Trust Company of Chicago not in its individual capacity but solely as Security Trustee (Security Agreement - Trust Deed filed and recorded on December 27, 1978 as Doc. No. 9942); and
4. Security Agreement - Trust Deed Supplement dated as of June 13, 1980 between The Connecticut Bank and Trust Company, not in its individual capacity but solely as Trustee, and First Security Bank of Utah, N.A., not in its individual capacity but solely as Security Trustee (Security Agreement - Trust Deed filed and recorded on October 5, 1978 as Doc. No. 9737).

*Connelly*

*Don A. Bell*

The original and one counterpart of each of the above-listed documents are enclosed herewith for filing purposes.

The parties to the subject transaction, and their addresses, are as follows:

Lessee

Grand Trunk Western Railroad Company  
131 West Lafayette Boulevard  
Detroit, Michigan 48226  
Attention: Secretary

Lessor

The Connecticut Bank and Trust Company  
One Constitution Plaza  
Hartford Connecticut 06115  
Attention: Corporate Trust Department

The equipment covered by the aforesaid Leases and Security Agreement Supplements are 100 covered hopper cars. The A.A.R. mechanical designation of the equipment is "10" and the car numbers are GTW 138550 to 138649, both inclusive.

The original and all extra copies of the enclosed documents should be returned to Mr. Donn Beloff of Schiff Hardin & Waite, 1101 Connecticut Avenue, N.W., Washington, D.C. 20036.

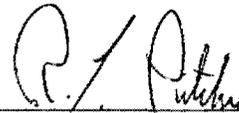
A \$120.00 check, payable to the Interstate Commerce Commission, also is enclosed to cover the required recordation fee.

I am an officer of Grand Trunk Western Railroad Company and have knowledge of the matters set forth herein.

Very truly yours,

GRAND TRUNK WESTERN RAILROAD COMPANY

By



Dated: February 19, 1981

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RECORDATION NO. \_\_\_\_\_ Filed 1488

FFB 20 1981 -1 45 PM

INTERSTATE COMMERCE COMMISSION

EQUIPMENT LEASE

Dated as of June 13, 1980

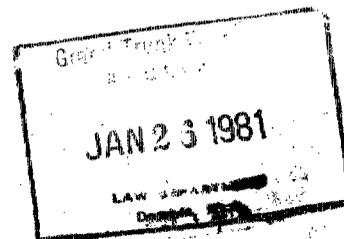
between

GRAND TRUNK WESTERN RAILROAD COMPANY,  
as Lessee

and

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

[Covering 80 100-ton Covered Hopper Cars]



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This Equipment Lease ("This Lease" or "Equipment Lease") dated as of June 13, 1980 between The Connecticut Bank and Trust Company, a Connecticut banking corporation, not in its individual capacity but solely as Trustee (the "Lessor") under a Trust Agreement dated as of November 20, 1978 as amended by Amendment to Trust Agreement dated as of June 13, 1980 (the "Trust Agreement") with Hillman Manufacturing Company, a Pennsylvania corporation (the "Trustor"), and Grand Trunk Western Railroad Company, a Michigan corporation ("Lessee").

#### R E C I T A L S

A. Lessor entered into an Equipment Lease dated as of November 20, 1978 ("Rock Lease") with William M. Gibbons, Trustee of the Property of Chicago, Rock Island and Pacific Railroad Company (the "Trustee") whereby the Trustee leased certain railroad equipment described in Schedule A hereto (the "Units").

B. Lessor entered into a Security Agreement - Trust Deed dated as of November 20, 1978 from Lessor to Continental Illinois National Bank and Trust Company of Chicago, not in its individual capacity, but solely as Security Trustee ("Secured Party") providing for the grant of a security interest in the Units (subject to the rights of the Trustee under the Rock Lease), the Rock Lease and the rents and other sums due and to become due under the Rock Lease as security for the Lessor's notes issued to The Prudential Insurance Company of America, Bankers Life Insurance Company of Nebraska, American Mutual

Life Insurance Company and Southern Life & Health Insurance Company (hereinafter collectively referred to as the "Note Purchasers").

C. Lessor entered into a Termination Agreement dated May 29, 1980 (the "Termination Agreement") with respect to the Rock Lease whereby the Rock Lease was terminated.

D. Lessor intends to enter into a Supplement to the Security Agreement - Trust Deed with the Secured Party ("Security Document") to provide for (i) the continuation of a security interest in the Units (subject to the rights of the Lessee hereunder) and (ii) the grant of a security in this Lease and the rents and other sums due and to become due under this Lease (except as otherwise therein set forth).

E. The Lessor, the Lessee, the Trustor, the Secured Party, and the Note Purchasers intend to enter into a Supplemental Participation Agreement ("Supplemental Participation Agreement") providing, among other things, for certain representations, warranties and consents by the parties thereto.

NOW, THEREFORE, in consideration of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by Lessee, Lessor hereby leases the Units 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 provided, the Lessee shall not be entitled to any abatement of rent or any other amounts due hereunder, reduction

thereof or setoff against rent or such other amounts, including, but not limited to, abatements, reductions or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor, or the Trustor, whether under this Lease, under the Security Document, or otherwise or against any assignee of the Lessor pursuant to Section 12 hereof; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization or approval of this Lease, any present or future insolvency of or 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 shall 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 this Lease or of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor or any assignee pursuant to Section 12 hereof for any reason whatsoever.

SECTION 2. Delivery and Acceptance of Units. The Lessee recognizes that the Rock Lease has been terminated, but that the Lessor has not, on the date of execution of this Lease, repossessed all the Units from the Rock Island. The Lessee agrees to do everything reasonably possible (including, without limitation, routing, billing, transfer of equipment from other rail lines, notification of other users of the Units, and other related actions) to assist the Lessor in obtaining such repossession. The Lessee further agrees to take all action necessary to effect with the Association of American Railroads a change in registration of the road numbers of all the Units which were, at the time of termination thereof, subject to the Rock Lease, from the name of Rock Island to the name of the Lessee, and to give notice to the Lessor of all changes in such road numbers. After delivery of each Unit to an interchange point on the rail lines of the Lessee, the Lessee will cause an employee or agent of the Lessee to inspect the same, and after such Unit is in operable condition (as hereinafter defined), to execute and deliver to the Lessor and the Secured Party a certificate of acceptance (the "Certificate of Acceptance") stating that such Unit has been inspected and accepted on behalf of the Lessee on the date of such delivery

and will be marked in accordance with Section 5 hereof; such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject to all the terms and conditions of this Lease as of the date of such delivery. As used herein, "operable condition" shall mean in a condition of repair sufficient to enable the Unit to be used in interchange service to haul freight and meet the standards of the Association of American Railroads ("AAR"), the Federal Railroad Administration and all other applicable rules and regulations for such service and in a condition that would have permitted such Unit to meet all standards required or recommended by the Association of American Railroads applicable to new railroad equipment qualified for interchange of the character of the Unit as of the date of this Lease, normal wear and tear to be considered in accordance with the age of such Unit.

As to those Units not delivered with a defect cord which Lessee believes are not suitable for interchange (herein "Damaged Units"), the Damaged Units shall be marshalled and stored on holding tracks, and Lessee will periodically notify (or cause notification to be made to) William M. Gibbons, Trustee of the Property of Chicago, Rock Island and Pacific Railroad Company ("Gibbons") at 332 S. Michigan Avenue, Chicago, Illinois 60604 and Trustor at 2000 Grant Building, Pittsburgh, Pennsylvania 15219, that the Damaged Units are available for joint inspection. The joint inspection will be made by Lessee and Gibbons or his authorized representative, utilizing a form substantially similar to the form attached hereto as Schedule B, and a joint determination shall be made

by Lessee and Gibbons or his authorized representative as to what work ("Damage Repairs") will be necessary to restore the Units to AAR interchange condition and to the condition in which they were originally delivered to Gibbons, reasonable wear and tear excepted. If Gibbons or his authorized representative does not appear within five days from the time notice is received for the joint inspection of the Damaged Units, Lessee shall make or cause to be made an inspection of the Damaged Units which inspection shall be binding upon Gibbons. Lessee will perform or arrange for the performance of the Damage Repairs which shall not exceed the prevailing market rate for performing such Damage Repairs. All disputes between Lessee and Gibbons regarding the condition of the Damaged Units, responsibility for the Damage Repairs and the cost therefor shall be resolved by an arbitrator that is acceptable to both parties. Lessee will promptly notify Lessor or Trustor of any Unit needing non-normal damage repairs that are estimated by Lessee to cost in excess of \$250. Lessee will notify Lessor or Trustor of the work to be done, estimated time to complete such work and the estimated cost of such repair. Lessor or Trustor shall have the right but not the duty, at its expense, (i) to cause such Unit to be repaired by the Lessee or (ii) to exclude such Unit from this Lease and in such event to direct the Lessee to cause the Unit to be delivered to wherever the Lessor shall direct, or otherwise dispose of it, all at Lessor's or Trustor's expense. Lessor shall give Lessee written notice as to whether Lessee should repair the Unit or such Unit should be excluded from this Lease.

Lessee will document all repair work and photograph all non-normal damage and Lessee shall assist the Lessor in asserting claims against the Rock Island or any other responsible entity for the cost of such repair. Lessee agrees to pursue all claims against delivering railroads and others for all required repairs chargeable against them under the AAR Rules. Any Unit delivered to the Lessee which has been determined by either the Lessee or the Lessor to have suffered a Casualty Occurrence (as the term is hereinafter defined) shall be excluded from this Lease.

Lessee shall, at the expense of Lessor, cooperate with the Lessor in conducting joint inspection or similar procedures with respect to a Unit at the reasonable request of the Lessor.

The costs of all repairs for which Lessee does not receive payment from another source within 90 days will be borne by the Lessor.

The Certificate of Acceptance for each Unit shall indicate both the date such Unit was first delivered to an interchange point of the Lessee and the Rent Date determined as provided below.

SECTION 3. Rentals. The date on which rent shall commence for each Unit which is accepted pursuant to this Lease (the "Rent Date") shall be defined as follows:

(A) For any Unit not requiring safety repairs, running repairs or non-normal Damage Repairs, three (3) days following arrival of the Unit at an interchange point of the Lessee.

(B) For any Unit requiring safety repairs or running

repairs, or non-normal Damage Repairs costing \$250 or less, the earlier of (i) the date of completion of all such repairs and identification painting or (ii) seven (7) days following arrival of the Unit at an interchange point of the Lessee.

- (C) For any Unit requiring non-normal Damage Repairs exceeding \$250 in cost, the earlier of (i) the date such repairs are completed or (ii) the date estimated by the Lessee for completion of such repairs, to be computed by adding to the date on which the Lessee receives notice from the Lessor to proceed with the work the number of days estimated for completion of the repairs by the Lessee in its notice of such damage to the Lessor, provided, however, that rent will not commence on any Unit until new road numbers of the Lessee have been recorded with the Interstate Commerce Commission.

The Lessee will pay basic rentals to the Lessor on February 15, May 15, August 15 and November 15 (the "quarterly rental payment dates") in each year. Basic rentals for each Unit shall include (i) interim rental of \$13.33 per day times the number of days in the interim term from the Rent Date to the end of the interim term and (ii) quarterly rental payments of \$1200. If the Rent Date of any Unit is on or after November 16, 1980, Lessee will pay to Lessor rental of \$13.33 per day times the number of days from such Rent Date to the next quarterly rental payment date and thereafter quarterly rental

payments of \$1,200.

If any of the quarterly rental payment dates referred to above is not a Business Day (as such term is defined below) the quarterly rental payment or interim rental payment otherwise payable on such date shall then be payable on the next succeeding Business Day, and no interest shall be payable for the period from and after the nominal date for payment thereof to such next succeeding Business Day. For purposes of this Lease, the term "Business Day" means calendar days, excluding Saturdays, Sundays and holidays on which banks in the State of Michigan or the State of Connecticut or State of Illinois are authorized or required to close.

The Lessor irrevocably instructs the Lessee to make, and the Lessee agrees to make, all the payments (other than payments under Section 6, 9, and Section 18 hereof) due the Lessor under the provisions of this Lease including, but not limited to, all payments provided for in this Section 3 and in Section 7 hereof (i) for so long as the Security Document shall remain in effect, to the Secured Party, for the account of the Note Purchasers, in immediately available funds at or prior to 10:00 A.M., Chicago time, at the office of the Secured Party, 231 South LaSalle Street, Chicago, Illinois 60693, Attention: Corporate Trust Department, on the date due and (ii) if the Security Document shall no longer be in effect, to the Lessor or as directed by the Lessor in immediately available funds at such place as the Lessor shall specify in writing.

SECTION 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery of such Unit to

an Interchange point of the Lessee and, subject to the provisions of Section 7, 10, 11, and 13 hereof, shall terminate on August 15, 1997. Such term with respect to each Unit delivered to the Lessee prior to November 15, 1980 shall be divided into (i) an interim term which shall begin on the date of delivery of each Unit and end on November 15, 1980; and (ii) a permanent term which will begin on November 16, 1980. Except for obligations of the Lessee hereunder which are specifically stated to terminate at a fixed time, the obligations of the Lessee hereunder (including, but not limited to, the obligations under Sections 6, 7, 9, 11, 14, 16 and 18 hereof) shall survive the expiration of the term of this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Secured Party under the Security Document. If an event of default should occur under the Security Document, the Secured Party may terminate this Lease (or rescind its termination), all as provided therein.

SECTION 5. Identification Marks. The Lessee shall cause each Unit delivered to and accepted by the Lessee, as hereinabove provided, to be repainted and restenciled to the extent necessary to show the interest of the Lessee therein, including, without limitation, numbering each Unit with an identifying number set forth in Schedule A hereto, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each such Unit, in letters not less than one inch in height, the words, "OWNED BY A BANK

OR TRUST COMPANY AND SUBJECT TO A SECURITY INTEREST RECORDED WITH THE I.C.C.", or other appropriate words designated by the Secured Party or Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by law or reasonably requested in order to protect the Lessor's title to and the Secured Party's security interest in such Unit and the rights of the Lessor under this Lease, and the rights of the Lessor and of the Secured Party under the Security Document. The Lessee will not place or permit any such Unit to be placed 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 or cause to be replaced promptly any such name and words which may be removed, defaced, obliterated or destroyed. Except for the restenciling contemplated in this Lease upon delivery and acceptance of each Unit, the Lessee will not change or permit to be changed the identifying number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Secured Party and the Lessor and duly filed, recorded and deposited by the Lessee in all public offices where this Lease and the Security Document shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Secured Party and the Lessor an opinion of counsel to the effect that such statement has been so filed, recorded and deposited, such filing, recordation and deposit will protect the Secured Party's and the Lessor's interests in such Units and no other 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 Secured Party and the Lessor in such Units.

Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may permit the Units to be lettered with the names, trademarks, initials or other insignias customarily used by the Lessee or its affiliates on railroad equipment used by it of the same or a similar type for convenience of identification of its rights to use the Units under this Lease, and the Units may be lettered in an appropriate manner for convenience of identification of the interest of the Lessee therein.

SECTION 6. Filing; Payment of State and Local Taxes.

The Lessee will, at its sole expense, cause this Lease to be duly filed, registered, recorded or deposited with the Interstate Commerce Commission in accordance with 49 U.S.C. 11303, with the Registrar General of Canada (with notice of such deposit to be published in The Canada Gazette in accordance with Section 86 of the Railway Act of Canada) and in such other places within or without the United States as the Lessor or the Secured Party may reasonably request and will furnish the Lessor and the Secured Party proof thereof. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will refile, reregister or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Secured Party, for

the purpose of protecting the Lessor's title to, or the Secured Party's security interest in, or the Lessor's leasehold estate in, any Unit to the satisfaction of the Lessor's or the Secured Party's counsel or for the purpose of carrying out the intention of this Lease, and in connection with any such action, will deliver to the Lessor and the Secured Party proof of such filings and an opinion of the Lessee's counsel that such action has been properly taken. The Lessee will pay all costs, charges and expenses incident to any such filing, refiling, recording and rerecording or depositing and redepositing of any such instruments or incident to the taking of such action and shall provide an opinion of counsel as to the proper recordation or filing of such instrument pursuant to Section 2.5 of the Security Document.

For conditions and events occurring from and after the commencement of the term of this lease as to each Unit, the Lessee agrees to pay or cause to be paid, and on written demand to indemnify and hold the Lessor, the Trustor, the Note Purchasers, and the estate held by the Lessor under the Trust Agreement and by the Secured Party under the Security Document and the Supplemental Participation Agreement harmless from all taxes (income, gross receipts, sales, use, property [real or personal, tangible or intangible], stamp 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 Trustor, the Secured Party, the Note Purchasers, the Lessee, the trust estate created by the Trust Agreement, the

estate held by the Secured Party under the Security Document and the Supplemental Participation Agreement, or otherwise 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: (i) any Unit or any part thereof; (ii) the manufacture, purchase, ownership, delivery, leasing, possession, use, operation, transfer of title, return or other disposition thereof; (iii) the rentals, receipts or earnings arising therefrom; (iv) this Lease, and (v) to the extent arising from or attributable to this Lease, or any Unit, the Trust Agreement, the Supplemental Participation Agreement (including the Notes and the issuance thereof to the Note Purchasers pursuant thereto), the Security Document, any payment made pursuant to any such agreement, or the property, the income or other proceeds received with respect to property held by the Lessor under the Trust Agreement or by the Secured Party under the Security Document and the Supplemental Participation 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 local government or governmental subdivision thereof and (if and to the extent that any person indemnified hereunder is currently allowed 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 Lessor (in its individual capacity), the Trustor, the Note Purchasers or the Secured

\* Party (in its individual capacity), other than Taxes arising out of or imposed in respect of the receipt of indemnification payments pursuant to this Lease (to the extent not excluded by this Section), provided that such Taxes of any foreign country or subdivision thereof incurred as a result of the indemnified party being taxed by such foreign country or jurisdiction on its worldwide income without regard to the transactions contemplated by this Lease shall be excluded whether or not the indemnified party is entitled to a credit against its United States Federal income taxes; (ii) any Taxes imposed as a direct result of a voluntary transfer or other voluntary disposition by or on behalf of the Trustor resulting from bankruptcy or other proceedings for the relief of creditors in which the Trustor is the debtor, whether voluntary or involuntary, of any interest in any Unit or interest in rentals under this Lease, without the consent of the Lessee, unless, in each case, such transfer or disposition is in connection with a Casualty Occurrence (hereinafter defined) (to the extent not covered by the payment of the Casualty Value hereinafter defined) or an Event of Default (hereinafter defined) shall have occurred and be continuing; (iii) any Taxes imposed on or measured by any trustee or agency fees received by the Lessor or the Secured Party; (iv) Taxes which are imposed on or measured solely by the net income of the Lessor or the Secured Party if and to the extent that such Taxes are in substitution for or reduce the Taxes payable by any other person which the Lessee has not agreed to pay or indemnify against pursuant to this Section; (v) franchise Taxes, Taxes based on the net income and/or

capital structure of the Lessor, the Trustor, the estate held by the Lessor, the Secured Party, and/or the Note Purchasers and other similar "doing business" Taxes; (vi) minimum Taxes imposed under Section 56 of the Internal Revenue Code of 1954, as amended; and (vii) sales, purchase and transfer of title Taxes imposed upon the purchase of the Equipment; 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 the fifth paragraph of this Section. 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 (or the affiliated group, within the meaning of Section 1504 of the Internal Revenue Code of 1954, as amended, of which the Lessee is a member) under the laws of the United States or of any state or local government or governmental subdivision thereof, or of any foreign country or subdivision or authority thereof which, if unpaid, might result in a lien or other encumbrance upon any Unit; 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.

The amount which the Lessee shall be required to pay with respect to any Taxes indemnified against pursuant to this Section shall be an amount sufficient to restore the indemnified party to the same after-tax position such indemnified party would have been in had such Taxes not been imposed.

In the event that the Lessor shall become obligated to make any payment to the Note Purchasers or the Secured Party pursuant to Article 6 of the Security Document, or the Trustor shall become obligated to make any payment to the Lessor pursuant to any correlative provision of the Trust Agreement, or the Lessor shall become obligated to make any payment to the Secured Party, the Note Purchasers, or the estate held by the Lessor under the Trust Agreement and by the Secured Party under the Participation Agreement and the Security Document pursuant to any correlative provision of the Lease not covered by the second paragraph of this Section and in each such case if such payment is required to be made as a result of a condition or event occurring from and after the commencement of the term of this Lease and relating to a Unit, the Lessee shall pay such additional amounts (which shall also be deemed Taxes hereunder) to the Lessor or the Trustor as will enable the Lessor or the Trustor to fulfill completely its obligations pursuant to said provision.

In case any claim, action, suit or proceeding is brought against an indemnified party in connection with any taxes indemnified against hereunder, such party shall promptly notify the Lessee. Unless the Lessee elects to satisfy such claim, the Lessee will, in the indemnified party's name (except for a Note Purchaser which shall cooperate in such defense at no cost) and at Lessee's expense, resist and defend such claim, action, suit or proceeding, or cause the same to be resisted or

defended by counsel selected by the Lessee and approved by such indemnified party, as the case may be. In the event of any failure by the Lessee to take action as stated above, the Lessee shall pay all costs and expenses (including without limitation attorneys' fees and expenses) incurred by such indemnified party in connection with such claim, action, suit or proceeding.

The Lessee shall have no obligation to perform pursuant to this Section unless and until it shall have timely received from the indemnified party (except for a Note Purchaser which shall cooperate in such defense at no cost) a power of attorney authorizing the Lessee to resist and defend such claim in the name of said indemnified party. No indemnified party shall be obligated to take any action to obtain a refund of all or any part of such Taxes previously reimbursed by the Lessee, however, if any indemnified party shall obtain a refund of all or any part of such Taxes previously reimbursed by the Lessee or an amount representing interest thereon applicable to the amount paid by the Lessee, such indemnified party shall pay to the Lessee the amount of such refund or interest net of expenses, and shall also pay to the Lessee any additional amount paid by the Lessee pursuant to the third paragraph of this Section, (as to the latter payment, however, only to the extent that the indemnified party is restored to the same after-tax position it would have been in had such refund not been received), but only if no Event of Default, or event which with notice or lapse of time or both would constitute an Event

of Default, shall have occurred and be continuing.

In case any report or return is required to be made with respect to any obligation of the Lessee under this Section or arising out of this Section, the Lessee shall either make such report or return in such manner as will show the interests of the Lessor and the Secured Party in the Units, or shall promptly notify the Lessor, the Trustor and the Secured Party of such requirement and shall make such report or return in such manner as shall be satisfactory to the Lessor, the Trustor and the Secured Party. All costs and expenses (including reasonable legal and accountants' fees) of preparing any such return or report shall be borne by the Lessee.

All the obligations of the Lessee under this Section shall survive and continue, notwithstanding payment in full of all amounts due under the Security Document or the termination of this Lease, but only with respect to periods included in the term of this Lease. Payments due from the Lessee under this Section shall be payable directly to the indemnified party, except to the extent paid to a governmental agency or taxing authority. The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee of the payment of any installments of principal or interest payable under the Security Document, or a guarantee of the value of the Equipment following the expiration of the term hereof as such term may or may not be renewed.

The Lessee shall furnish promptly, upon request, such information and data as are normally available to the Lessee and which the Lessor, the Trustor or the Secured Party reasonably may require to permit compliance with the requirements of any taxing authorities.

SECTION 7. Payment for Casualty Occurrences; Insurance.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed, irreparably damaged, or permanently rendered unfit for use from any cause whatsoever, or taken or requisitioned by condemnation or otherwise resulting in loss of possession by the Lessee, except requisition for use by the United States Government for a period not in excess of the then remaining term of this Lease (such occurrences being hereinafter called Casualty Occurrences), during the term of this Lease, or until such Unit shall have been returned in the manner provided in Sections 11 or 14 hereof, the Lessee shall promptly and fully notify (after the Lessee has knowledge of such Casualty Occurrence) the Lessor and the Secured Party with respect thereto. On the next quarterly rental payment date (not earlier than the first regular quarterly rental payment date, or, in the event the term of this Lease has already expired or will expire within the 15 days after delivery of such notice, on a date within 15 days of such delivery), the Lessee shall pay or cause to be paid to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such date plus a sum equal to the Casualty Value of such Unit as of such rental payment date (such rental

payment date being hereinafter called the Casualty Payment Date). Upon the making of such payment by or on behalf of the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue as of the date of such payment, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit.

If the date upon which the making of such payment by the Lessee in respect of any Unit as required as aforesaid shall be after the term of this Lease in respect of such Unit shall have expired, no rental for such Unit shall accrue after the end of such term but the Lessee, in addition to paying the Casualty Value for such Unit, shall pay or cause to be paid interest thereon from the end of such term to the date of such payment at the rate of 12% per annum.

The Lessor hereby constitutes the Lessee as its agent to, and Lessee shall, dispose of any such Unit suffering a Casualty Occurrence as soon as it is able to do so for the fair market value thereof. Any such disposition shall be on an "as-is", "where-is" basis without representation or warranty, express or implied. As to each separate Unit so disposed of, the Lessee may, so long as no Event of Default shall have occurred and be continuing hereunder, retain all amounts arising from such disposition plus any insurance proceeds and damages received by the Lessee by reason of such Casualty Occurrence plus any requisition or condemnation or awards up to the Casualty Value attributable thereto and actually paid by the Lessee as herein provided and shall remit the excess, if any, to the Lessor. In

disposing of such Unit, the Lessee shall take such action as the Lessor shall reasonably request to terminate any contingent liability which the Lessor might have arising after such disposition from or connected with such Unit.

The Casualty Value of each Unit as of the Casualty Payment Date for each such Unit shall be that percentage of the Purchase Price of such Unit as is set forth in Schedule C hereto opposite such date.

In the event of the requisition for use of any Unit during the term of this Lease or any renewal thereof, all of the Lessee's obligations under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned at any time after the end of the term of this Lease, the Lessee shall be obligated to return such Unit to the Lessor pursuant to Section 11 or 14 hereof, as the case may be, promptly upon such return rather than at the end of the term of this Lease; but the Lessee shall in all other respects comply with the provisions of said Section 11 or 14, as the case may be, with respect to such Unit. All payments received by the Lessor or the Lessee from the requisitioning authority for the use of such Unit during the term of this Lease shall be paid over to, or retained by, the Lessee, provided no Event of Default, or event which with notice of lapse or time or both would constitute an Event of Default, shall have occurred and be continuing; and all payments received by the Lessee from the requisitioning authority for the use of such Unit after the term of this Lease shall be paid over to the Lessor.

The Lessee covenants and agrees that it will at all times while this Lease is in effect, at its own expense, cause to be carried and maintained for each Unit from time to time subject to this Lease, property and public liability insurance in such amounts and against such risks and with such insurers as shall be reasonably satisfactory to the Lessor and the Secured Party; provided, that, in the case of property insurance, the Lessee will be permitted to self-insure to the extent it self-insures equipment similar in nature to the Units which it owns or leases, but in any event the Lessee shall maintain in effect such property insurance as is required by prudent industry practice in respect of equipment similar in nature to the Units. All such property insurance policies shall provide that the Lessor and the Lessee shall be named assureds and that losses shall be adjusted with the Lessee and that the proceeds thereof shall be payable to the Lessor and the Lessee as their interests shall appear; provided that so long as the principal of or interest on any Note shall remain unpaid, such policies shall provide that the losses, if any, shall be payable to the Secured Party under a standard mortgage loss payable clause satisfactory to the Lessor and the Secured Party as their interests may appear. All proceeds of insurance received by the Lessor and the Secured Party with respect to any Units not suffering a Casualty Occurrence (as herein defined) shall be paid to the Lessee upon proof satisfactory to the Lessor and the Secured Party that any damage to any Unit with respect to which such proceeds were paid has been fully repaired. Any such proceeds of insurance received by the Lessor and the

Secured Party with respect to a Casualty Occurrence shall be credited toward the payment required by this Section 7 with respect to such Casualty Occurrence.

The Lessee covenants and agrees that it will, at all times while this Lease is in effect, at its own expense, cause to be carried and maintained public liability insurance in amounts and against risks required by prudent industry practice in respect of equipment similar in nature to the Units and in any event comparable to insurance maintained by the Lessee in respect of equipment which it owns or leases which is similar in nature to the Units.

All policies of insurance carried pursuant to this Section will name the Lessor, the Lessee and the Secured Party hereof as assureds and shall provide that the same shall not be cancelled or materially changed without at least 30 days' prior written notice to each insured named therein. No such policy shall provide that the coverage thereunder for the benefit of the Lessor or the Secured Party hereof shall be restricted, impaired or invalidated by any breach or violation by the Lessee of warranties, declarations or conditions contained in such policies and the Lessee shall, upon the request of the Lessor or the Secured Party (but not more frequently than annually), furnish either a certificate of the insurer to such effect or a certificate of an officer of the Lessee or an opinion of counsel of the Lessee that no such policy contains such provisions. The Lessee covenants and agrees that it will throughout the term hereof furnish to the Lessor and the Secured Party certificates of insurers or other satisfactory

evidence of the maintenance of the insurance required by this Section.

Notwithstanding anything herein to the contrary Participation by Lessee in the Canadian National Railway Company self-insurance fund (the "Pool") shall satisfy the insurance requirements of this Section. Lessee shall provide to Lessor and the Secured Party evidence that the Units are covered under the Pool and, to the extent possible, that Lessor and the Secured Party are named insureds with respect to the Units. The Lessee represents and warrants that, as of the date of execution of this Lease, it is covered by the excess public liability insurance maintained by Canadian National Railway Company with respect to its operations (including the Units) against damages because of bodily injury, including death, or damage to the property of others. It is understood and agreed that none of the foregoing insurance requirements of this Section shall apply to said insurance maintained by Canadian National Railway Company; provided, however, that Lessee shall give at least 30 days' prior written notice to the Lessor and the Secured Party of the cancellation or a material change in said insurance.

Except as hereinabove in this Section 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and Lessee shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery thereof to the Lessee hereunder.

SECTION 8. Reports. On or before April 1 in each year, commencing with 1981, the Lessee will furnish to the Lessor,

the Trustor, the Note Purchasers, and the Secured Party a certificate of Chief Mechanical Officer (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the Security Document, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or, in the case of the first such statement, since the date of this Lease (specifying the dates of such Casualty Occurrences) or to the knowledge of Lessee are then undergoing repairs (other than running repairs) or are then withdrawn from use pending repairs (other than running repair) and such other information regarding the condition and state of repair of the Units as the Lessor, the Trustor, the Note Purchasers, or the Secured Party may reasonably request, (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and the markings required by Section 5 hereof and the Security Document has been preserved or replaced, and (c) stating that the Units have been maintained so as to assure compliance with the requirements of Section 9 of the Lease. The Lessor, the Trustor, the Secured Party, and the Note Purchasers shall have the right, but not the obligation, by their respective agents to inspect the Units and the records of the Lessee and its agents with respect thereto at such reasonable times and as often as said parties may reasonably request.

The Lessee agrees at its expense to prepare and deliver to any Indemnitee within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf

of the Lessor) any and all reports (other than income tax returns) to be filed by the Indemnitee with any Federal, state or other regulatory authority by reason of the Indemnitee's interest in the Units or the leasing thereof to the Lessee.

SECTION 9. Disclaimer of Warranties; Compliance with Laws and Rules; Maintenance; Indemnification. THE LESSOR, AND THE TRUSTOR, LEASE THE UNITS, AS-IS, IN WHATEVER CONDITION THEY MAY BE AND DO NOT MAKE ANY, HAVE NOT MADE ANY AND SHALL NOT BE DEEMED TO MAKE OR HAVE MADE ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN, COMPLIANCE WITH SPECIFICATIONS, OPERATION OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS OR ANY COMPONENT THEREOF DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR, AND THE TRUSTOR MAKE NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS OR ANY COMPONENT THEREOF FOR ANY PARTICULAR PURPOSE NOR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, NOR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT OR ANY COMPONENT THEREOF (EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE), it being agreed that all such risks, as between the 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, whatever claims and rights the Lessor may have against the manufacturer of the Units: provided, however, that if at any time an Event

of Default shall have occurred and be continuing, the Lessor or Secured Party may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor and the Trustor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstance in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Unit. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee, on the one hand, and the Lessor, on the other hand, that the Units described therein are in all the foregoing respects satisfactory to the Lessee; and the Lessee will not assert any claim of any nature whatsoever against the Lessor, or the Trustor based on any of the foregoing matters.

The Lessee agrees to comply in all respects with all laws, rules, regulations and requirements (including, without limitation, the current interchange rules of the Association of American Railroads as the same may be in effect from time to time, the rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units) concerning

the use and maintenance of each Unit subject to this Lease; provided, however, that the Lessee may upon written notice to the Lessor and the Secured Party, in good faith contest the validity or application of any such law or rule in any reasonable manner which does not, in the reasonable opinion of the Lessor and the Secured Party, adversely affect the property or rights of the Lessor, or the Secured Party under this Lease or under the Security Document. If Lessor or Secured Party do not object to such contest within 10 days of receiving such notice from Lessee, they shall be deemed to have consented thereto. In case any equipment or appliance is required to be altered, added, replaced or modified on any Unit in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such alterations, additions, replacements or modifications at its own expense and title thereto shall be immediately vested in the Lessor. The Lessee agrees that, within 30 days after the close of any calendar quarter in which the Lessee had made any alteration, replacement, addition or modification to any Unit pursuant to this Section 9 (the "Alterations"), the Lessee will give written notice thereof to the Lessor and the Secured Party describing, in reasonable detail, the Alterations and specifying the cost thereof with respect to each Unit and the date or dates when made.

The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit (including any parts installed on or replacements made to any Unit and considered an Addition thereto as herein provided) which is subject to this Lease in good operating order, repair and condition, ordinary wear and

· tear excepted, and qualified for use in interchange.

Except as required by the provisions of this Section 9, the Lessee shall not modify any Unit without the prior written consent of the Lessor and the Secured Party, which consent shall not be unreasonably withheld. Any parts installed or replacements made by the Lessee upon any Unit pursuant to its obligation to maintain and keep the Units in good order, condition and repair under this Section 9 shall be considered accessions to such Unit and title thereto shall be immediately vested in the Lessor without cost or expense to the Lessor. The Lessee shall make no other additions or improvements to any Unit unless the same are readily removable without causing material damage to such Unit. Title to any such readily removable additions or improvements shall remain with the Lessee. If the Lessee shall at its cost cause such readily removable additions or improvements to be made to any Unit, the Lessee agrees that it will, prior to the return of such Unit to the Lessor hereunder, remove the same at its own expense without causing material damage to such Unit.

For conditions and events occurring from and after the commencement of this Lease with respect to any Unit, the Lessee shall, with respect to such Unit, pay or cause to be paid, and shall protect, indemnify and hold the Lessor (both in its individual and fiduciary capacities), the Trustor, the Note Purchasers and the Secured Party and their respective successors, assigns, agents and servants (hereinafter called Indemnified Persons), as third party beneficiaries hereof, 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 reasonable 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 or the Units, including without limitation those in any way relating to or arising or alleged to arise out of (i) the manufacture, construction, purchase, acceptance, rejection, repair, storage, ownership, delivery, nondelivery, lease, sublease, possession, use, operation, condition, sale, return or other disposition of any Unit or portion thereof; (ii) any latent or other defects whether or not discoverable by any Indemnified Person or the Lessee; (iii) any claim for patent, trademark or copyright infringement; (iv) any claims based on strict liability in tort or imposed by statute; (v) any injury to or the death of any person or any damage to or loss of property on or near the Units or in any manner growing out of or concerned with, or alleged to grow out of or be connected with, the ownership, use, replacement, adaptation or maintenance of the Units or of any other equipment in connection with the Units (whether owned or under the control of the Lessee, the Lessor, or any other person) or resulting or alleged to result from the condition of any thereof; (vi) any violation except by the Indemnified Person seeking indemnity hereunder or alleged violation, of any provision of this Lease or of any agreement, law, rule, regulation, ordinance or

restriction, affecting or applicable to the Units or the leasing, subleasing, ownership, use, replacement, adaptation or maintenance thereof; (vii) any claim arising out of any of the Lessor's obligations under the Security Document except to the extent such claim arises from the negligence or wilful misconduct of the Lessor; or (viii) any claim arising out of the Secured Party's holding a security interest under the Security Document (all of which matters hereinabove set forth in this Section 9 being hereinafter called "Indemnified Matters"). All payments hereunder shall be made directly to the Indemnified Person. The Lessee shall be obligated under this Section 9, irrespective of whether any Indemnified Person shall also be indemnified with respect to the same matter under any other agreement by any other person, and the Indemnified Person seeking to enforce the indemnification may proceed directly against the Lessee under this Section 9 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, as the case may be, and, in the event of any failure by the Lessee to do so, the Lessee shall pay all costs and expenses (including without limitation reasonable 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 Section 9, the Lessee shall pay or cause to be paid to 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 savings in respect of any such taxes by reason of deductions, credits or allowances in respect of the payment of the expense indemnified against, and of any other such taxes as determined in the discretion of the Indemnified Person), shall be equal to the amount of such payment. The Lessee and the Lessor 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, or the making of provision satisfactory to the Indemnified Person for the full payment of, any Indemnified Matter by the Lessee, and provided that no Event of Default, or event which with notice or lapse of time or both would constitute such an Event of Default, shall have occurred and be continuing, the Lessee shall be subrogated to any right of such Indemnified Person in respect of the matter against which indemnity has been given. Any payments received by such Indemnified Person from any person (except the Lessee) as a result of any matter with respect to which such Indemnified Person has been indemnified by the Lessee pursuant to this Section 9 shall be paid over to the Lessee to the extent necessary to reimburse the Lessee for indemnification payments previously made in respect of such Indemnified Matter.

The Lessee further agrees to indemnify, protect and hold harmless the Lessor (both in its individual and fiduciary capacities), the Note Purchasers, the Secured Party and the Trustor, as third party beneficiaries hereof, from and against any and all liabilities, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Lessor, the Note Purchasers, the Secured Party or the Trustor, as the result of conditions or events occurring from and after the commencement date of this Lease with respect to any Unit, because of the use in or about the construction or operation of such Unit of any article or material included as an Addition by Lessee or included in a Part placed on the Unit by Lessee or of any design, system, process, formula or combination which infringes or is claimed to infringe on any patent or other right.

The indemnities contained in this Section 9 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 Section 9 shall be deemed to create any rights of subrogation in any insurer or third party against the Lessee or the Lessor therefor, from or under any Indemnified Person, whether because of any claim paid or defense provided for the benefit thereof or otherwise.

The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee of any payment or other

obligation, including without limitation the payment of any installments of principal or interest, under the Security Document, or a guarantee of any value of the Unit following the expiration of the term hereof as such term may or may not be renewed. With respect to the indemnities for Federal income taxes, reference is made to Section 18 hereof.

SECTION 10. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein sometimes called an Event of Default) shall occur:

(A) payment of any part of the rental provided in Section 3 or Section 13 hereof or payment in respect of any Casualty Occurrence pursuant to Section 7 hereof shall not be made by or on behalf of the Lessee, and such failure to make payment shall continue for 5 business days; or

(B) any representation or warranty of the Lessee contained herein or in the Supplemental Participation Agreement or in any statement or certificate furnished to the Lessor, the Trustor, the Secured Party or any Note Purchaser pursuant to or in connection with this Lease or the Supplemental Participation Agreement is untrue in any material respect as of the date of issuance or making thereof; or

(C) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Supplemental Participation Agreement, and such default shall continue for 20 days after written notice from the Lessor, or the Secured Party to the Lessee specifying the

default and demanding that the same be remedied; or

(D) a petition for reorganization under Title 11 of the United States Code, as now constituted or as may hereafter be 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 proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed or proceedings commenced; or

(E) 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 reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of the indebtedness payable hereunder) and all of the obligations of the Lessee hereunder, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or

such ineffectiveness shall continue), 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 proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced; or

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

(G) the subjection of any of the Lessee's property to any levy, seizure, assignment, application or sale for or by any creditor or governmental agency,

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

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

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the

Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the 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 and the denominator is the total 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, whichever of the following amounts the Lessor or the Secured Party, in its sole discretion, shall specify: (x) a sum with respect to each Unit which represents the excess of (1) the present value, at the time of such termination, of the entire unpaid balance of all rentals for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such

Unit over (2) the then present value of the rentals which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 5% per annum discount, compounded quarterly from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, together with any damages and expenses, including reasonable attorneys' fees, 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 the rental; or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the amount the Lessor or the Secured Party reasonably estimates to be the sale value (after deduction of all estimated expenses of such sale) of such Unit at such time; provided, however, that in the event the Lessor or the Secured Party shall have sold or leased any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this part (b) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay to such party and the Lessee shall pay to such party on the date of such sale or leasing, as the case may be, as liquidated damages for loss of a bargain and not as a penalty (i) in the case of such sale, an amount equal to the excess, if any, of the Casualty Value for such Unit, as

of the rental payment date on or next preceding the date of termination, over the net proceeds of such sale and (ii) in the case of such a leasing, an amount equal to the excess, if any, of the present value of all rental for such Unit which would otherwise have accrued hereunder from the date of termination to the end of the term of this Lease as to such Unit over the sum of (I) the then present value of all rental for such Unit required under such new lease plus (II) the then present value of the rental (if any) which the Lessor or the Secured Party reasonably estimates to be obtainable for the Unit during the period commencing on the termination of such new lease and ending on the date the term of this Lease would have terminated if it had not been terminated early due to default, each such present value to be computed in each case on the basis of an 5% per annum discount, compounded, in the case of rental which is estimated under clause II of this sentence, quarter-annually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated and, in the case of rental under such new lease, periodically from the respective dates upon which such rental shall be payable thereunder.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the remedies with respect

thereto, including all costs and expenses incurred in connection with the return of any Unit.

The remedies in this Lease provided in favor of the Lessor and the Secured Party shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder and agrees to make such rental payments regardless of any offset which may be asserted by the Lessor or on its behalf.

The failure of the Lessor or the Secured Party 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; and a waiver of any such right on one occasion shall not constitute a waiver of such right as to any other occasion and shall not be effective unless in writing signed by the Lessor and the Secured Party.

The Lessee also agrees to furnish the Lessor, the Trustor, the Note Purchasers, and the Secured Party, promptly upon any responsible officer's becoming aware of any condition which constitutes an Event of Default, or which upon 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 and indicating the intention or expectation of the Lessee as to the disposition thereof. For the purposes of this Section 10, 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 official of the Lessee who in the normal performance of such official's operational responsibilities would have knowledge of such matter and the requirements of this Lease with respect thereto.

SECTION 11. Return of Units Upon Default. If this Lease shall terminate pursuant to Section 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor and shall give prompt telegraphic and written notice to the Association of American Railroads and all railroads having possession of any Unit so to return such Units. Each Unit returned to the Lessor pursuant to this Section 11 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear and modifications, if any, permitted by this Lease excepted and (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads, if applicable, or such comparable standards as may then be in effect. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith place such Units in such reasonable storage place on the Lessee's lines of railroad as the Lessor may designate or, in the absence of such

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

(b) permit the Lessor to store such Units in such reasonable storage place on the Lessee's lines of railroad without charge for insurance, rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and

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

The assembling, delivery, storage, transporting, of the Units as hereinabove 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 as set forth herein. During any storage period, the

Lessee at its own cost and expense will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or user or any such Unit, to inspect the same; provided, however, that the Lessee shall not be liable 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, except in the case of negligence or wilful misconduct of the Lessee or of its employees or agents to the extent otherwise provided by law. In the event that the Units or any thereof are sold, the Lessee shall pay to the Lessor the per diem interchange for each such Unit which shall not be assembled, delivered and stored, as hereinabove provided, by the date of such sale for each day from the date of such sale to the date of delivery to the purchaser thereof.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 11, 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 Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whosoever shall be in possession of such Unit at the time, and to give all appropriate notices and directions to the Association of American Railroads to change the registration of such Unit from the Lessee to the Lessor as the Lessor may direct.

SECTION 12. Assignment, Possession and Use. This Lease

shall be assignable in whole or in part by the Lessor without the consent of the Lessee; but the Lessee shall be under no obligation to any assignee of the Lessor other than the Secured Party, except upon written notice of such assignment or reassignment from the Lessor. All the rights of the Lessor hereunder (including, but not limited to, the rights under Sections 6, 7, 10 and 18 and the rights to receive the rentals payable under this Lease) shall inure to the benefit of the Lessor's successors and assigns, including the Trustor, and the Secured Party, except to the extent that the same may be limited in any assignment thereof. Without limiting the foregoing, the Lessee further acknowledges and agrees that (i) the rights of any such assignee in and to the sums payable by the Lessee under any provision of this Lease shall not be subject to any abatement whatsoever and shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever whether by reason of failure of or defect in the Lessor's title, or any interruption from whatsoever cause in the use, operation or possession of the Units or any part thereof, or any damage to or loss or destruction of the Units or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that, except in the event of a wrongful act on the part of such assignee, the Lessee shall be unconditionally and absolutely obligated to pay such assignee all of the rents and other sums which are the subject matter of the assignment, (ii)

said assignee, shall, if an Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of said assignee) which by the terms of this Lease are permitted or provided to be exercised by the Lessor (except those rights, privileges and remedies relating to amounts payable only to the Lessor pursuant to Sections 6, 9, and 18 hereof which shall remain enforceable by the Lessor or the Trustor, as the case may be), but if no Event of Default or event which with the lapse of time or giving of notice, or both, would constitute an Event of Default, shall have occurred and be continuing, said assignee and the Lessor may each exercise their respective rights, privileges and remedies stated in this Lease to be provided for their respective benefits, and (iii) all obligations of the Lessor to the Lessee under this Lease shall be enforceable by the Lessee against, and only against, the Lessor.

Lessor represents and warrants that it has obtained final order (i.e., one as to which no appeal has been taken prior to the expiration of the time allowed for appeal) of the court having jurisdiction over the Rock Island Reorganization Proceedings, authorizing relinquishment of the Units to the Lessor. Notwithstanding any other provision of this Lease to the contrary, if the Lessee shall lose possession of any Unit as a result of the Lessor's failure to obtain such final order, this Lease shall terminate as to such Unit on the date (the "Return Date") that the Lessee

lost possession. Thereafter, the Lessee shall have no further obligation under this Lease for such Unit except the obligation to pay rent accrued to the Lessee before the Return Date which did not arise as a result of such termination.

So long as no Event of Default hereunder or event of default under the Security Document shall have occurred, the Lessee shall be entitled to the possession of the Units in accordance with the terms of this Lease but, without the prior written consent of the Lessor and the Secured Party, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them, except as hereinafter provided in this Section 12. The Lessee, at its own expense, will promptly pay or discharge, or make adequate provision for the satisfaction or discharge of, any and all sums, debts, taxes, charges, assessments, obligations, or claims by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Trustor, the Lessor, or the Secured Party and not the result of an Event of Default or resulting from claims against the Trustor, the Lessor, or the Secured Party not related to the ownership of the Units, or liens for taxes for which Lessee is not liable pursuant to this Lease or liens arising from the Rock Lease, for which Lessee is not liable pursuant to this Lease) upon or with respect to any Unit or the interest of the Lessor, the Secured Party or the Lessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises, but this Section 12 shall not require the payment of any such debt, tax,

charge, assessment, obligation or claim so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings, provided that such contest will not materially endanger the rights or interests of the Lessor or of the Secured Party and the Lessee shall have furnished the Lessor and the Secured Party with an opinion of counsel to such effect. If the Lessee does not forthwith pay and discharge, or cause to be paid and discharged, or make adequate provisions for the satisfaction or discharge of, any such debt, tax, charge, assessment, obligation or claim as required by this Section 12, the Lessor or the Secured Party may, but shall not be obligated to, pay and discharge the same and any amount so paid shall be secured by and under this Lease and the Security Document until reimbursed by the Lessee.

So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to (a) the possession and use of the Units in accordance with the terms hereof, (b) sublease any Unit to a responsible party satisfactory to the Lessor and the Secured Party for periods up to six months, and (c) permit the use of the Units upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, but only upon and subject to all the terms and conditions of this Lease, and the Security Document; provided, however, that the Lessee shall not permit at any time the use of any Unit to service involving the operation and maintenance thereof outside the continental United States of America within the meaning of Section 48(a) of the Internal Revenue Code of 1954, as amended to August 20, 1979

(hereinafter called the Code), nor shall the Lessee permit the use which would cause such Units to fail to qualify as "Section 38 property" within the meaning of the Code. The Lessee may receive and retain compensation for such use from other railroads so using any of the Units. No assignment or sublease entered into by the Lessee hereunder shall relieve the Lessee of any liability or obligation hereunder which shall be and remain those of a principal and not a surety.

Nothing in this Section 12 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any solvent corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have specifically assumed the obligations of the Lessee hereunder by an appropriate instrument in writing) 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 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 that such merger or consolidation or acquisition of properties shall not alter in any way the Lessee's obligations to the Lessor hereunder which shall be and remain those of a principal and not a guarantor.

In case of any sale or conveyance of all or substantially all of the lines of railroad of the Lessee, or of the lines of the Lessee on which a substantial portion of the Units are

used, the purchaser, or transferee of the purchaser, shall not be at liberty to refuse to accept performance of this Lease or to disaffirm it and any such purchaser and any such transferee shall assume and agree to perform each and all of the obligations of the Lessee hereunder.

SECTION 13. Renewal Options. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than six months prior to the end of the original term of this Lease elect to extend the term of this Lease in respect of all, but not fewer than all, the Units then covered by this Lease for one additional three-year term of this Lease at a quarterly rental equal to \$600 per Unit, such rental shall be payable in arrears on November 15, February 15, May 15 and August 15 in each year of the extended term of this Lease.

Provided the Lessee exercises the renewal option provided in the first paragraph of this Section 13, and provided that this Lease has not been earlier terminated and the Lessee is not default hereunder, the Lessee may by written notice delivered to the Lessor not less than six months prior to the end of the extended term of this Lease as provided in the first paragraph of this Section 13, elect to extend the term of this Lease in respect of all, but not fewer than all, the Units then covered by this Lease for one additional five year period commencing on the scheduled expiration of the extended term of this Lease, at a quarterly rental rate equal to the Fair Market Rental Value of each Unit then subject to this Lease; such

rental shall be payable in arrears on November 15, February 15, May 15 and August 15 in each year of such extended term of this Lease.

"Fair Market Rental Value" shall be determined on the basis of the value which would be obtained in an arms'-length transaction between an informed and willing lessee-user (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease. If, after 60 days from the giving of notice by the Lessee of the Lessee's election to so further extend the term of this Lease pursuant to the second paragraph of this Section 13, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental Value of the Units, such value shall be determined in accordance with the foregoing definition by the following appraisal 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 business days after such notice is given, each party shall appoint an independent appraiser within 25 business days after such notice is given, and the two appraisers appointed shall within 35 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 35 business days after such notice is given, either party may apply, to make such appointment, to the American Arbitration Association, and both parties shall be

bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Rental Value of the Units prior to the expiration of the extended term of this Lease. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of Fair Market Rental Value of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such average shall be final and binding upon the parties hereto as the Fair Market Rental Value. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as were in effect on the date of appointment of the final appraiser, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Rental 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 by the Lessee.

Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, and in the event the Lessee has elected to extend the original term of this Lease pursuant to this Section 13 and the Lessor elects to sell any Units to third parties at the expiration of the term of

this Lease (as so extended under this Section 13), the Lessee shall be given written notice of such election prior to the expiration of the term of this Lease, as so extended (such date being hereinafter called the Expiration Date). Subject to the first sentence of this paragraph, in the event that the Lessor shall receive, prior to 90 days after the Expiration Date, a bona fide offer in writing from another party to purchase the Units and the Trustor elects to sell the Units pursuant to such offer, the Lessor shall cause the Trustor to give notice to the Lessee of such offer. Such notice shall be given to the Lessee on any date between 60 days before and 90 days after the Expiration Date and shall include the price and, if such offer was for other than solely cash, the other terms and conditions offered by the other party to the Trustor. The Lessee shall have the sole right and option, for a period of 20 days from the date of delivery of such notice, to purchase the Units for cash at the price, or at the price and (after giving effect to credit standing of the Lessee at the time of exercise of such purchase right) on substantially similar terms and conditions, at which the Units are proposed to be sold. The Lessee shall exercise such purchase right by delivery to the Trustor of a written notice specifying a date of purchase, which date shall not be later than the later of (i) 15 days after the date of delivery of such notice by the Lessee to the Trustor or (ii) 45 days after the Expiration Date. In the event that the Lessee shall have delivered a notice of its election to purchase the Units, this Lease (including the obligation to pay rent at the rental rate applicable to the last extended term of this Lease)

shall be further extended or renewed upon the same terms and conditions set forth herein from the Expiration Date or the date such notice is delivered, as the case may be, until the date of such purchase.

SECTION 14. Return of Units upon Expiration of Term.

Upon the expiration of the term of this Lease or any renewal thereof with respect to any Unit, the Lessee will, at its own cost and expense, at the request of the Lessor, cause each Unit to be transported to such point or points on the Lessee's lines as shall be designated by the Lessor and reasonably acceptable to Lessee immediately prior to such termination and arrange for the Lessor to store such Unit on any of the Lessee's lines of railroad or premises approved by the Lessor for a period commencing on the date of its arrival at any such point and extending thereafter to a date not later than 120 days from the date at which at least 95% of such Units are first placed in storage pursuant to this Section 14, the assembly, delivery, storage and transporting of such Unit to be at the expense and risk of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or user of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable 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, except in the case of negligence or wilful wrongdoing of the Lessee or of its employees or agents and except to the extent otherwise

provided by law. The assembly, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to cause the assembly, delivery, storage and transporting of the Units. Each Unit returned to the Lessor pursuant to this Section 14 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, (ii) have attached or affixed thereto any Alteration, title to which is in the Lessor pursuant to Section 9 hereof, and have removed therefrom at the Lessee's expense any part or addition title to which is vested in the Lessee pursuant to such Section 9 and (iii) meet the standards then in effect for such Units under the Interchange Rules of the Association of American Railroads, if applicable, and the applicable rules of any governmental agency or other organization with jurisdiction. If any Unit suffers a Casualty Occurrence during any storage period provided for in this Section 14, prior to its return to the Lessor, the Lessee shall pay to the Lessor the Casualty Value of such Unit as determined in accordance with Section 7 hereof. All gross amounts earned in respect of any Unit shall, from and after the termination of this Lease as to such Unit, belong to and be the property of the Lessor. In the event that by the 120th day after the termination of the term of this Lease the Lessee has not, at the request of the Lessor, caused at least 95% of the Units to

be transported to such point or points as shall have been designated by the Lessor pursuant to this Section 14, the Lessee shall pay to the Lessor the per diem interchange multiplied by the number of Units equal to the difference between 95% of such Units and the number of Units previously delivered pursuant to this Section 14 (such number to be determined on each day) for each day from such 120th day to the date on which at least 95% of the Units have been so transported. If, after the termination of the storage period provided in this Section 14, any Units have not been so transported, the Lessee shall pay to the Lessor the per diem interchange for each Unit not so transported for each day after the end of such storage period until such Unit or Units have been so transported; provided, however, that if any Unit has not suffered a Casualty Occurrence prior to the first anniversary of the termination of this Lease and has not been so transported within one year after the termination of the term of this Lease, such Unit shall be deemed to have suffered a Casualty Occurrence and the Lessee shall pay or cause to be paid to the Lessor, on the 10th day after the expiration of such year, an amount equal to the greater of (x) the Casualty Value of such Unit as of such payment date or (y) the Fair Market Value of such Unit as of the date this Lease terminated, assuming such Unit had not experienced a Casualty Occurrence and was then in the condition required to be maintained by the terms of this Lease. If, after 10 days from the expiration of such year, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Value of any such Unit, such

value shall be determined in accordance with the appraisal procedure specified in the third paragraph of Section 13 hereof, and payment of such amount shall be made on the fifth business day following the determination of such Fair Market Value. "Fair Market Value" shall be determined on the basis of the value which would be obtained in an arm's-length transaction between an informed and willing buyer (other than (i) a lessee currently in possession and (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell.

Upon the expiration of the original term of this Lease on August 15, 1997, if the Lessee has not elected to exercise the renewal option permitted in the first and second paragraphs of Section 13 hereof, the Lessee will deliver to the Lessor and the Trustor a certificate of an officer of the Lessee to the effect that (a) no liens, charges, security interests or other encumbrances (except an encumbrance resulting from claims against the Lessor, the Trustor and except for liens for taxes for which the Lessee is not liable pursuant to this Lease and liens arising from the Rock Lease for which the Lessee is not liable pursuant to this Lease) were as of the date upon which the original term of this Lease shall have expired, imposed on or with respect to any Unit, any accession thereto, or the interest of the Lessor, Secured Party, or the Trustor therein; (c) the Units have been returned to the Lessor pursuant to this Section 14 in the same operating order, repair and condition required by the first paragraph of this Section 14 and (d) the Lessee no longer has any interest in the Units under the Lease

or otherwise. If a certificate of an officer of the Lessee is required to be furnished pursuant to the preceding sentence, the certificate described in clause (a) in the preceding sentence shall be furnished on the date upon which the original term of this Lease shall have expired, and the certificates described in clauses (b), (c) and (d) in the preceding sentence, in addition to being furnished on the date upon which the original term of this Lease shall have expired, shall be furnished on a monthly basis, beginning on the next ensuing month, and such certificates shall cover each Unit returned during the preceding 30 calendar days and shall apply to each such Unit as of the date such Unit was returned pursuant to the provisions of the first paragraph of this Section 14. Upon the expiration of any extended term of this Lease, if the Lessee shall not have elected to exercise any further renewal option or if the Lessee shall have no such further renewal option, the Lessee shall deliver to the Lessor a certificate or certificates of an officer of the Lessee to the foregoing effect, with such conforming changes as shall be appropriate under the circumstances.

SECTION 15. Lessor's Right to Perform for the Lessee.

If after notice the Lessee fails to perform or comply with any of its agreements contained herein, the Lessor or the Secured Party shall have the right but not the duty to perform or comply with such agreement and to take all such action as may be necessary to obtain such compliance. Any payment so made by any such party and all costs and expenses incurred in connection with such performance or compliance, including

attorneys' fees, together with interest on such amount at the rate of 12% (or such lesser amount as may be legally enforceable) shall be payable by the Lessee upon demand as additional rental hereunder.

SECTION 16. 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 an amount equal to 12% per annum on the overdue rentals and other obligations due hereunder for the period of time during which they are overdue.

SECTION 17. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed delivered three business days after deposit thereof at any United States main or branch post office, registered or certified mail, postage prepaid, addressed as follows:

If to the Lessor: The Connecticut Bank and Trust Company  
One Constitution Plaza  
Hartford, Connecticut 06115  
Attention: Corporate Trust Department

If to the Trustor: Hillman Manufacturing Company  
Post Office Box 510  
Brownsville, Pennsylvania 15417  
Attention: Secretary

If to the Lessee: Grand Trunk Western Railroad Company  
131 West Lafayette Boulevard  
Detroit, Michigan 48226  
Attention: Secretary

If to the Secured Party: Continental Illinois National Bank and Trust Company of Chicago  
30 North LaSalle Street  
Chicago, Illinois 60693  
Attention: Corporate Trust Department

If to the Note Purchasers:

The Prudential Insurance Company of America  
Prudential Plaza  
Chicago, Illinois 60601  
Attention: Vice President-Corporate  
Finance

Bankers Life Insurance Company of Nebraska  
Cotner & O Street  
Lincoln, Nebraska 68501  
Attention: Mr. Jon Headrick

American Mutual Life Insurance Company  
418 6th Avenue  
Des Moines, Iowa 50309  
Attention: Mr. William R. Engel

Southern Life & Health Insurance Company  
P.O. Box 671  
Birmingham, Alabama 35201  
Attention: Mr. James Tatum

or addressed to any party at such address as such party shall hereafter furnish to the other parties in writing. Any certificate, document or report required to be furnished by any party hereto to the other parties shall be delivered to the address set forth above or so furnished for such party. Any notice to the Lessee by the Secured Party or the Note Purchasers regarding the Lessee's failure to perform any obligation hereunder shall also be furnished by the Lessee to the Lessor, but the failure to do so shall not affect any right or remedy of the Secured Party

SECTION 18. Federal Income Taxes. The Rock Lease was entered into on the basis that the Trustor, as the beneficial owner of each Unit, shall be entitled to such deductions, credits and other benefits provided by the Internal Revenue Code of 1954, as amended, (hereinafter called the Code) to an owner of property, including without limitation, (a) deductions

for depreciation of each Unit under section 167 of the Code commencing in the year that such Unit is delivered to the Lessor under the Security Document computed on the basis (i) that each Unit will have a basis under section 167(g) of the Code at least equivalent to the Purchase Price of such Unit, (ii) initially of the declining balance method, using a rate equal to 200% of the straight line rate, switching to the sum of the years-digits method authorized by section 167(b)(2) and (3) of the Code, in the year in which such switch will result in a greater deduction than would be available under the declining balance method, without obtaining the consent of the Commissioner of the Internal Revenue (iii) of the asset depreciation range and class life system permitted by section 167(m) of the Code and Income Tax Regulation 1.167(a)-11 and (iv) of an asset depreciation period of 12 years (hereinafter called the ADR Deductions), (v) of a net salvage value of zero after the reduction permitted by section 167(f) of the Code and (vi) that the Units of Equipment shall be treated as having been placed in service on the respective dates on which they were accepted and delivered under the Rock Lease and the Security Document (hereinafter called the ADR Deductions), (b) deductions with respect to interest on the Notes when paid or accrued, in accordance with the method of accounting on the basis of which the Trustor regularly computes its income provided such basis is authorized by and fully conforms to the provisions of section 163 of the Code (hereinafter called the Interest Deductions), (c) an investment credit pursuant to section 38 of the Code in the year that each Unit was delivered

to the Lessor under the Security Document at least equal to 10% of the Purchase Price of such Unit (hereinafter called the Investment Credit). The Rock Lease was also entered into on the assumption that (1) for Federal income tax purposes all amounts includible in the gross income of the Trustor with respect to the Equipment and all deductions allowable to the Trustor with respect to the Equipment will be treated as derived from, or allocable to, sources within the United States, and (2) for purposes of computing the ADR Deductions with respect to the Equipment for the calendar year in which the Units of Equipment were first placed in service, the Trustor would be entitled to elect and would elect the half-year convention.

The Lessee understands that the Trustor (a) has claimed on its Federal income tax returns the Investment Credit, the ADR Deductions and the Interest Deductions, respectively, (b) has treated on its Federal income tax returns the income and deductions with respect to the Equipment as derived from, or allocable to, sources within the United States, and (c) has caused the Lessor to enter into this Lease with the understanding that, at all times during the term of the Lease, each Unit will constitute "Section 38 property" within the meaning of Section 48(a) of the Code.

The Lessee agrees that neither it nor any corporation controlled by it, in control of it, or under common control with it, directly or indirectly, will at any time take any action or file any returns or other documents inconsistent with any of the foregoing provisions of this Section.

The Lessee agrees to use its best efforts to maintain sufficient records to verify the amount of income and deductions in respect of each Unit of Equipment allocable to sources within and without the United States. The Lessee agrees to give the Trustor, within 60 days after request therefor, written notice describing the amount of income and deductions allocable to sources within and without the United States and specifying in reasonable detail the basis on which such allocations were made, if such information is required in connection with an audit by the Internal Revenue Service of the tax returns of the Trustor. In addition, within 90 days after the end of each calendar year, beginning with the year this Lease is executed, the Lessee agrees to furnish to the Trustor a statement to the effect that none of the Equipment has been used outside of the continental United States other than in Canada or Mexico on a temporary basis not exceeding 90 days during the preceding calendar year, or if any of the Equipment was used outside the United States during such year, giving the appropriate details of any such use, which statement shall be signed by the Vice President Finance or Treasurer of the Lessee.

If, for Federal income tax purposes, as a result of (1) the inaccuracy of any statement made by the Lessee in any document furnished to the Lessor or the Trustor by the Lessee (or any officer, agent or employee thereof); or (2) the noncompliance, breach, or misrepresentation by the Lessee with or of any provision of this Section; or (3) the use of any Unit by the Lessee in such a way as to disqualify it as "section 38

property" within the meaning of section 48(b) of the Code or as property eligible for the ADR Deduction; or (4) any actions or omissions by the Lessee, except any actions or omissions permitted by the terms of this Lease, and any of the specific occurrences or events specified in the eighth paragraph of this Section, (a) the Trustor shall not be entitled to, or shall suffer a disallowance or recapture of or shall lose the benefit of, or shall lose the right to claim (including a good faith determination based upon the opinion, to be obtained at the cost of the Lessee, of independent tax counsel of the Trustor approved by the Lessee ("Special Tax Counsel"), which approval shall not be unreasonably withheld, that such claim is not allowable), all or any portion of the Investment Credit, the ADR Deductions or the Interest Deductions or (b) any item of income or deduction with respect to a Unit shall not be treated as derived from, or allocable to, sources within the United States (any such event described in clause (a) or (b) of this paragraph being hereinafter called a Loss), then the Lessor at the option and direction of Trustor, after receiving written notice from the Trustor of such Loss together with a certificate of an officer of the Trustor used in calculating such Loss and the amount or amounts of the payments required to be paid pursuant to clause (i) or (ii) below (such notice and certificate being hereinafter collectively called the Net Economic Return Notice), shall either (i) commencing with the next rental payment date occurring more than 30 days after receipt by the Lessor of the Net Economic Return Notice, which Net Economic Return Notice may not be delivered more than 30

days prior to payment by the Trustor of the tax which becomes due as a result of the Loss, increase the rental payments under this Lease over its remaining term by such an amount which shall cause the Trustor's after-tax economic yield to equal the after-tax economic yield (such economic yield being hereinafter called the "Net Economic Return") that would have been realized by the Trustor if such Loss had not occurred, such increase in the rental payments to be made directly to the Trustor, or (ii) within 30 days of receipt of the Net Economic Return Notice, cause the Lessee to pay to the Trustor in lump sum the amount as shall, in the reasonable opinion of the Trustor, be required to provide the Trustor with the Net Economic Return that would have been realized by the Trustor if such Loss had not occurred. If the option under (ii) above is selected, then to the extent any Loss results in a later benefit to the Trustor which has not been taken into account in determining the lump sum payment, payment will be made to the Lessee at the time such benefit is realized; provided, however, that the Trustor shall not be obligated to make any payment pursuant to this sentence to the extent that the amount of such payment would exceed (x) the amount of all prior payments by the Lessee to the Trustor pursuant to the option specified in (ii) above in respect of a Loss less (y) the amount of all prior payments by the Trustor to the Lessee hereunder, and the amount by which such payment would exceed such amounts shall reduce pro tanto any subsequent obligation of the Lessee to make any payments to the Trustor pursuant to the option specified in (ii) above. The adjustments required to be made pursuant to this paragraph

shall be made by the Trustor and shall be computed using the same method and assumptions as were utilized by the Trustor in originally evaluating the transaction except for the assumption that resulted in such adjustments.

In the event that the Trustor suffers a Loss and the Trustor and the Lessee are unable to agree, within 60 days following the Lessee's receipt of a Net Economic Return Notice, or the indemnity amounts or amounts required to restore the Trustor's Net Economic Return, then the Lessee shall pay in a lump sum within 30 days after expiration of said 60-day period such amount as shall, in the reasonable opinion of the Trustor (regardless of whether the Lessee agrees therewith) be required to provide the Trustor with the Net Economic Return that would have been realized by the Trustor if such Loss had not occurred.

Any late payment by any party hereto of any of its obligations under this Section shall result in the obligation on the part of such party promptly to pay an amount equal to interest at the rate per annum equal to 1% over the Prime Rate compounded quarterly on the overdue payment. Prime Rate as used herein shall mean the rate per annum which The Chase Manhattan Bank, N.A., New York, New York, charges for 90-day unsecured loans to large corporate borrowers of the highest credit standing from time to time in effect for the period such interest is payable.

Notwithstanding anything to the contrary set forth hereinabove, no amount shall be payable as an indemnity hereunder in respect of any Loss to the extent such Loss is the result of any of the following:

(i) a voluntary transfer or voluntary disposition (whether prior to, during or after the term of this Lease), of any Unit or of the interest of the Trustor in any Unit or the rentals under this Lease, or any transfer or disposition of any Unit or of the interest of the Trustor in any Units or the rentals under this Lease, whether voluntary or involuntary, which results from bankruptcy or other proceedings for the relief of debtors in which the Trustor is the debtor, unless, in each case, such transfer or disposition is made (A) as a direct result of an Event of Default, as defined in this Lease, which has occurred and is continuing; (B) in connection with any alteration, modification or addition to any Unit; or (C) with the consent of the Lessee;

(ii) the failure of the Trustor to claim in a timely manner the Investment Credit, the ADR Deductions (including making all appropriate elections under the applicable Income Tax Regulations), the Interest Deductions or any foreign tax credit or to make a timely election, if permitted by the Code, to treat income and deductions with respect to the Units as derived from, or allocable to, sources within the United States, unless Special Tax Counsel shall have given its opinion to the Trustor that such claim is not allowable;

(iii) the failure of the Trustor to have sufficient liability for Federal income tax against which to credit Investment Credit or foreign tax credit or sufficient income to benefit from the ADR Deductions or the Interest

Deductions, as applicable;

(iv) any residual sharing, guarantee agreement or other voluntary act of the Trustor (either individually or in concert with others) which is not included in the foregoing clauses and which is not required or contemplated by this Lease, if entered into, or any other document contemplated by any of the foregoing or entered into in connection therewith;

(v) a change in the form or type of organization or the taxable status of the Trustor or any successor or transferee of the Trustor;

(vi) a Casualty Occurrence with respect to a Unit, if the Lessee shall have paid all amounts required to be paid in respect of such Casualty Occurrence under this Lease; or

(vii) any amendment to, or change in, the Code or the Income Tax Regulations which is enacted after June 30, 1979 (whether or not retroactively effective for any period on or prior to such date);

If at the conclusion of an audit the Trustor receives a preliminary or "30-day-letter" from the Internal Revenue Service proposing an adjustment in any item claimed in accordance with the first and second paragraphs of this Section on a tax return or refund claim of the Trustor pursuant to this Section and the amount of the indemnity which the Lessee would be required to pay (after taking into account the effect that the adjustment would have in periods not included in the audit) would exceed \$100,000 or in the good faith opinion of the Lessee, the adjustment would have a continuing or precedential

effect on the Lessee or the railroad industry and the Lessee so advises the Lessor and the Trustor in writing, the Lessee shall not be required to indemnify the Trustor unless and until the Trustor takes the action set forth below, provided that at any time, whether before or after commencing to take such action, the Trustor may decline to take such action by notifying the Lessee in writing that the Lessee is relieved of its obligations to indemnify the Trustor with respect to such adjustment or any such portion specified in such notice. Upon receipt of such preliminary or 30-day letter the Lessor shall promptly notify the Lessee of the proposed adjustment and, upon receipt within 20 days after Lessee's receipt of such notice of a written request to do so from the Lessee, the Lessor shall cause the Trustor to promptly request from the independent tax counsel selected by the Trustor and approved by the Lessor and the Lessee, which approval shall not be unreasonably withheld (hereinafter called the Trustor's Tax Counsel), their opinion whether there is a reasonable basis for contesting in the event such proposed adjustment is contested. If the opinion is to the effect that there is such a reasonable basis the Lessor shall cause the Trustor to contest such proposed adjustment beyond the level of the Internal Revenue Service auditing agent by such administrative proceedings, if any, as may be determined by the Trustor in its discretion. Upon the conclusion of such administrative proceedings, if any, the Lessor shall promptly notify the Lessee of the final adjustment proposed by the Internal Revenue Service and, upon receipt within 30 days thereafter of a written request to do so from

the Lessee, the Lessor shall cause the Trustor to promptly request the Trustor's Tax Counsel for their opinion whether there is a reasonable basis of a favorable determination in the event such final adjustment is contested. If the opinion is to the effect that there is such a reasonable basis the Lessor shall cause the Trustor to contest such final adjustment in a court of competent jurisdiction. If the Lessee requests the Lessor to cause the Trustor to appeal the decision of such a court or of an intermediate appellate court, the Lessor shall cause the Trustor to promptly request the Trustor's Tax Counsel for their opinion whether there is a reasonable basis for a favorable determination in the event such decision is appealed. If the opinion is to the effect that there is such a reasonable basis, the Lessor shall cause the Trustor to appeal such decision. The Trustor, in its discretion, shall determine the initial and any appellate court and, if the adjustment relates to an item claimed on a tax return, shall determine whether the proceedings shall be for redetermination of the deficiency proposed to be assessed by the Internal Revenue Service or for refund of taxes paid based on such deficiency. The Trustor shall not be required to take any action as set forth in this paragraph unless and until the Lessee shall have agreed to indemnify the Trustor in a manner satisfactory to the Trustor for any liability or loss which the Trustor may incur as a result of taking such action and shall have agreed to pay the Trustor on demand all out-of-pocket costs and expenses, including without limitation reasonable attorneys' fees and expenses, incurred by the Trustor in connection with taking

such action. In the event that the Trustor pays the tax resulting from a proposed adjustment and proceeds to seek a refund thereof, the Lessee agrees to pay the Trustor an amount equal to interest at the rate per annum currently charged by the Internal Revenue Service on deficiencies on the amount of tax in question from the date of payment of such tax to the date of final determination of such adjustment, such amount to be payable in equal installments within each calendar year on the dates on which rental for such period is payable under this Lease. Upon receipt by the Trustor of a refund of any tax paid by it in respect of which the Lessee paid an amount equal to interest at the rate provided in the preceding sentence while such tax payment was contested by the Trustor, Lessor shall cause Trustor to pay an amount equal to the aggregate amount of such interest to the Lessee forthwith. Upon completion of the action set forth in this paragraph, the Lessee's liability with respect to its required indemnity under this Section shall become fixed and determinable.

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

If at any time prior to the disposition of a Unit in a taxable transaction, the Trustor is required to include in its gross income an amount in respect of any improvement and/or addition to such Unit made by the Lessee which is not readily removable from such Unit without causing material damage to

such Unit (such improvements or additions being hereinafter called Improvements), then the Lessee shall pay to the Trustor, as an indemnity, such amount or amounts which, after deduction of all Taxes required to be paid by the Trustor in respect of the receipt of such amounts, shall be equal to the sum of the additional Federal, state or local income taxes payable by the Trustor from time to time as a result of such Improvement plus the amount of any interest, penalties or additions to tax payable as a result of any such Improvement (less any Federal, state or local tax benefits resulting from payment of any amounts reimbursed hereunder). If as a result of any such Improvement the aggregate Federal, state and local income taxes paid by the Trustor for any taxable year shall be less than the amount of such taxes which would have been payable by the Trustor had no such Improvement been made, then the Lessor shall cause Trustor to pay the Lessee the amount of such savings in taxes plus any additional tax benefits realized by the Trustor as a result of such payment; provided, however, that the Trustor shall not be obligated to make any payment pursuant to this sentence to the extent that the amount of such payment would exceed (x) the amount of all prior payments by Lessee to the Trustor pursuant to this paragraph in respect of any Improvement less (y) the amount of all prior payments by the Lessor to the Lessee hereunder, and the amount by which such payment would exceed such amount shall reduce pro tanto any subsequent obligation of the Lessee to make any payments to the Trustor pursuant to the first sentence of this paragraph. For purposes of computing any amounts payable to the Trustor

and any amounts payable to the Lessee pursuant to this paragraph, the statutory rate of Federal, state or local income tax, as the case may be, shall be used. The amount payable to the Trustor pursuant to this paragraph shall be paid within 30 days after receipt of the written demand therefor from the Lessor (but not prior to payment by the Trustor of the additional taxes which become due as a result of the said inclusion) accompanied by a written statement describing in reasonable detail such inclusion and the computation of the amount so payable. Any payment due to the Lessee from the Trustor pursuant to this paragraph shall be paid immediately after the Trustor realizes the amount from any such savings in its income taxes or additional tax benefits, as the case may be. The Lessor agrees to cause the Trustor to contest the inclusion in its gross income of any amount with respect to an Improvement to the extent, and under the circumstances, set forth in the ninth paragraph of this Section as if such inclusion were a Loss.

The Lessee agrees that, within 90 days after the close of any calendar year (or in the event that the Lessor gives the Lessee written notice that the Trustor's taxable year closes on a date specified therein other than December 31, within 90 days after said date) in which the Lessee has made Improvements, the Lessee will give written notice thereof to the Trustor, describing such Improvements in reasonable detail and specifying the cost thereof with respect to each Unit.

In the event that any indemnity payments are required to be made by the Lessee, or in the event the amount of rentals under

this Lease are adjusted, pursuant to any paragraph of this Section, the damages and amounts set forth in Section 10 of this Lease and the applicable Casualty Values set forth in Schedule C to this Lease shall be appropriately adjusted by the Trustor. The adjustments required to be made pursuant to this paragraph shall be made by the Trustor and shall be computed using the same method and the same assumptions, including, without limitation, tax rates, as were utilized by the Trustor in originally evaluating the Lease except for the assumption that has resulted in such adjustment. In connection therewith, the Lessor shall cause the Trustor to provide the Lessee with a certificate of an officer of the Trustor setting forth in reasonable detail the figures and methods used in making such calculations. In the case of any such adjustments in the damages and amounts set forth in Schedule C of this Lease and the applicable Casualty Value set forth in Schedule C to this Lease, if any payment of such damages, amounts or Casualty Values shall have been made prior to the adjustments made pursuant to this paragraph, (a) the Lessee shall pay to the Trustor the excess amount which would have been payable on the due date of such payment by reason of the adjustments pursuant to this paragraph or (b) the Lessor shall cause the Trustor to pay to the Lessee the amount of such payments in excess of the amount of such payments which would have been payable by reason of the adjustments pursuant to this paragraph. The Lessee's agreements to pay any sums which may become payable pursuant to this Section shall survive the expiration or other termination of this Lease.

The Lessee shall have the right, upon demand, to have Thayer, Ringoen & Macdonald, 50 California Street, San Francisco, California 94111, or another independent party selected by the Lessee and approved by the Trustor, which approval shall not be unreasonably withheld, review any calculations made by the Trustor pursuant to this Section to determine the consistency of the methods and the assumptions used in such calculations with those used by the Trustor in originally evaluating this transaction and the accuracy of such computations based on such methods and assumptions.

The liability of the Lessee to make indemnification payments pursuant to this Section shall, notwithstanding any expiration or termination of this Lease, continue to exist until such indemnity payments are made by the Lessee. All indemnity payments under this Section shall be made directly to the Trustor.

SECTION 19. Severability; Effect and Modification of Lease; Third Party Beneficiaries. 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.

This Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written,

with respect thereto, between the parties 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 and no such variation shall be made without the prior written consent of the Secured Party and the Trustor.

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

SECTION 20. 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 Secured Party shall be deemed to be the original counterpart. 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 21. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. 11303.

SECTION 22. Survival. All warranties, representations

and covenants made by the Lessee herein or in any certificate or other instrument delivered by the Lessee or on behalf of the Lessee under this Lease shall be considered to have been relied upon by the Lessor, any assignee thereof pursuant to Section 12 hereof (including, without limitation, the Secured Party) and the Trustor and shall survive the consummation of the transactions contemplated hereby regardless of any investigation made by any such party or on behalf of any such party. All statements in any such certificate or other instrument shall constitute warranties and representations of the Lessee.

SECTION 23. LIMITATIONS OF LIABILITY.

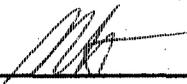
It is expressly understood and agreed by and between the Lessor and the Lessee and their respective successors and assigns that this Lease is executed by The Connecticut Bank and Trust Company, not individually or personally but solely as Trustee under the Trust Agreement in the exercise of the power and authority conferred and vested in it as such Trustee, that each and all of the representations, warranties, undertakings and agreements herein made on the part of the Lessor are each and every one of them made and intended not as personal representations, warranties, undertakings and agreements by The Connecticut Bank and Trust Company or the Trustor, or for the purpose or with the intention of binding The Connecticut Bank and Trust Company or the Trustor personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Trust Agreement, that this Lease is executed and

delivered by The Connecticut Bank and Trust Company solely in the exercise of the powers expressly conferred upon The Connecticut Bank and Trust Company as Trustee under the Trust Agreement, that actions taken by the Lessor pursuant to its obligations hereunder may, in certain instances, be taken by the Lessor only upon specific authority of the Trustor, that nothing herein contained shall be construed as creating any liability on The Connecticut Bank and Trust Company or the Trustor, individually or personally, or any incorporation or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of The Connecticut Bank and Trust Company or the Trustor, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Lessee and by each and every person nor or hereafter claiming by, through or under the Lessee, and that so far as The Connecticut Bank and Trust Company or the Trustor, individually or personally is concerned, the Lessee and any person claiming by, through or under the Lessee shall look solely to the Trust Estate as defined in the Trust Agreement for the performance of any obligation under this Lease; provided that nothing in this Section 23 shall be construed to limit in scope or substance those representations and warranties, if any, of The Connecticut Bank and Trust Company made expressly in its individual capacity set forth in the Participation Agreement and the Security Agreement. The term "Lessor" as used in this Lease shall include any trustee succeeding The Connecticut Bank and Trust Company as Trustee under the Trust Agreement or the

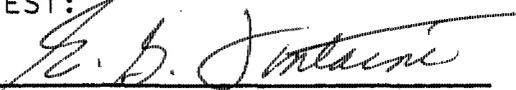
Trustor if the trust created thereby is revoked. Any obligation of the Lessor hereunder may be performed by the Trustor, and any such performance shall not be construed as revocation of the trust created by the Trust Agreement. Nothing contained in this Lease shall restrict the operation of the provisions of the Trust Agreement with respect to its revocation or the resignation or removal of the Trustee thereunder.

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

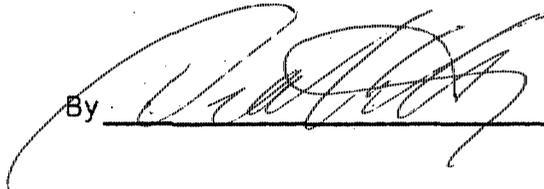
GRAND TRUNK WESTERN RAILROAD COMPANY  
as Lessee

  
\_\_\_\_\_

ATTEST:

  
\_\_\_\_\_

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

By   
\_\_\_\_\_



DESCRIPTION OF ITEMS OF EQUIPMENT

Manufacturer of Equipment:

Thrall Car Manufacturing  
Company

Description and Mark and  
Number of Items of  
Equipment

80 100-Ton Covered Hopper  
Cars Marked and Numbered GTW  
138550 to GTW 138629, both  
inclusive

Schedule A



SCHEDULE OF CASUALTY VALUES

The Casualty Value for a Unit payable on any quarterly rental payment date shall mean an amount equal to the percent of the Purchase Price (as shown on Annex 2 to this Schedule C) of such Item set forth opposite such date in the following schedule (as the same may be increased pursuant to Annex 1 to this Schedule C):

TABLE I

Number of Quarterly Rental Payment Date on Which Casualty Value is Paid (Number 1 being November 15, 1980)	Percentage of Purchase Price Payable as Casualty Value
1 (November 15, 1980)	88.3927
2	88.3098
3	88.2210
4	88.0349
5	87.8068
6	87.4990
7	87.1130
8	86.6349
9	86.1089
10	85.5015
11	84.8150
12	84.0379
13	83.2107
14	82.3089
15	81.3363
16	80.3086
17	79.2478
18	78.1481
19	77.0072
20	75.8206
21	74.6008
22	73.3455
23	72.0505

SCHEDULE C

Number of Quarterly Rental  
Payment Date on Which  
Casualty Value is Paid

Percentage of Purchase  
Price Payable as  
Casualty Value

24	70.7112
25	69.3388
26	67.9344
27	66.4919
28	65.0067
29	63.4883
30	61.9417
31	60.3588
32	58.7348
33	57.0778
34	55.3964
35	53.6806
36	51.9255
37	50.1375
38	48.3294
39	46.4887
40	44.6107
41	42.7001
42	40.7737
43	38.8170
44	36.8248
45	34.8056
46	32.8179
47	30.8428
48	28.8714
49	26.9007
50	24.9916
51	23.1087
52	21.2469
53 and thereafter during any storage period	20.0000

ANNEX 1 TO SCHEDULE C

The percentages set forth in Table 1 to this Schedule C have been computed without regard to recapture of the Investment Credit provided for in Section 38 and related sections of the Internal Revenue Code of 1954, as amended. Consequently, the Casualty Value of any Unit suffering a Casualty Occurrence on or before the third, fifth or seventh anniversary of the original dates of delivery of such Units as set forth in Annex 2 to Schedule C shall be increased by the applicable percentage of the Purchase Price as set forth on Annex 2 to this Schedule C set forth below:

<u>Anniversary of Original Delivery and Acceptance</u>	<u>Percentage of Purchase Price</u>
Third	19.2308%
Fifth	12.8269%
Seventh	6.4039%

ANNEX 2 TO SCHEDULE C

<u>Unit Number</u>	<u>Purchase Price</u>	<u>Original Dates of Delivery</u>
GTW 138550	\$35,543	12/29/78
138551	35,543	12/29/78
138552	35,543	12/29/78
138553	35,543	12/29/78
138554	36,650	3/29/79
138555	35,543	12/29/78
138556	35,543	12/29/78
138557	35,543	12/29/78
138558	35,543	12/29/78
138559	35,543	12/29/78
138560	35,543	12/29/78
138561	35,543	12/29/78
138562	35,543	12/29/78
138563	36,650	3/29/79
138564	36,650	3/29/79
138565	35,543	12/29/78
138566	35,543	12/29/78
138567	35,543	12/29/78
138568	35,543	12/29/78
138569	35,543	12/29/78
138570	36,650	3/29/79
138571	36,650	3/29/79
138572	36,650	3/29/79
138573	36,650	3/29/79
138574	35,543	12/29/78
138575	35,543	12/29/78
138576	35,543	12/29/78
138577	35,543	12/29/78
138578	35,543	12/29/78
138579	35,543	12/29/78
138580	35,543	12/29/78
138581	35,543	12/29/78
138582	35,543	12/29/78
138583	36,650	3/29/79
138584	36,650	3/29/79
138585	36,650	3/29/79
138586	36,650	3/29/79
138587	36,650	3/29/79
138588	36,650	3/29/79
138589	36,650	3/29/79
138590	36,650	3/29/79
138591	36,650	3/29/79
138592	36,650	3/29/79
138593	36,650	3/29/79
138594	36,650	3/29/79
138595	36,650	3/29/79
138596	36,650	3/29/79
138597	36,650	3/29/79
138598	36,650	3/29/79
138599	36,650	3/29/79

<u>Unit Number</u>	<u>Purchase Price</u>	<u>Original Dates of Delivery</u>
138600	36,650	3/29/79
138601	\$36,650	3/29/79
138602	36,650	3/29/79
138603	36,650	3/29/79
138604	35,568	4/17/79
138605	35,568	4/17/79
138606	35,568	4/17/79
138607	35,568	4/17/79
138608	35,568	4/17/79
138609	35,568	4/17/79
138610	35,568	4/17/79
138611	35,568	4/17/79
138612	35,568	4/17/79
138613	35,568	4/17/79
138614	35,568	4/17/79
138615	35,568	4/17/79
138616	35,568	4/17/79
138617	35,543	12/29/78
138618	36,650	3/29/79
138619	36,650	3/29/79
138620	36,650	3/29/79
138621	36,650	3/29/79
138622	35,568	4/17/79
138623	36,650	3/29/79
138624	35,543	12/29/78
138625	35,568	4/17/79
138626	35,543	12/29/78
138627	35,568	4/17/79
138628	36,650	3/29/79
138629	35,568	4/17/79