ITEL

RECORDATION NO. 15118 Filed & Recorded

DEC 12 1986 11-50 AM

INTERSTATE COMMERCE COMMISSION

Itel Rail Corporation
55 Francisco Street
San Francisco, California 94133
(415) 984-4000

DEC 5 11 42 AM '86
MOTOR CARRIER UNIT

December 1, 1986

Honorable Noreta R. McGee
Secretary, Interstate Commerce Commission
Washington, D.C. 20423

Re: Sublease Agreement Dated November 19, 1986 between Hartford and Slocomb Railroad Company and Canadian Pacific Limited

Dear Ms. McGee:

On behalf of Itel Rail Corporation, the above instrument, in four (4) original counterparts is hereby submitted for filing and recording pursuant to 49 U.S.C. Sec. 11303(a), along with a check in the amount of $20 covering the recordation fees.

Please record this Sublease Agreement under a new recordation number and cross-index same with the Equipment Trust Agreement dated January 1, 1982 between Itel Rail Corporation and First Security Bank of Utah, N.A., which was filed with the I.C.C. on September 20, 1983 and given Recordation No. 14165.

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

Hartford and Slocomb Railroad Company (Sublessor)
P.O. Box 2243
Dothan, Alabama 36302

Canadian Pacific Limited (Sublessee)
P.O. Box 6042
Windsor Station
Montreal, Quebec H3C 3E4
Canada

6-339A041

DEC 5 1986
Date .....
Fee $ 20.00
ICC Washington, D. C.

The equipment covered by this Sublease are fifty-two (52) 50', 100-ton, Plate C boxcars bearing reporting marks QC 77198 through QC 77249.

Please return to the undersigned the stamped counterparts not required for filing purposes, along with the fee receipt and a letter from the I.C.C. acknowleding this filing.

Very truly yours,

Josie Villaflores
Legal Assistant

cc: Howard L. Chabner, Esq.
Ginny Hanger

Encl.

ASSIGNED TO FIRST SECURITY BANK OF UTAH, N.A., TRUSTEE UNDER A LEASE ASSIGNMENT

08/28/86

THIS INSTRUMENT IS SUBJECT TO A SECURITY INTEREST IN FAVOR OF HELLER FINANCIAL, INC. UNDER THE HELLER FINANCIAL, INC. LOAN AND SECURITY AGREEMENT WITH ITEL RAIL CORPORATION DATED AS OF SEPTEMBER 30, 1986

RECORDATION NO. 15118 Filed & Recorded

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INTERSTATE COMMERCE COMMISSION

SUBLEASE AGREEMENT

THIS SUBLEASE AGREEMENT (the "Sublease") is made as of this 19th day of November, 1986, between **HARTFORD AND SLOCOMB RAILROAD COMPANY,** an Alabama corporation, P.O. Box 2243, Dothan, Alabama 36302 as the sublessor ("Sublessor") and **CANADIAN PACIFIC LIMITED,** a Canadian corporation, P.O. Box 6042, Windsor Station, Montreal, Quebec, CANADA H3C 3E4 as the sublessee ("Sublessee").

1. Scope of Sublease

A. Sublessor agrees to lease to Sublessee, and Sublessee agrees to lease from Sublessor upon the terms and conditions set forth herein, a number of items of equipment of the number, type, construction and other description set forth in any lease schedules attached hereto and executed by the parties concurrently herewith or hereafter and made a part of this Sublease. The word "Schedule" as used herein includes the Equipment Schedule or Equipment Schedules executed herewith and any additional Equipment Schedules and amendments thereto, each of which when signed by both parties shall be a part of this Sublease. The scheduled items of equipment are hereinafter called collectively the "Cars" and individually a "Car".

B. It is the intent of the parties to this Sublease that Sublessor shall at all times be and remain the sublessor of all Cars. Sublessee agrees that it will at no time take any action or file any document which is inconsistent with the foregoing intent and will take such action and execute such documents as may be necessary to accomplish this intent.

2. Term

A. This Sublease shall remain in full force until it is terminated as to all of the Cars as provided herein. The term of the Sublease with respect to each Car described on each Schedule shall commence at 12:01 a.m. on the date and at the location that such Car is remarked pursuant to Subsection 3.A., and shall expire as to all of the Cars described on each Schedule, fifteen (15) years from the date of Delivery (as defined in Subsection 3.A. herein) of the first Car on such Schedule (the "Initial Term").

B. If this Sublease has not been terminated early and no unremedied default has occurred pursuant to Section 9, the Sublease shall automatically be extended for not more than five (5) consecutive periods of twelve (12) months each (the "Extended Term(s)") with respect to all of the Cars described on each Schedule, provided, however, that Sublessor or Sublessee may terminate this Sublease

at the end of the Initial Term or any Extended Term as to all, but not fewer than all, of the Cars on the Schedules by written notice delivered to the other not less than twelve (12) months prior to the end of the Initial Term or any Extended Term.

3. **Supply Provisions**

A. Sublessee hereby approves the specifications of the Cars delivered to it by Sublessor. Sublessor shall, at Sublessor's expense, remark the Cars with the railroad markings of Sublessee in compliance with all applicable regulations. After the Cars have been remarked, the Cars shall be moved to Sublessee's railroad line at no cost to Sublessee as soon as is consistent with mutual convenience and economy. Sublessor warrants that, upon delivery, each Car shall meet or exceed specifications for interchange service as defined in the Association of American Railroads ("AAR") Field Manual and shall be in acceptable condition for Class A boxcar loading. Sublessor shall use its best efforts to deliver the Cars on Equipment Schedule No. 1 within ninety (90) days after this Sublease is fully executed by both parties. Each Car shall be delivered to Sublessee's lines at a mutually agreeable interchange point(s) with all freight or other transportation charges to be for the account of Sublessor. Each Car so delivered shall be in good operating condition, ordinary wear and tear excepted. Sublessee shall have the right to preinspect a sampling of such Cars at a mutually agreeable time and place prior to the delivery of the Cars to Sublessee's lines. Sublessee shall have the right to inspect each Car upon such Car's delivery to Sublessee's lines and, if not acceptable to Sublessee, Sublessee shall notify Sublessor in writing within ten (10) days of such delivery as to the reason such Car is not in acceptable condition for Class A boxcar loading and shall hold such Car for inspection and disposition by Sublessor. Sublessor shall have the opportunity to 1) perform repairs to correct the condition(s) that made such car unacceptable to Sublessee or 2) replace such Car with another similar boxcar. All costs, including transportation costs, associated with making any Car acceptable to Sublessee shall be for Sublessor's account. Acceptance by Sublessee of any Car onto its lines after inspection thereof shall constitute delivery ("Delivery"). Sublessee shall immediately notify Sublessor in writing of the date each Car is accepted by Sublessee. Sublessor and Sublessee shall cooperate with each other to facilitate the delivery and acceptance of each Car. For the purposes of delivering the Cars only, Sublessee's lines shall be deemed to include all railway lines which are owned, leased or controlled either directly or indirectly by Sublessee.

B. Sublessee shall not discriminate against the Cars in the provision of off-line loads, operation, use and maintenance vis-a-vis any comparable boxcars owned, leased or managed by Sublessee or assigned or interchanged to Sublessee. This Subsection 3.B. is of the essence to this Sublease.

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C. Sublessor may, at its expense, replace any or all of the Cars with boxcars of similar design, age and quality upon not less than sixty (60) days' prior written notice from Sublessor to Sublessee; provided, however, that any such replacement shall not prevent or prohibit Sublessee from fulfilling its obligations to provide transportation and facilities upon reasonable request therefor.

4. **Record Keeping**

A. Sublessee shall, at its expense prepare and file, with respect to the Cars, all documents relating to the registration, maintenance and record keeping functions with respect to railroad equipment of the type subject to this Sublease. Such matters shall include, but are not limited to: (i) preparation of appropriate AAR interchange agreements with respect to the Cars; (ii) registration of the Cars in the Official Railway Equipment Register and the Universal Machine Language Equipment Register ("UMLER"); and (iii) preparation of any reports as may be required from time to time by the ICC and any other regulatory agencies with respect to the Cars. Sublessee shall register each Car in UMLER in such a manner that Sublessor, or its agent, is allowed access to any required information with regard to each Car. In addition, Sublessee shall be responsible for any expenses incurred and rent lost as the result of any improper UMLER registration.

B. (i) Sublessee shall perform all record keeping functions relating to the use of the Cars including but not limited to, car hire reconciliation, collection and receipt of revenues from other railroad companies, record pertaining to maintenance and repair, and billing in accordance with the Interchange Rules. All record keeping performed by Sublessee hereunder and all records of payments, charges and correspondence related to the Cars shall be separately recorded and maintained by Sublessee in a form suitable for reasonable inspection by Sublessor from time to time during Sublessee's regular business hours. Sublessee shall, on a monthly basis and within thirty (30) days after the end of each month in which activity occurred, supply Sublessor with copies of Sublessee's interchange records relating to the Cars. Sublessee shall supply Sublessor with copies of such other records as Sublessor may reasonably request. Sublessee hereby authorizes Sublessor to subscribe to the Train 71, 80 and 86 Advices for the Cars.

(ii) Sublessee shall, at its expense, prepare and file all reports and documents with the appropriate Canadian customs authority that are related to, or necessary for, the delivery and use of the Cars.

C. Sublessee shall, at its expense, prepare and maintain records of the geographical usage of each Car during the term of the Sublease and shall allow Sublessor to inspect such records upon reasonable notice and at reasonable intervals. Such records shall be kept in sufficient detail to allow the Sublessor to determine the number

of days that each Car is used in Canada or the United States, respectively, during any twelve (12) month period occuring during the term of the Sublease.

5. **Maintenance, Tax and Insurance**

A. Except as otherwise provided herein, Sublessor shall, at its expense, perform or have performed all inspections of, maintenance and repairs to, and servicing of the Cars as shall be necessary to maintain the Cars in good operating condition as specified in the Interchange Rules, provided, however, that such repair, maintenance and servicing shall be performed at Sublessee's expense in the event it was occasioned by the fault of Sublessee, or arises in those instances in which Rule 95 or any other Interchange Rule would assign responsibility to Sublessee for the loss, damage, destruction or liability requiring such repair, maintenance or servicing. Sublessee shall, at its expense, inspect all Cars interchanged to Sublessee to insure that such Cars are in good working order and condition and Sublessee shall be liable to Sublessor for any repairs required for damage not noted at the time of interchange. Sublessee shall use its best efforts to minimize any damages to the Cars which may be caused by any shipper on Sublessee's railroad line. With respect to the Cars, any repairs performed by Sublessee at Sublessor's expense shall be at a labor rate not to exceed the prevailing AAR Labor Rate unless a different labor rate is mutually agreed upon in writing by the parties hereto.

B. (i) Sublessor shall also make, at its expense, all alterations, modifications or replacement of parts as shall be necessary to maintain the Cars in good operating condition as specified in the Interchange Rules or required by the Federal Railroad Administration and/or Canadian Transport Commission Regulations. Sublessee shall notify Sublessor before, or as soon as practical thereafter, that a repair beyond the scope of Exhibit A attached hereto, but that does not exceed the repairs allowed by the applicable AAR Interchange Rules to facilitate continued immediate use of the Cars, is necessary or has been performed by Sublessee, but Sublessee shall not otherwise make any repairs, alterations, improvements, or additions to any Car without Sublessor's prior written consent. Sublessee shall be liable to Sublessor for any revenues lost due to any unauthorized repair, alteration, improvement or addition. Title to any such alteration, improvement or addition shall be and remain with Sublessor. Sublessor shall have the right to perform certain Repairs, as hereinafter defined, to the Cars at (a) an independent repair facility or (b) a location on Sublessee's property which is mutually agreeable to Sublessor and Sublessee. Repairs ("Repairs") shall be of the type that Sublessor determines would normally precipitate movement of such Cars to a repair facility. Sublessor shall notify Sublessee at least twenty-four (24) hours in advance of performing such Repairs.

(ii) Sublessee shall submit to Sublessor a monthly report in complete AAR format for all repairs reported with respect to the Cars during the previous month. Sublessee shall guarantee that, upon termination or expiration of the Sublease, each Car shall meet or exceed specifications for interchange service as defined in the AAR Field Manual and shall be in acceptable condition for Class A boxcar loading.

C. If any of the Cars are reported as bad order (as defined in the AAR Mechanical Department Field Manual of Interchange Rules) and require repairs, other than repairs made by other railroads ("Bad Order Car"), Per Diem Rent shall cease two (2) working days after receipt by Sublessor of notice of bad order until receipt by Sublessee of shop disposition instructions by Sublessor. Per Diem Rent shall cease again five (5) days after receipt of such Bad Order Car at Sublessor's shop, or at any shop authorized by Sublessor. After any Bad Order Car has been repaired, Per Diem Rent shall resume on the date such Bad Order Car is available for forwarding to Sublessee or another railroad.

D. If, with respect to any Bad Order Cars, Sublessor exceeds sixty (60) days in providing shop disposition instructions after receiving bad order notification by Sublessee, Sublessor shall withdraw such Bad Order Car from service and such Bad Order Car shall be terminated from this Sublease. Sublessor shall, at its expense, replace such Bad Order Car within thirty (30) days with a boxcar of similar design, age and quality and such replacement boxcar shall be deemed to be subject to the terms and conditions of this Sublease as if the same had been originally delivered to Sublessee at the time and in place of the Bad Order Car for which it is substituted.

E. As long as this Sublease shall remain in effect, Sublessee shall be responsible for the Cars: (i) while in Sublessee's possession or control; and (ii) in the same manner that Sublessee is responsible under the Interchange Rules for similar equipment not owned by Sublessee. Sublessee shall, at all times while this Sublease is in effect, at its own expense, cause to be carried and maintained: (i) all-risk, physical loss or damage insurance with respect to the Cars while on Sublessee's tracks or in Sublessee's care, custody or control; and (ii) public liability insurance with respect to third party personal injury and property damage, in each case in such amounts and for such risks and with such insurance companies as are satisfactory to the Sublessor. All insurance shall be taken out in the name of Sublessee and shall name Sublessor and any assignee of Sublessor as named insureds and shall also list Sublessor and any assignee of Sublessor as loss-payees on the insurance policies. Said policies shall provide that Sublessor and any assignee of Sublessor shall receive thirty (30) days prior written notice of any material changes in coverage or cancellation thereof. In the event that Sublessee fails to place insurance, or said insurance expires, Sublessor has the right to purchase insurance to protect all interested parties and Sublessee shall pay the cost thereof. With respect to

the insureds, Sublessee's insurance policies shall be primary to any other valid and available insurance ("Other Insurance") effected by, or for, the additional insureds. Sublessee shall require its insurer specifically to waive subrogation, claim and recovery with respect to any Other Insurance. Any and all deductibles in the described policies shall be paid by the Sublessee.

F. Each policy obtained by Sublessee pursuant to this Section shall be in accordance with the above terms and conditions, and such terms and conditions shall be set forth on the Certificate of Insurance provided to the Sublessor pursuant to this Subsection. Sublessee shall furnish to Sublessor concurrently with execution hereof, and within thirty (30) days of receipt of a written request from Sublessor, and at intervals of not more than twelve (12) calendar months from execution hereof, Certificates of Insurance evidencing the aforesaid insurance. Sublessee shall provide Sublessor a Certified Copy of each insurance policy upon written request. Sublessee may maintain a self-insurance program to insure the Cars in the same manner as Sublessee insures the boxcars that Sublessee owns, in lieu of the above insurance, and warrants to place the Sublessor in the same position as if the insurance described above had been effected.

G. Sublessee assumes responsibility for and agrees to pay, protect, defend, hold harmless and indemnify Sublessor and its successors against taxes, levies, impost, customs or duties of any nature together with penalties, fines or interest thereon imposed on, incurred by or asserted against: (1) the Cars, (2) the sale, lease, sublease or delivery of the Cars, (3) revenues earned by the Cars, including but not limited to mileage charges and/or car hire revenue, during the term of this Sublease, including all taxes imposed by any local, provincial, state or national government, except taxes on paid-up capital or income of Sublessor.

6. Storage

During the Initial Term and any extended term, as long as there is sufficient room on Sublessee's railroad tracks, Sublessee shall, at its expense and if deemed necessary by Sublessor, store the Cars on its railroad tracks. In the event that Sublessee's capacity to store any or all of the Cars on Sublessee's railroad tracks is impaired at any time, then Sublessee shall be responsible for the following with respect to each Car that Sublessor directs to be stored: (i) all reasonable transportation costs incurred to move the Cars to a storage location; (ii) all reasonable transportation costs incurred in removing the Cars from the storage location; and (iii) the actual costs incurred for the storage. If Sublessor pays for any costs referred to in this Section, Sublessee shall reimburse Sublessor for such cost within ten (10) days from Sublessee's receipt of Sublessor's invoice. Sublessor shall assist Sublessee so as to minimize Sublessee's exposure under this Section and Subsection 8.E. hereof.

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7. Rent

A. Definitions

The "Utilization Rate" of the Cars shall be determined by a fraction, the numerator of which is the aggregate number of days in each calendar year, or applicable portion thereof, that car hire revenues were earned on the Cars commencing from Delivery, and the denominator of which is the aggregate number of days in each calendar year, or applicable portion thereof, that the Cars were on lease to Sublessee, commencing from Delivery.

B. Sublessor shall receive all revenues earned by each Car prior to its Delivery. Each Car delivered pursuant to Subsection 3.A. shall become subject to the rental calculation under Subsection 7.C. upon the Delivery of such Car.

C. Sublessee agrees to pay the following rent to Sublessor for the use of the Cars:

D. The calculations required in Subsection 7.C. shall be made within five (5) months after the end of each calendar year ("Final Calculations"). However, to enable Sublessor to meet its

financial commitments, Sublessee shall pay Sublessor, within sixty (60) days after the end of each Month, Per Diem Rent for such Month, one hundred percent (100%) of the Mileage Revenues earned during such Month and any other rental amounts due to Sublessor for such Month. Further, since the parties desire to determine on a quarterly year-to-date basis the approximate amounts owed under Subsection 7.C.(ii), Sublessor shall within three (3) months after the end of each calendar quarter, calculate on a quarterly year-to-date basis the amount due either party pursuant to this Subsection. Any amounts payable pursuant to the preceding sentence shall be paid promptly following such calculation, provided, however, that within twenty (20) days following the Final Calculation, any amount paid to either party in excess of the amounts required shall be refunded to the appropriate party.

E. In the event destruction or damage beyond repair of a Car has been reported in accordance with Rule 107 of the AAR Field Manual of the Interchange Rules and Rules 7 and 8 of the AAR Code of Car Hire Rules and Interpretations-Freight, said destroyed Car will be removed from the rental calculations of this Sublease on the date car hire ceased as set forth in the aforementioned Rules 7 and 8. Sublessor may, at its expense, replace any destroyed Car with similar equipment upon prior written notice from Sublessor to Sublessee.

F. If any Car, while in the possession of Sublessee, is damaged to the extent that such damage exceeds the AAR Depreciated Value ("DV") for such Car, Sublessee shall notify Sublessor within sixty (60) days following the date of the occurrence of such damage ("Damage Date"). If Sublessee fails to so notify Sublessor within sixty (60) days of the Damage Date, Sublessor has the right to engage an independent appraiser to inspect such Car to determine the extent of such damage. Regardless of whether or not Sublessee has notified Sublessor of the damage pursuant to this Subsection, Sublessee shall remit to Sublessor an amount equal to the DV of such Car within thirty (30) days of receipt of an invoice from Sublessor.

G. Any agreement between Sublessee and any other party with respect to the Cars ("Third Party Agreement(s)") shall be null and void without Sublessor's prior written approval if such Third Party Agreement affects the revenues earned by the Cars.

H. Sublessor and Sublessee agree to cooperate with and to assist each other in any reasonable manner requested to establish and pursue proper claims against parties responsible for loss or destruction of, or damage to, the Cars, provided, however, that this shall not affect their respective obligations under this Section 7.

8. <u>Possession and Use</u>

A. So long as Sublessee shall not be in default under this Sublease, Sublessee shall be entitled to the possession, use and quiet enjoyment of the Cars in accordance with the terms of this

Sublease and in the manner and to the extent the Cars are customarily used in the railroad freight business as set forth in Subsection 8.C. However, Sublessee's rights shall be subject and subordinate to the rights of any owner or secured party under any financing agreement entered into by Itel Rail Corporation ("Itel Rail"), lessor, in connection with the acquisition of the Cars which are the subject of this Sublease. Accordingly, following notice to Sublessee from any such secured party or owner that an event of default has occurred at any time (including at a time prior to the effective date of this Sublease), and is continuing under such financing agreement, such party may require either or both that rentals and other sums due hereunder shall be paid directly to such party, and that the Cars immediately be returned to such party.

B. Sublessee agrees that to the extent it has physical possession and can control use of the Cars, the Cars shall at all times be used and operated under and in compliance with the laws of the jurisdiction in which the same are operated and in which the same may be located and in compliance with all lawful acts, rules and regulations and orders of any governmental bodies or officers having power to regulate or supervise the use of such property, except that either Sublessor or Sublessee may in good faith and by appropriate proceedings, contest the application of any such act, rule, regulation or order in any reasonable manner at the expense of the contesting party.

C. The use of the Cars shall be limited to use by a rail common carrier and the Cars shall always bear the reporting marks of a rail common carrier. Sublessee shall not remove Sublessee's railroad marks from any Car without the prior written consent of Sublessor. During the term of this Sublease, the Cars shall at all times be registered in the Official Railway Equipment Register and the UMLER.

D. Sublessee warrants that the Cars shall be utilized primarily for loading to destinations outside Canada and shall use its best efforts to minimize the use of the Cars within Canada whether on Sublessee's railroad line or on the lines of other railroad companies located in Canada, provided, however, that this obligation shall not diminish Sublessee's obligations under Subsection 3.B. Sublessee shall also use its best efforts to ensure that each Car remains outside Canada in excess of one hundred eighty (180) days per year.

E. Sublessee will not directly or indirectly create, incur, assume, or suffer to exist any mortgage, pledge, lien, charge, encumbrance, or other security interest or claim arising through it, on, or with respect to the Cars or any interest therein, or in this Sublease or Schedule thereto, except those created for the benefit of Itel Rail or any owner or secured party referred to in Subsection 8.A. hereinabove. Sublessee will promptly, at its expense, take such action as may be necessary to duly discharge

any such mortgage, pledge, lien, charge, encumbrance, security interest, or claim if the same shall arise at any time.

9. Default

A. The occurrence of any of the following events shall be an event of default:

(i) The nonpayment by Sublessee of any sum required herein to be paid by Sublessee within ten (10) days after the date any such payment is due;

(ii) The breach by Sublessee of any other term, covenant, or condition of this Sublease, which is not cured within ten (10) days thereafter;

(iii) The filing by or against the Sublessee of any petition or the initiation by or against the Sublessee of any proceeding: a) for any relief which includes, or might result in, any modification of the obligations of the Sublessee hereunder; or b) under any bankruptcy, reorganization, receivership, insolvency, moratorium or other laws relating to the relief of debtors, the readjustment of indebtedness, financial reorganization, arrangements with creditors, compositions of indebtedness, or extensions of indebtedness;

(iv) The subjection of any of Sublessee's property to any levy, seizure, assignment, application or sale for or by any creditor or governmental agency;

(v) Any action by Sublessee to discontinue rail service on all or a portion of its track or to abandon any of its rail properties that affect the revenues earned by the Cars.

B. Upon the occurrence of any event of default hereunder, without limiting Sublessor's rights and remedies otherwise provided by law which shall be available to Sublessor in addition to the following rights and remedies (no right or remedy of Sublessor being exclusive but all such rights and remedies being available at all times to Sublessor and Sublessor in any case being entitled to recover all costs, expenses and attorneys' fees incurred by Sublessor in enforcing its rights and remedies hereunder), Sublessor may, at its option, terminate this Sublease and/or may:

(i) Proceed by any lawful means to enforce performance by Sublessee of this Sublease or to recover damages for a breach hereof, and/or

(ii) By notice in writing to Sublessee, terminate Sublessee's right of possession and use of the Cars, whereupon all right and interest of Sublessee in the Cars shall terminate; and thereupon Sublessee shall, if directed by Sublessor, unload the Cars within a reasonable time from such direction and

deliver the Cars within thirty (30) days thereafter to Sublessor at an interchange point or points designated by Sublessor and Sublessor shall henceforth hold, possess and enjoy the same free from any right of Sublessee. Sublessor shall, in addition, have the right to recover from Sublessee any and all rental amounts which under the terms of this Sublease may then be due or which may have accrued to that date, together with Sublessor's costs and expenses, including reasonable attorneys' fees incurred in securing such enforcement hereof.

10. Expiration or Early Termination

A. Expiration

Upon the expiration of this Sublease pursuant to Section 2 hereof, or upon the early termination of this Sublease with respect to any Car, Sublessee shall promptly return such Car to Sublessor as follows:

(i) If some or all of the Cars are to be delivered to Sublessor at Sublessee's railroad tracks, Sublessee shall be responsible for any transportation costs incurred in moving such Cars to the Sublessee's railroad tracks subsequent to the time of expiration. Sublessee shall, at Sublessor's option, further provide Sublessor with up to ninety (90) days free storage on its railroad tracks for any expired or terminated Car in order for Sublessor to arrange for the disposal thereof, after which any storage shall be provided at Sublessee's customary rate.

(ii) Sublessee or a contractor chosen by Sublessee shall, at Sublessee's expense, remark the Cars to Sublessor's specifications and as set forth in Subsection 10.B. of this Sublease. Sublessee shall not remove Sublessee's railroad marks from any Car without the prior written consent of Sublessor. After remarking, Sublessee shall, at Sublessor's option, use its best efforts to load the Cars with freight and deliver them to a connecting carrier for shipment.

(iii) If some or all of the Cars are to be delivered to Sublessor at a location other than Sublessee's tracks, the cost of assembling, delivering, storing, and transporting each Car to such location shall be borne by Sublessor, unless this Sublease is terminated early due to the provisions of Section 9 hereof, in which case such cost shall be borne by Sublessee. Sublessee shall bear the expense of remarking such Cars.

B. Remarking, with respect to each Car, shall include the following: a) removal of existing mandatory markings of Sublessee; b) complete cleaning subsequent to the removal of markings as designated by Sublessor; c) application of reasonably designated new mandatory markings which are acceptable to Sublessee; and d)

any transportation involved in moving each Car to and from a suitable work area to perform the remarking set forth in this Section.

11. Indemnities

A. SUBLESSEE SHALL DEFEND, INDEMNIFY AND HOLD SUBLESSOR HARMLESS FROM AND AGAINST ANY LOSS, DAMAGE, DESTRUCTION OR LIABILITY WITH RESPECT TO THE CARS WHICH IS OCCASIONED BY THE FAULT OF SUBLESSEE, OR WHICH OCCURS WHILE THE CARS ARE IN SUBLESSEE'S POSSESSION OR CONTROL, OR IN THOSE INSTANCES IN WHICH THE INTERCHANGE RULES WOULD ASSIGN RESPONSIBILITY FOR SUCH LOSS, DAMAGE, DESTRUCTION, OR LIABILITY TO SUBLESSEE, PROVIDED, HOWEVER, WHEN SUBLESSOR'S EMPLOYEES AND/OR AGENTS ARE ON THE PREMISES OF SUBLESSEE TO INSPECT THE CARS OR RECORDS OF SUBLESSEE PURSUANT TO SUBSECTION 4.B.(i) OR SECTION 5 HEREOF, SUBLESSEE SHALL BEAR RESPONSIBILITY FOR ANY INJURY, INCLUDING INJURY RESULTING IN DEATH, TO SUCH PERSONS ONLY TO THE EXTENT THAT SUBLESSEE, ITS EMPLOYEES AND/OR AGENTS CAUSED OR CONTRIBUTE THERETO.

B. SUBJECT TO SUBSECTION 11.A., AND EXCEPT FOR THOSE CLAIMS, CAUSES OF ACTION, DAMAGES, LIABILITIES, COSTS OR EXPENSES FOR WHICH SUBLESSEE SHALL BE RESPONSIBLE AS SET FORTH IN THIS SUBLEASE, SUBLESSOR SHALL DEFEND, INDEMNIFY AND HOLD SUBLESSEE HARMLESS AGAINST ANY AND ALL LOSS, DAMAGE OR DESTRUCTION OF OR TO THE CARS, USUAL WEAR AND TEAR EXCEPTED, AND ANY CLAIM, CAUSE OF ACTION, DAMAGE, LIABILITY, COST OR EXPENSE WHICH MAY BE ASSERTED AGAINST SUBLESSEE WITH RESPECT TO THE CARS, INCLUDING USE, MAINTENANCE, REPAIR, REPLACEMENT OR OPERATION OF THE CARS OR THE CONDITION OF THE CARS (WHETHER DEFECTS, IF ANY, ARE LATENT OR ARE DISCOVERABLE BY SUBLESSOR OR SUBLESSEE).

12. Representations, Warranties, and Covenants

Sublessee represents, warrants and covenants that:

A. Sublessee is a corporation duly organized, validly existing and in good standing under the laws of Canada pursuant to which it is incorporated and, insofar as is material to Sublessor's rights under this Sublease, has the corporate power, authority and, is duly qualified and authorized to do business wherever necessary, to carry out its present business and operations and to own or hold under lease its properties and to perform its obligations under this Sublease.

B. The entering into and performance of this Sublease will not violate any judgment, order, law or regulation applicable to Sublessee, or result in any breach of, or constitute a default under, or result in the creation of any lien, charge, security interest or other encumbrance upon any assets of Sublessee or on the Cars pursuant to any instrument to which Sublessee is a party or by which it or its assets may be bound, except as provided in Section 8 hereinabove.

C. There is no action or proceeding pending or threatened against Sublessee before any court or administrative agency or other governmental body which might result in any material adverse effect on the business, properties and assets, or conditions, financial or otherwise, of Sublessee such that Sublessee's ability to perform its obligations hereunder would be materially and adversely affected.

D. There is no fact which Sublessee has not disclosed to Sublessor in writing, nor is Sublessee a party to any agreement or instrument or subject to any charter or other corporate restriction which, so far as the Sublessee can now reasonably foresee, will individually or in the aggregate materially adversely affect the business, condition or any material portion of the properties of the Sublessee or the ability of the Sublessee to perform its obligation under this Sublease.

13. Common Carrier

Sublessor represents, warrants and covenants that it is actively engaged in the operation of a railway as a common carrier under a certificate of operating authority granted by the United States Interstate Commerce Commission, as attested to in Exhibit B hereto.

14. Inspection

Sublessor shall have reasonable access to the physical inspection and examination of any Car located on Sublessee's lines to ensure Sublessee's compliance with its obligations hereunder upon Sublessor's prior written or telex notice to Sublessee's Chief Mechanical Officer or Chief of Transportation, depending upon the nature of the inspection, and Sublessor shall not unreasonably interfere with the movement of any Car as a result of such inspection. Sublessor shall, however, have the right to inspect any Car which is not located on Sublessee's lines without providing prior written notice to Sublessee.

15. Miscellaneous

A. This Sublease and the Schedules contemplated hereby shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, provided, however, that Sublessee may not without the prior written consent of Sublessor, assign this Sublease or any of its rights hereunder or sublease any Cars to any party, and any purported assignment or sublease in violation hereof shall be void.

B. Both parties agree to execute the documents contemplated by this transaction and such other documents as may be required in furtherance of any financing agreement entered into by Sublessor or its assignees in connection with the acquisition or financing or use of the Cars in order to confirm the financing parties' interest in and to the Cars, this Sublease and Schedules hereto and to confirm the subordination provisions contained in Section 8 of this Sublease.

C. It is expressly understood and agreed by the parties hereto that this Sublease constitutes a lease of the Cars only and no joint sale or venture or partnership is being created. Notwithstanding the calculation of rental payments, nothing herein shall be construed as conveying to Sublessee any right, title or interest in the Cars, except as a Sublessee only.

D. No failure or delay by Sublessor shall constitute a waiver or otherwise affect or impair any right, power or remedy available to Sublessor nor shall any waiver or indulgence by Sublessor or any partial or single exercise of any right, power, or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

E. This Sublease shall be governed by and construed according to the laws of the State of California.

F. Sublessee shall notify Sublessor as soon as is practicable of any accident connected with the malfunctioning or operation of the Cars, including in such report, where available, the time, place and nature of the accident and the damage caused.

G. Sublessee shall also notify Sublessor in writing within five (5) days after any attachment, tax lien or other judicial process shall attach to any Car.

H. Sublessee shall furnish to Sublessor promptly upon its becoming available, a copy of its annual report and, when requested, copies of any other income or balance sheet statements required to be submitted to any governmental authority.

I. All notices hereunder shall be in writing and shall be deemed given when delivered personally or when deposited in the United States or Canadian mail, postage prepaid, certified or registered, or when transmitted and received by telex, addressed to the president of the other party at the address set forth herein or at such other address as to which any party shall notify the other party.

J. The obligations and liabilities of Sublessor and Sublessee hereunder shall survive the expiration or earlier termination of this Sublease.

K. This Sublease represents the entire Sublease. This Sublease shall not be modified, altered, or amended, except by an agreement in writing signed by the parties.

IN WITNESS WHEREOF, the parties hereto have executed this Sublease as of the date first above written.

HARTFORD AND SLOCOMB RAILROAD COMPANY

By: G. F. Fuller III

Title: President

Date: November 26, 1986

CANADIAN PACIFIC LIMITED

By:

Title: President CP Rail

~~Date:~~ R. C. Leach

ASSISTANT SECRETARY

ACKNOWLEDGEMENT AND CONSENT BY ITEL RAIL CORPORATION

By: R. D. Hayes

Title: President

Date: November 19, 1986

OCT 14 1986

APPROVED AS TO FORM

JLB-CL

Asst. Solicitor.

EXHIBIT A

Running Repairs	Running Repairs Continued
Angle Cocks	Wheels
Air Hose	Yokes
Train Line	Knuckles/Pins
Operating Levers in Brackets	Slack Adjuster
Sill Steps	Couplers
Grab Irons	Draft Gears
Brake Shoes	Coupler Carriers
Brake Shoe Keys	Center Plates
Brake Connecting Pin	Cotter Keys
Brake Head Wear Plates	Roller Bearing Adapters
Air Brakes	Air Hose Supports
Hand Brakes	
Truck Springs	
Door Hardware	

EXHIBIT B

I, C. F. Fischer III, on behalf of Hartford and Slocomb Railroad Company, do hereby affirm that Hartford and Slocomb Railroad Company, an Alabama Corporation, has full corporate power and authority to operate as a rail common carrier as evidenced by Interstate Commerce Commission Finance Docket No. 18281 dated September 14, 1953.

Signed: C. F. Fischer III

Title: President

Date: September 10, 1986

STATE OF ALABAMA)
)ss.
COUNTY OF HOUSTON)

On this 10 day of September, 1986 before me the undersigned, a Notary Public for the State of Alabama, personally appeared C. F. Fischer III, proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument, and acknowledged that he executed it on this date.

Joan Thompson

STATE OF Alabama)
) ss:
COUNTY OF Houston)

On this 26 day of November, 1986, before me personally appeared C. F. Fischer III, to me personally known, who being by me duly sworn says that such person is President of Hartford and Slocomb Railroad Company, that the foregoing Sublease was signed today on behalf of said corporation by authority of its board of directors, and such person acknowledged today that the execution of the foregoing instrument was the free act and deed of said corporation.

Joan Thompson
Notary Public

PROVINCE OF QUEBEC)
) ss:
COUNTY OF HOCHELAGA)

On this 14th day of October, 1986, before me personally appeared R.E. Church, to me personally known, who being by me duly sworn says that such person is an Assistant Secretary of Canadian Pacific Limited, that the foregoing Sublease was signed today on behalf of said corporation by authority of its board of directors, and such person acknowledged today that the execution of the foregoing instrument was the free act and deed of said corporation.

Andrée Gravel notary
Notary Public

636:49893(17)

6

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

On this 19th day of November, 1986, before me personally appeared Desmond P. Hayes, to me personally known, who being by me duly sworn says that such person is President of Itel Rail Corporation, that the foregoing Sublease was signed today on behalf of said corporation by authority of its board of directors, and such person acknowledged today that the execution of the foregoing instrument was the free act and deed of said corporation.

OFFICIAL SEAL
GINNY E. HANGER
NOTARY PUBLIC - CALIFORNIA
CITY AND COUNTY OF SAN FRANCISCO
My Comm. Expires May 6, 1988

Ginny E. Hanger
Notary Public

636:49893(18)

EQUIPMENT SCHEDULE NO. 1

Hartford and Slocomb Railroad Company hereby leases the following Cars to Canadian Pacific Limited subject to the terms and conditions of that certain Sublease Agreement dated as of November 19, 1986.

A.A.R. Mech. Desig.	Description	Numbers	Length	Dimensions Inside Width	Height	Doors Width	No. of Cars
XM	50', 100-ton Plate C Boxcar, 15" end-of-car cushioning, nailable steel floors	QC 77198-77249	50'6"	9'6"	11'1"	12' Plug	52

For each Car listed on Equipment Schedule No. 1 the "Mileage Rate" is defined as $.069 per mile.

HARTFORD AND SLOCOMB RAILROAD COMPANY

By: C. F. Jordan II

Title: President

Date: November 26, 1986

CANADIAN PACIFIC LIMITED

By: [illegible]

Title: President CP Rail

~~Date:~~ [illegible]

ASSISTANT SECRETARY

ACKNOWLEDGMENT AND CONSENT BY ITEL RAIL CORPORATION

By: [illegible]

Title: President

Date: November 19, 1986

OCT 14 1986

APPROVED AS TO FORM

JL B.(L)

Corp. Solicitor

636:49893(19)

STATE OF Alabama)
) ss:
COUNTY OF Houston)

On this 26 day of November, 1986, before me personally appeared C. F. Fischer, III, to me personally known, who being by me duly sworn says that such person is President of Hartford and Slocomb Railroad Company, that the foregoing Equipment Schedule No. 1 was signed today on behalf of said corporation by authority of its board of directors, and such person acknowledged today that the execution of the foregoing instrument was the free act and deed of said corporation.

Joan Thompson
Notary Public

PROVINCE OF QUEBEC)
) ss:
COUNTY OF HOCHELAGA)

On this 14th day of October, 1986, before me personally appeared R.E. Church, to me personally known, who being by me duly sworn says that such person is an Assistant Secretary of Canadian Pacific Limited, that the foregoing Equipment Schedule No. 1 was signed today on behalf of said corporation by authority of its board of directors, and such person acknowledged today that the execution of the foregoing instrument was the free act and deed of said corporation.

Andrée Gravel notary
Notary Public

636:49893(20)

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

On this 19th day of November, 1986, before me personally appeared Desmond P. Hayes, to me personally known, who being by me duly sworn says that such person is President of Itel Rail Corporation, that the foregoing Equipment Schedule No. 1 was signed today on behalf of said corporation by authority of its board of directors, and such person acknowledged today that the execution of the foregoing instrument was the free act and deed of said corporation.

OFFICIAL SEAL
GINNY E. HANGER
NOTARY PUBLIC - CALIFORNIA
CITY AND COUNTY OF SAN FRANCISCO
My Comm. Expires May 6, 1988

Ginny E. Hanger
Notary Public

636:49893(21)