13172-B
RECORDATION NO. ..... Filed 1425
JUL 2 1981-1 30 PM
INTERSTATE COMMERCE COMMISSION

CRAVATH, SWAINE & MOORE
ONE CHASE MANHATTAN PLAZA
NEW YORK, N. Y. 10005
212 HANOVER 2-3000

TELEX
RCA 233663
WUI 125547
WUI 620976

CABLE ADDRESSES
CRAVATH, N. Y.
CRAVATH, PARIS
CRAVATH, LONDON E. C. 2

RALPH L. McAFEE
HENRY W. DeKOSMIAN
ALLEN F. MAULSBY
STEWARD R. BROSS, JR.
HENRY P. RIORDAN
JOHN R. HUPPER
SAMUEL C. BUTLER
WILLIAM J. SCHRENK, JR.
BENJAMIN F. CRANE
FRANCIS F. RANDOLPH, JR.
JOHN F. HUNT
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RICHARD S. SIMMONS
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ALAN J. HRUSKA
JOHN E. YOUNG
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DAVID G. ORMSBY
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RICHARD J. HIEGEL

CHRISTINE BESHAR
ROBERT S. RIFKIND
DAVID BOIES
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RICHARD M. ALLEN
THOMAS R. BROME
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ROBERT F. MULLEN
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MARTIN L. SENZEL
DOUGLAS D. BROADWATER
ALAN C. STEPHENSON
RICHARD L. HOFFMAN
JOSEPH A. MULLINS
MAX R. SHULMAN
WILLIAM P. DICKEY
STUART W. GOLD
JOHN W. WHITE
JOHN E. BEERS

COUNSEL
PAUL C. MOORE
CARLYLE E. MAW

RUSSELL L. GILPATRIC
ALBERT R. CONNELLY
L. R. BRESLIN, JR.
GEORGE B. TURNER
FRANK H. DETWEILER
GEORGE G. TYLER
JOHN H. MORSE
HAROLD R. MEDINA, JR.
CHARLES R. LINTON
WILLIAM B. MARSHALL
ROYALL VICTOR
ALLEN H. MERRILL

4, PLACE DE LA CONCORDE
75008 PARIS, FRANCE
TELEPHONE: 265-81-54
TELEX: 290530

33 THROGMORTON STREET
LONDON, EC2N 2BR, ENGLAND
TELEPHONE 1-606-1421
TELEX: 8814901

June 30,1981

Seaboard Coast Line Railroad Company
Reconstruction and Conditional Sale
Financing Dated as of May 25, 1981
Conditional Sale Financing Due February 1, 1992(RC)

Dear Sir:

Pursuant to 49 U.S.C. § 11303(a), I enclose herewith on behalf of Seaboard Coast Line Railroad Company, for filing and recordation, counterparts of the following:

(1) Reconstruction and Conditional Sale Agreement dated as of May 25, 1981, among First Security Bank of Utah, N.A., as Agent, Seaboard Coast Line Railroad Company, as Builder, and First Security State Bank, as Vendee;

(2) Transfer Agreement dated as of May 25, 1981, between First Security Bank of Utah, N.A., as Agent, and First Security State Bank, as Vendee;

(3)(a)Lease of Railroad Equipment dated as of May 25, 1981, between Seaboard Coast Line Railroad Company, as Lessee, and First Security State Bank, as Vendee;

(b) Assignment of Lease and Agreement dated as of May 25, 1981, between First Security State Bank, as Vendee, and First Security Bank of Utah, N.A., as Agent, and

(4) Hulk Purchase Agreement dated as of May 25, 1981, between Seaboard Coast Line Railroad Company, as Seller, and First Security State Bank, as Buyer.

Tha names and addresses of the parties to the aforementioned agreements are:

Lessee-Builder-Seller:

Seaboard Coast Line Railroad Company
500 Water Street
Jacksonville, Florida 32202.

Trustee-Vendee-Lessor-Buyer:

First Security State Bank
79 South Main Street
Salt Lake City, Utah 84111.

Agent-Vendor:

First Security Bank of Utah, N.A.,
79 South Main Street
Salt Lake City, Utah 84111.

Please file and record the documents referred to in this letter and index them under the names of the Lessee-Builder-Seller, the Trustee-Vendee-Lessor-Buyer, and the Agent-Vendor.

The Hulks covered by the Transfer Agreement and the Hulk Purchase Agreement are listed in Exhibit A attached hereto. The reconstructed railroad equipment covered by the Reconstruction and Conditional Sale Agreement and the Lease are listed in Exhibit B attached hereto. The reconstructed railroad equipment bear the legend "OWENERSHIP SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION".

Enclosed is our check for $200 for the required recordation fee. Please accept for recordation one counterpart of each of the enclosed agreements, stamp the remaining counterparts with your recordation number and return them to the delivering messenger along with your fee receipt, addressed to the undersigned.

Very truly yours,

Robert A. Kindler
As Agent for Seaboard Coast Line
Railroad Company

Ms. Agatha L. Mergenovich, Secretary,
Interstate Commerce Commission,
Washington, D. C. 20423

Encls.

See -F for #s

13172-P
RECORDATION NO. ..... Filed 1425

JUL 2 1981 - 1 30 PM

INTERSTATE COMMERCE COMMISSION

[CS&M Ref. 2044-139]

LEASE OF RAILROAD EQUIPMENT

Dated as of May 25, 1981

Between

SEABOARD COAST LINE RAILROAD COMPANY,
as Lessee,

and

FIRST SECURITY STATE BANK,
not in its individual capacity but solely as Trustee,

Lessor.

The rights and interests of the Lessor under this Lease are subject to a security interest in favor of First Security Bank of Utah, N.A., as Agent for certain institutional investors. The original of this Lease is held by said Agent.

RC

LEASE OF RAILROAD EQUIPMENT

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LEASE OF RAILROAD EQUIPMENT, dated as of May 25, 1981, between SEABOARD COAST LINE RAILROAD COMPANY, a Virginia corporation (the "Lessee") and FIRST SECURITY STATE BANK, a Utah banking corporation, not in its individual capacity but solely as trustee (the "Lessor") under a trust agreement dated as of the date hereof (the "Trust Agreement") with Transamerica Equipment Leasing Company, Inc. and Commercial National Bank in Shreveport (the "Owners").

The Lessee and the Lessor are entering into a Reconstruction and Conditional Sale Agreement dated as of the date hereof (the "RCSA") with FIRST SECURITY BANK OF UTAH, N.A., not in its individual capacity but solely as Agent (said bank as so acting, being hereinafter, together with its successors and assigns, called the "Vendor"), under a Participation Agreement dated as of the date hereof (the "Participation Agreement") with the Lessor, the Lessee, the Owners and the party named in Schedule A thereto (such party, together with its successors and assigns, including any purchaser pursuant to Paragraph 14A thereof being hereinafter called the "Investors"), wherein the Vendor has agreed to transfer to the Lessor its interest in the railroad equipment described in Schedule A thereto (the "Equipment") after it has been reconstructed (pursuant to the terms of the RCSA) from the hulks (the "Hulks") delivered to the Lessor pursuant to a Hulk Purchase Agreement dated as of the date hereof (the "Hulk Purchase Agreement") between the Lessor and the Lessee.

The Lessee desires to lease all the units of the Equipment as are delivered, accepted and settled for under the RCSA (the "Units"). The Lessor will assign certain rights in this Lease for security to the Vendor pursuant to an Assignment of Lease and Agreement dated as of the date hereof (the "Lease Assignment") and the Lessee will consent thereto pursuant to the Consent and Agreement attached to the Lease Assignment (the "Consent").

In consideration of the agreements hereinafter set forth, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions, but subject to all the rights and remedies of the Vendor under the RCSA:

SECTION 1. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units under the RCSA. The Lessor will cause each Unit to be tendered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under the RCSA. Upon such tender, the Lessee will cause an authorized representative of the Lessee to inspect the same, and if such Unit is found to be in good order, to accept delivery of such Unit and execute and deliver to the Lessor a certificate of acceptance and delivery (the "Certificate of Acceptance"), whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

SECTION 2. Rental. The Lessee agrees to pay to the Lessor, as rental for each Unit subject to this Lease, 20 consecutive semiannual payments in arrears on February 1 and August 1 of each year commencing August 1, 1982. The semiannual rental payments shall be an amount equal to the sum of (a) the product of the Purchase Price (as defined in the RCSA) of each Unit then subject to this Lease and the percentage set forth in Schedule C to this Lease opposite each rental payment date and (b) the Variable Rental Amount (defined below). The foregoing rental rates and the Casualty Value percentages set forth in Schedule B hereto have been calculated on the assumption that (i) the Units will be delivered and accepted on or prior to December 31, 1981, (ii) the Reconstruction Cost (as defined in the RCSA) of the Units will equal the estimated Reconstruction Cost set forth in Schedule A to the RCSA and (iii) the Closing Date (as defined in the RCSA) of all the Units will be on the date set forth in Schedule B to the RCSA. If for any reason any of the above assumptions shall not be true and accurate, the Lessor and the Lessee agree that the rentals payable hereunder and the Casualty Value percentages set forth in Schedule B hereto will be adjusted, if necessary in the Owners' opinion (or if necessary because the Units were not subject to this Lease until after December 31, 1981), in order that the Owners' net after-tax return on and rate of recovery of investment and annual net cash flows (computed on the same assumptions, including, without limita-

tion, tax rates, as were utilized by the Owners in establishing the lease rentals and Casualty Value percentages for this transaction) will not be increased or decreased by reason thereof. The amount of such increase or decrease shall be determined by the Owners, which determination shall be conclusive and binding on the Lessee if the Owners shall certify in writing to the Lessee that such increase or decrease was determined in good faith compliance with the immediately preceding sentence. The rentals payable hereunder and the Casualty Value percentages are also subject to adjustment as provided in the fifth paragraph of Article 3 of the RCSA, Paragraph 14A of the Participation Agreement and the Indemnity Agreement. The Lessor and the Lessee agree to execute an addendum to this Lease to reflect each such adjustment; provided that such adjustment shall be effective for all purposes of this Lease regardless of whether such addendum is actually executed and delivered. Notwithstanding any other provision in this Lease, the Participation Agreement, the RCSA or the Indemnity Agreement, the rentals and Casualty Value percentages, as so adjusted (including any adjustment to the Fixed Rental Amount resulting from a positive or negative Variable Rental Amount (as hereinafter defined)), shall be sufficient to satisfy the obligations of the Lessor under the RCSA, notwithstanding any limitation of liability contained therein.

"Variable Rental Amount" shall mean, for any semiannual rental payment date, (i) the amount of interest on the outstanding CSA Indebtedness due and payable on such date, less (ii) the amount of interest which would have accrued on the outstanding CSA Indebtedness during the semiannual period preceding such semiannual rental payment date and which would have been due and payable on such date if the outstanding CSA Indebtedness had borne interest payable annually at a rate per annum equal to 14.25% (computed on the basis of a 360-day year consisting of 12 30-day months). The Variable Rental Amount may be positive, negative or zero.

If any of the rental payment dates referred to above is not a business day the rental payment otherwise payable on such date shall be payable on the next succeeding business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in San Francisco, California, Shreveport, Louisiana, Jacksonville, Florida, Salt Lake City, Utah or New York, New York, are authorized or

obligated to remain closed.

This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due to, or by reason of, any past, present or future claims of the Lessee against the Lessor under this Lease or under the RCSA, or the Owners or the Vendor or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or failure of title of the Lessor to any of the Units 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 Lessee's use of all or any of the Units, the taking or requisitioning of any of the Units by condemnation or otherwise, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency, bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever. All payments under the Lease shall be made by bank wire transfer of Federal or other funds immediately available at, and not later than 10:00 a.m. local time, in the city where such payments are due.

SECTION 3. Term of Lease. The term of this Lease as to each Unit shall begin on the date of the

delivery to and acceptance by the Lessee of such Unit and, subject to the provisions of Sections 6, 9 and 12 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due hereunder; provided, however, all the obligations of the Lessee, except for the payment of rent and the furnishing of annual reports, shall continue until surrender of the Units in accordance with Section 13 hereof. Nothing in this paragraph shall be deemed to terminate any obligation or provision of this Lease which by its terms is stated to survive the final payment of rent due hereunder.

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

SECTION 4. Identification Marks. The Lessee, so long as this Lease shall remain in effect, will cause each Unit to be kept numbered with the road number set forth in Schedule A hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of such Unit, in letters not less than one inch in height, the words "Ownership Subject to a Security Agreement Filed with the Interstate Commerce Commission" or other appropriate markings designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect Lessor's and Vendor's title to and property in such Unit and the rights of the Lessor under this Lease and of the Vendor under the RCSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such legend shall have been so marked on both sides thereof and will replace promptly any such legend which may be removed, obliterated, defaced or destroyed. The Lessee will not change the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and filed by the Lessee in all public offices where this Lease and the RCSA shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to that effect and to the further effect that such filing, recordation and deposit will protect the Vendor's and the

Lessor's interests in such Units and that no filing, recording, depositing or giving of notice with or to any other Federal, state or local government or agency thereof is necessary to protect the interests of the Vendor and the Lessor in such Units.

Except as above provided, the Lessee, so long as this Lease shall remain in effect, will not allow the name of any person, association or corporation to be placed on the Units as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Units to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on railroad equipment used by them of the same or a similar type for convenience of identification of their rights to use the Units as permitted under this Lease.

SECTION 5. Impositions. All payments to be made by the Lessee hereunder, will be free of all withholding or expense of any nature whatsoever to the Lessor, the Owners, the Vendor, the Investors (as defined in the Participation Agreement) (including their respective successors, assigns, agents and servants) and the Trust Estate (as defined in the Trust Agreement), for, and the Lessee shall pay and shall indemnify and hold harmless the Lessor, the Owners, the Vendor, the Investors (including their respective successors, assigns, agents and servants) and the Trust Estate, from and against all collection charges, all license and registration fees and all taxes, including without limitation, income, sales, use, personal property, stamp, interest equalization, withholding and other taxes, levies, imposts, duties, charges, or withholdings of any nature, together with any penalties, fines or interest thereon (all such collection charges, fees, taxes, levies, imposts, duties, charges, withholdings, penalties, fines and interest being hereinafter called collectively "Impositions"), imposed against the Lessor, the Owners, the Vendor, the Investors (including their respective successors, assigns, agents and servants) the Trust Estate, the Lessee or any Unit or any part thereof by any Federal, state or local government or taxing authority of or in the United States of America, or by any taxing authority or governmental subdivision of a foreign country, upon or with respect to any Unit or any part thereof, or upon or with respect to the purchase, ownership, delivery, leasing, rental payment, shipment, possession, use, operation, sale, return, transfer of title, or other disposition thereof, or upon the

rentals, receipts or earnings arising therefrom, or upon the proceeds received with respect thereto, or upon or with respect to this Lease, the Participation Agreement, the Trust Agreement, the Hulk Purchase Agreement, the RCSA, the Transfer Agreement, the Lease Assignment or the CSA Indebtedness (or any amendment, consent, waiver or modification of any thereof); excluding, however:

(i) United States Federal income taxes payable by the Owners in consequence of the receipt of payments provided for herein and, to the extent that the Owners receive credit therefor against their United States Federal income tax liability, any foreign income taxes payable by the Owners; provided, however, that all other foreign taxes of the Owners for the same period which qualify for such credit are first allowed and utilized;

(ii) the aggregate of all state or local taxes payable by the Owners measured by net income based on such receipts, up to the amount of any such taxes which would be payable to the state and city in which the Owners have their respective principal places of business (determined without apportionment to any other state);

(iii) any taxes on or measured by any fees or other compensation received by the Lessor or the Vendor for services rendered in connection with the transactions contemplated hereby; or

(iv) any United States Federal, state or local taxes, or other charges on or with respect to the investment in or transfer of the CSA Indebtedness or the revenues, receipts, or earnings therefrom for which any Investor is liable;

except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided. The Lessee will also pay promptly all Impositions which may be imposed upon any Unit or any part thereof or for the use or operation thereof or upon the earnings arising therefrom or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all Impositions which might in any way affect the title of the Lessor or result in a lien upon any such Unit. The Lessee need not pay any Imposition to the extent

that and while it is being contested by the Lessee in good faith and by appropriate proceedings and so long as such proceedings or the nonpayment of such Imposition does not, in the opinion of the Owners and the Vendor involve (A) any danger of the sale, forfeiture or loss of any Unit or any interest therein, (B) any material adverse change in the title, property or rights of the Lessor in or to the Units hereunder or of Vendor under the RCSA, (C) any assessment or penalty against any party which is indemnified by this Section 5, (D) any interference with the due payment by the Lessee of rentals hereunder or the application of such rentals under the Lease Assignment or (E) any danger of criminal liability or of other liability for which no indemnification is provided hereunder being imposed against the Lessor, the Owners, the Vendor, the Trust Estate, any Investor, or the agents or servants of any of them. If any Imposition shall have been charged or levied against the Lessor, the Owners, the Vendor or the Investors (including their respective successors, assigns, agents and servants) or the Trust Estate directly, the Lessee shall be advised promptly and shall be given an opportunity to contest such Imposition before the Imposition is paid by the Lessor, the Owners, the Vendor, the Investors or the Trust Estate, and if, after such notice is given and such opportunity is provided, the Lessor, the Owners, the Vendor, the Investors or the Trust Estate shall pay such Imposition, the Lessee shall reimburse such person, plus interest at the rate of 14.25% per annum (computed on the basis of a 360-day year of 12 30-day months) from the date of payment to the date of reimbursement, upon presentation of an invoice therefor. The Lessee further agrees that it will promptly pay to the Lessor, the Owners, the Vendor, the Investors (including their respective successors, assigns, agents and servants) or the Trust Estate, as the case may be, an amount which, after deduction of any taxes required to be paid by such person in respect of the receipt thereof, shall be equal to any additional tax payable by such person attributable to the inclusion in such person's income of any payment or reimbursement made or payable by the Lessee under this Section 5; provided, however, that such payment shall be reduced by an amount equal to any reduction in taxes resulting from the deduction by such person of the liability or payments with respect to which such payment or reimbursement is made or paid by the Lessee.

All amounts payable by the Lessee pursuant to this Section 5 shall be payable, to the extent not theretofore

paid, on written demand by the party entitled to indemnification; and all the indemnities contained in this Section 5 shall continue in full force and effect notwithstanding the expiration or other termination of this Lease and are expressly made for the benefit of, and shall be enforceable by the Lessor, the Owners, the Trust Estate, the Vendor and the Investors.

The parties hereto acknowledge that the Units become a part of the mass of property used by the Lessee in its operations as a common carrier by rail. Consequently, the parties agree that the Lessee shall include the Units in the ad valorem tax returns to be filed by the Lessee in the applicable states or localities and that neither the Vendor nor the Vendee shall include the Units in any ad valorem tax returns filed by them in such states or localities.

In the event any reports with respect to Impositions are required to be made, the Lessee will either make such reports in such manner as to show the ownership of the Lessor and the security interest of the Vendor in the Units or notify the Owners, the Lessor and the Vendor of such requirement and make such reports in such manner as shall be satisfactory to the Owners, the Lessor and the Vendor.

In the event the Lessee may be prohibited by law or impaired from contesting in its own name any Imposition covered by this Section 5 in respect of which the Lessee would otherwise be required to make payments to the Owners or the Lessor pursuant hereto, the Owners or the Lessor shall, upon request and at the expense of the Lessee, take all legal and other appropriate action reasonably requested by the Lessee to contest such Imposition. The Owners or the Lessor shall not be obligated to take any such legal or other appropriate action unless the Lessee shall first have indemnified the Lessor and the Owners in a manner satisfactory to the Lessor and the Owners, for all liabilities and expenses which may be entailed therein. Further, the Lessee shall indemnify and hold the Owners and the Lessor harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action taken by the Owners, the Lessor or the Lessee under this Section 5. The Lessee shall be entitled to any refund received by the Owners, the Lessor or the Lessee in respect of any Imposition paid by the Lessee, provided no Event of Default or other event which, with notice, demand and/or lapse of time, would

constitute such an Event of Default shall have occurred and be continuing.

SECTION 6. Maintenance; Payment for Casualty Occurrences; Insurance. The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit which is subject to this Lease in good operating order, repair and condition ordinary wear and tear excepted.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed or, in the opinion of the Lessee, irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise by the United States Government for a period which shall exceed the then remaining term of this Lease or by any other governmental entity resulting in loss of possession by the Lessee for the lesser of a period of 90 consecutive days or a period which shall exceed the then remaining term of this Lease (each such occurrence being hereinafter called a "Casualty Occurrence") prior to the return of such Unit in the manner set forth in Section 13 hereof, the Lessee shall, within 30 days after it shall have determined that such Unit has suffered a Casualty Occurrence, fully notify the Lessor and the Vendor in writing with respect thereto. Notwithstanding any such Casualty Occurrence, the Lessee shall continue making all payments provided for in this Lease in respect of such Unit until the Casualty Payment Date (as hereinafter defined) listed in Table 1 of Schedule B hereto next succeeding such notice. On February 1, 1982, or the next rental payment date, as the case may be ("Casualty Payment Date"), the Lessee shall pay to the Lessor the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with Schedule B hereto, plus the rental payment or payments in respect of such Unit then due and payable. Upon the making of all such payments by the Lessee in respect of any Unit, the rental for such Unit shall thereafter cease to accrue, 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. The Lessor hereby appoints the Lessee its agent, to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable under the circumstances on an "as is, where is, and with all faults" basis in accordance with the Lessee's normal procedures. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the net proceeds

of such sale after deductions of any cost or expense incurred in disposing of such Unit to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

Subject to adjustment pursuant to the provisions of Section 2 and the Indemnity Agreement, the Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be an amount equal to the sum of (a) that percentage of the Purchase Price of such Unit as is set forth in Table 1 of Schedule B hereto opposite such date with respect to such Unit plus (b) that percentage, if any, of the Reconstruction Cost thereof as set forth in Table 2 of said Schedule B with respect to such Unit.

Whenever any Unit shall suffer a Casualty Occurrence at the end of the term of this Lease or after termination of this Lease and before such Unit shall have been returned in the manner provided in Section 13 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit set forth in Schedule B hereto as of the rental payment date immediately preceding such termination. Upon the making of any such payment by the Lessee in respect of any Unit (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. The Lessor hereby appoints the Lessee its agent, to dispose of any Unit suffering such Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is, and with all faults" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

Except as hereinabove in this Section 6 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the responsibility for and risk of, any Casualty Occurrence to any Unit after delivery to and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times while this Lease is in effect, at its own expense, cause to be carried and maintained types and amounts of insurance in respect of the Units at the time subject hereto and the use and operation thereof, including, without limitation, property insurance

and public liability insurance, in such amounts and for such risks and with such insurance companies as are at least comparable to insurance coverage carried by the Lessee in respect of similar equipment owned or leased by it; provided, however, that, in respect of property insurance, the Lessee may self-insure any Unit to the extent that it self-insures similar equipment owned by it. The Lessee hereby assigns and transfers to the Lessor, the Owners and the Vendor, as their interests may appear, all right, title, and interest in and to any insurance proceeds paid under any policy of insurance to the extent such proceeds relate to the Units or the use and operation thereof as aforesaid; provided, however, if the Lessee fully complies with all the provisions of this Section 6 and the penultimate paragraph of Section 9 hereof in respect of the risk insured against as to which such proceeds are paid and, if there is no Event of Default under Section 9 hereof, the Lessee shall be entitled to retain all such proceeds. Lessee will furnish to the Lessor, the Owners and the Vendor on request a statement of its insurance coverage and furnish to the Lessor, the Owners and the Vendor 30 days' prior written notice of any substantial change in such coverage; provided, however, that if it is not practicable for the Lessee to have knowledge of a material change or cancelation of insurance at least 30 days prior to the occurrence thereof, the Lessee shall give the Lessor and the Vendor written notice as soon as the Lessee learns of such change or cancelation.

Nothing in this Section 6 shall prohibit the Lessor, the Vendor or the Owners from maintaining at its expense, additional insurance for its own account with respect to the Units.

SECTION 7. Annual Reports. On or before March 31 in each year, commencing with the calendar year 1982, the Lessee will cause to be furnished to the Lessor, the Owners and the Vendor (at the addresses shown in Section 16 hereof) an accurate statement, as of the preceding December 31, showing the amount, description and numbers of the Units (a) then leased hereunder and/or covered by the RCSA, (b) that have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Lease in the case of the first such statement) and (c) then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs and setting forth such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may rea-

sonably request, and stating that, in the case of all Units repainted or repaired during the period covered by such statement, the markings required by Section 4 hereof shall have been preserved or replaced. The Lessor, the Owners and the Vendor shall have the right at their sole cost, risk and expense, by their authorized representatives, to inspect the Units and the Lessee's records with respect thereto (including those relating to any use of the Units outside the United States) at such reasonable times as the Lessor, the Owners or the Vendor may request during the continuance of this Lease.

SECTION 8. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR AND THE OWNERS MAKE NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR AND THE OWNERS MAKE NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE, OR OTHERWISE, it being agreed that all such risks, as between the Lessor, the Owners and the Lessee, are to be borne by the Lessee. The Lessor and the Owners shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation, or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee, the Owners and the Lessor that all 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 Owners based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor, the Owners and the Vendor, to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the

jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units (the "Applicable Laws"), and in the event that, prior to the expiration of this Lease or any renewal thereof and the return of all Units as provided in Section 10 or 13 hereof, such laws or rules require any alteration, replacement, addition or modification of or to any part of any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any Applicable Law in any reasonable manner which does not, in the advance opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or the Vendor, respectively, under this Lease or the RCSA. So long as no Event of Default shall have occurred and be continuing the Lessee, at its own cost and expense, may furnish additions, modifications and improvements to any Unit during the term of this Lease provided that such additions, modifications and improvements (a) are readily removable without causing material damage to such Unit and (b) do not diminish its utility or value. The additions, modifications and improvements made by the Lessee under the first sentence of this paragraph shall be owned by the Lessor, and the additions, modifications and improvements made by the Lessee under the second sentence of this paragraph shall (unless any such addition, modification or improvement is a replacement of or substitution for, any part originally incorporated or installed in or attached to a Unit or any part in replacement of or substitution for any such original part) be owned by the Lessee.

The Lessee agrees to indemnify, protect and hold harmless the Lessor (individually and in its fiduciary capacity), the Owners, the Vendor and the Investors from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as a result of (i) the entering into or the performance of the RCSA, the Participation Agreement, the Documents (as defined in the Participation Agreement), the Hulk Purchase Agreement, or

this Lease, or any of the instruments or agreements referred to therein or herein or contemplated thereby or hereby, (ii) the ownership of any Hulk or any Unit, (iii) the ordering, acquisition, use, operation, maintenance, condition, reconstruction, purchase, delivery, rejection, storage or return of any Hulk or any Unit, (iv) any accident in connection with the operation, use, condition, reconstruction, possession, storage or return of any Hulk or any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in Section 13 of this Lease, including without limitation any claim based upon the doctrines of product liability or strict or absolute liability in tort or by statute imposed, or (v) the transfer of title to the Equipment by the Vendor pursuant to any provision of the RCSA. The Lessor agrees to give the Lessee, promptly upon obtaining knowledge thereof, written notice of any claim or liability to be indemnified against hereunder. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the delivery of the Equipment or the full payment and performance of all obligations under this Lease and the Hulk Purchase Agreement or the expiration or termination of the term of this Lease and/or the Hulk Purchase Agreement; provided, however, that the foregoing indemnification shall not apply to any failure of payment of any of the principal of or interest on the CSA Indebtedness. Nothing in this Section 8 shall constitute a guarantee by the Lessee of the CSA Indebtedness of the Lessor under the RCSA or a guarantee of the residual value of any Unit.

The Lessee agrees to prepare and deliver to the Lessor 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 Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units or the leasing thereof to the Lessee.

SECTION 9. Default. If, during the continuance of this Lease, one or more of the following events (an "Event of Default") shall occur:

A. default shall be made in the payment of any amount provided for in Section 2, 5, 6, 8 or 12 hereof and such default shall continue for 10 days;

B. the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest therein, or of the right to possession of the Units, or any thereof;

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 Participation Agreement and such default shall continue for 30 days after written notice from the Lessor or the Vendor to the Lessee (and the Lessor, if such notice is given by the Vendor) specifying the default and demanding that the same be remedied;

D. a petition for reorganization under Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease, the RCSA and the Consent 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 expenses of administration and obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed and otherwise in accordance with the provisions of 11 U.S.C. § 1168, or any successor provision, as the same may hereafter be amended; or

E. any other proceedings 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 or under the Participation Agreement, the RCSA, or the Consent, under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder or under the Participation Agreement, the RCSA,

or the Consent), and, 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), all the obligations of the Lessee under this Lease and under the Participation Agreement, the RCSA, and the Consent 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 expenses of administration and obligations incurred by such a trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced; or

F. an event of default set forth in Article 11 of the RCSA shall have occurred arising out of any default by the Lessee in performing any of its obligations hereunder or under the Participation Agreement, the RCSA, or the Consent and shall not have been cured as provided for therein; or

G. any of the Lessee's representations or warranties made herein, in the Participation Agreement, the RCSA or the Hulk Purchase Agreement or any statement or certificate at any time given in writing pursuant hereto or in connection herewith shall be breached or found to be false or misleading in any material respect;

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

(a) proceed by appropriate court action, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof, including amounts sufficient to restore the Owners to the same after-tax rate of return and after-tax cash position (after considering the effect of the receipt of such damages and amounts on their United States Federal income tax and state and local taxes or franchise taxes based on net income) that the Owners would have realized or would have been in had such breach not occurred;

(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, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental 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 the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit (as is, where is) during such period, such present value to be computed in each case on the basis of a 10% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated; or (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 reasonably estimates to be the sales value of such Unit (as is, where is) at such time; provided, however, that in the event the Lessor shall have sold 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 the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the rental payment date on or next preceding the date of termination over the net proceeds of such sale.

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 Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

Should the Lessee fail to make any payment or to do any act as provided by this Lease, then the Lessor shall have the right (but not the obligation), without notice to the Lessee of its intention to do so and without releasing the Lessee from any obligation hereunder to make or to do the same, to make advances to preserve the Equipment or the Lessor's title thereto, and to pay, purchase, contest or compromise any insurance premium, encumbrance, charge, tax, lien or other sum which in the judgment of the Lessor appears to affect the Equipment, and in exercising any such rights, the Lessor may insure any liability and expend whatever amounts in its absolute discretion it may deem necessary therefor. All sums so incurred or expended by the Lessor shall be due and payable by the Lessee within ten (10) days of notice thereof.

The remedies in this Lease provided in favor of the Lessor 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 mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make rental payments regardless of any offset

or claim which may be asserted by the Lessee or on its behalf.

The failure of the Lessor 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.

SECTION 10. Return of Units upon Default. If this Lease shall terminate pursuant to Section 9 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted. 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 and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units so interchanged) place such Units upon such storage tracks of the Lessee as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee 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 same to any place on the lines of any railroad operated by it or any of its affiliates or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own cost and expense, insure, maintain

and keep the Equipment in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence.

The Lessee hereby waives any and all claims against the Vendor or the Lessor and their agents for damages of whatever nature in connection with any retaking of the Units in any reasonable manner.

All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which the greater of (i) .045037% of the Purchase Price of such Unit or (ii) the per diem interchange rate for such Unit for each such day, exceeds the actual earnings received by the Lessor on such Unit for each such day. Nothing contemplated by this paragraph, including the payment by the Lessee of any amounts pursuant hereto shall be deemed to relieve the Lessee of its obligation to assemble, deliver and store the Units or affect the Lessor's rights and remedies with respect to such obligation.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 10, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney-in-fact 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 whomsoever shall be in possession of such Unit at the time.

SECTION 11. 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

except upon written notice of such assignment from the Lessor. The rights of the Lessor hereunder (including the rights to receive the rentals payable under this Lease) shall inure to the benefit of the Vendor as assignee under the Assignment in the manner and to the extent therein provided.

So long as the Lessee shall not be in default under this Lease and no event of default exists under the RCSA, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease but, without the prior written consent of the Lessor and the Vendor, the Lessee shall not assign or transfer its leasehold interest under this Lease in any of the Units or sublease any of the Units, except to the extent permitted by the provisions of the next succeeding paragraph hereof; and any such assignment or transfer without said consent shall be void. The Lessee, at its own expense, will promptly discharge or cause to be duly discharged any and all sums claimed by any party which if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance which the Lessor or the Owners are obligated to discharge pursuant to Paragraphs 18A and 18B of the Participation Agreement), upon or with respect to any Unit or the interest of the Lessor, the Vendor or the Lessee therein, and will promptly discharge any such lien, charge, security interest or other encumbrance which arises. The Lessee shall not, without the prior written consent of the Lessor and the Vendor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the next succeeding paragraph hereof.

Subject to the terms of this Lease, the Lessee shall be entitled to the possession of the Units and to the use thereof by it or any affiliate upon lines of railroad owned or operated by it or any such affiliate or upon the lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is regularly operated pursuant to contract, and also to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic and equipment, but only upon and subject to all the terms and conditions of this Lease, including the last paragraph of this Section 11, and the RCSA. The Lessee may receive and retain compensation from other railroads so using any of

the Units.

Nothing in this Section 11 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 corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the railroad properties 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.

The Lessee agrees that during the term of this Lease, it will not assign any Unit to service involving the regular operation and maintenance thereof outside the United States of America.

Section 12. Renewal Option; Right of First Refusal. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may elect (which election shall be irrevocable), by written notice delivered to the Lessor not less than 180 days prior to the end of the original term or any extended term of this Lease, as the case may be, to extend the term of this Lease with respect to all, but not fewer than all, the Units then covered by this Lease (A) for 1 or 2 additional one-year periods commencing on the scheduled expiration of the original term or extended term of this Lease, as the case may be, at a semiannual rental payable in arrears in semiannual payments on August 1 and February 1 in such renewal year, in an amount equal to 50% of the average Fixed Rental Amounts in respect of such Unit during the original term of this Lease (the "First Extended Terms") and (B) after the First Extended Terms, to extend the term of this Lease in respect of all, but not fewer than all, the Units covered by this Lease for 1 or 2 additional two-year periods commencing on the scheduled expiration of the First Extended Terms or the next extended term of this Lease, as the case may be, provided that the Lessee may not so elect to extend the term of this Lease for more than two such additional extended terms after the First Extended Terms, at a semiannual rental payable in arrears in semiannual payments, in an amount equal to the "Fair Market Rental" of such Units as of the commencement of such extended term, such rental payments to be made on February 1 and August 1 in each year of the applicable extended term.

Fair Market Rental shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease and, in such determination, (i) it shall

be assumed that the Units are in the condition and repair in which they are required to be maintained pursuant to this Lease and that they are free and clear of all liens, claims and encumbrances, (ii) the value of the additions, modifications and improvements as to which Lessee retains title pursuant to Section 8 shall not be included and (iii) costs of removal from the location of current use shall not be a deduction from such value. If, within two months following receipt of the notice required by the preceding paragraph, Lessor and Lessee are unable to agree upon a determination of the Fair Market Rental of the relevant Units, such rental shall be determined in accordance with the foregoing definition by a qualified independent Appraiser as hereinafter defined. The term "Appraiser" shall mean such independent Appraiser as Lessor may select with the approval of Lessee, or, failing such approved selection, a panel of three independent Appraisers, one of whom shall be selected by Lessor, the second by Lessee and the third designated by the first two so selected; and if the Appraisers selected by Lessor and Lessee are unable to agree upon such third Appraiser, either Lessor or Lessee may apply to any court of competent jurisdiction to select such third Appraiser. The Appraiser shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to Lessor and Lessee. The determination so made shall be conclusively binding upon both Lessor and Lessee. The expenses and fees of the Appraiser shall be paid by Lessee.

Unless this Lease has been terminated under Section 10 or there exists a Default or Event of Default hereunder, Lessor shall not, within 90 days after the end of the original or any renewal term of this Lease or pursuant to an offer received within such period, sell, transfer or otherwise dispose of any Unit unless:

(a) Lessor shall have received from a purchaser or purchasers a bona fide offer or offers in writing to purchase in the aggregate all, but not less than all, of the Units;

(b) Lessor shall have given Lessee notice (i) setting forth in detail the identity of such purchaser or purchasers, the proposed purchase price or prices, the proposed date of purchase and all other material terms and conditions of such purchase, and (ii) offering to sell such Units to

Lessee upon the same terms and conditions as those set forth in such notice; and

(c) Lessee shall not have notified Lessor, within 20 days following receipt of such notice, of its election to purchase such Units upon such terms and conditions.

If Lessee shall not have so elected to purchase such Units, Lessor may sell such Units to the purchaser or purchasers referred to in clause (a) above at a price and upon other terms and conditions no less favorable to Lessor than those specified in such notice. Lessor shall be free to sell any Unit pursuant to an offer received after 90 days of the end of the original or renewal term of this Lease.

Upon payment of the purchase price pursuant to the exercise by Lessee of its right of first refusal, Lessor shall, upon request of Lessee, execute and deliver to Lessee, or to Lessee's assignee or nominee, a bill of sale (without representations or warranties except that the Units so being sold are free and clear of all liens, charges, security interests and other encumbrances by or in favor of any person claiming by, through or under Lessor or the Owner and which the Lessor or the Owner are obligated to discharge pursuant to Paragraph 18 of the Participation Agreement) for such Units, and such other documents as may be required to release such Units from the terms and scope of this Lease and to transfer title thereto to Lessee, or such assignee or nominee, in such form as may reasonably be requested by Lessee, all at Lessee's expense.

Section 13. Return of Units upon Expiration of Term. After the expiration of the original or any extended term of this Lease, the Lessee will have 30 days to marshall the Units (without being required to make any payment to Lessor in respect of the Units) and the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Units to the Lessor upon such storage tracks of the Lessee as the Lessee may designate and permit the Lessor to store each group (as defined below) of such Units on such tracks for a period not exceeding 90 days, and transport the Units in each such group, on a one-time basis at any time within such 90-day period, to one or more connecting carriers for shipment, all as directed by the Lessor, the movement and storage of each such group of Units to be at the expense and risk of the Lessee. A "group" of

Units shall mean (i) the first 25% of the Units so delivered, (ii) the next 25% of the Units so delivered, (iii) the next 25% of the Units so delivered, (iv) the next 15% of the Units so delivered and, thereafter, each Unit so delivered will constitute a group. 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 of any Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this Section 13 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted, (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads, if applicable, and/or the applicable rules of any governmental agency or other organization with jurisdiction, and (iii) have removed therefrom by the Lessee without cost or expense to the Lessor all additions, modifications and improvements which the Lessee owns pursuant to Section 8 hereof. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and, upon application to any court having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units.

In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 30 days after the end of the term of this Lease, or any extended term, then the Lessee shall pay the Lessor for each day thereafter an amount equal to the greater of (i) .045037% of the Purchase Price of such Unit or (ii) the per diem rental received from the service of such Unit for each such day. In addition, for each Unit that is loaded by the Lessee within 30 days after the end of the Lease, or any extended term, for each day during which the equipment is loaded the Lessee shall pay the Lessor the greater of the amounts specified in clauses (i) and (ii) of the preceding sentence. Nothing contemplated by this paragraph, including payment by the Lessee of the above specified amounts, shall be deemed to relieve the Lessee from its obligation to assemble,

deliver and store the Units or affect the Lessor's rights and remedies with respect to such obligation.

Section 14. Recording; Expenses. The Lessee, at its own expense, will cause this Lease, the Transfer Agreement, the RCSA and any assignment hereof or thereof to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303. The Lessee will undertake the filing, recording and depositing and refiling, rerecording and redepositing required of the Lessor under the RSCA and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, reregister, rerecord or redeposit whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease or the assignment hereof to the Vendor, or the RCSA; and the Lessee will promptly furnish to the Vendor and the Lessor evidences of all such filing, registering, recording or depositing, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease, the Assignment, the Transfer Agreement and the RCSA shall be filed with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any unit.

Section 15. Interest on Overdue Obligations and Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations when due hereunder shall result in the obligation on the part of the Lessee promptly to pay also an amount equal to 1% over the Original Rate (as defined in the RCSA) per annum of the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

Section 16. Notices. Any instruction or notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States mails, first-class postage prepaid, addressed as follows:

(a) if to the Lessor, at 79 South Main Street, Salt Lake City, Utah 84111, attention: Corporate Trust Department, with a copy to each Owner;

(b) if to the Lessee, at 500 Water Street, Jacksonville, Florida 32202, attention: Director of Finance;

(c) if to the Vendor, at 79 South Main Street, Salt Lake City, Utah 84111, attention: Trust Division--Corporate Trust Department;

(d) if to Transamerica Equipment Leasing Company, Inc., at 600 Montgomery Street (3rd Floor), San Francisco, California 94111, Attention of Vice President--Finance and Administration;

(e) if to Commercial National Bank in Shreveport, at 329 Texas Street, Shreveport, Louisiana 71101, Attention of Senior Vice President-Finance;

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

Section 17. Effect and Modification of Lease. Except for the Participation Agreement, 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. 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 officers of the Lessor and the Lessee.

Section 18. Definitions. If and so long as this Lease is assigned to the Vendor (or any successor thereto) for collateral purposes, wherever the term "Lessor" is used in this Lease it shall also apply and refer to the Vendor and any successors thereto unless the context shall otherwise require and except that the Vendor shall not be subject to any liabilities or obligations under this Lease; and the fact that the Vendor is specifically named in certain provisions shall not be construed to mean that the Vendor (and any successors thereto) is not entitled to the benefits of other provisions where only the Lessor is named or where only the Vendor, as the case may be, is named.

Section 19. 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 Vendor pursuant to the Lease Assignment shall be deemed to be the original counterpart and all other counterparts shall be deemed duplicates thereof. It is not necessary that the parties hereto all sign the same counterpart as long as each party shall sign a counterpart and such counterpart is delivered to the Vendor or its counsel, whereupon this Lease shall become effective. Although this Lease is dated as of the date first set forth above for convenience, 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 20. Law Governing; Severability. The terms of this Lease and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

Any provision of this Lease which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 21. Immunities. Notwithstanding anything herein to the contrary, each and all of the representations, warranties, undertakings and agreements herein made on the part of the Lessor are made and intended not as personal representations, warranties, undertakings and agreements by The First Security State Bank or the Owners or for the purpose or with the intention of binding said bank or the Owners personally but are made and intended for the purpose of binding only the Trust Estate (as such term is used in the Trust Agreement); and this Lease is executed and delivered by said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank (except in the case of wilful misconduct or gross negligence by said bank) or the Owners hereunder, on account of this Lease or on account of any representation, warranty, undertaking or agreement of said bank hereunder, either expressed or implied, all such personal liability, if any, being

expressly waived and released by the Lessee and by all persons claiming by, through or under the Lessee.

IN WITNESS WHEREOF, the parties hereto, each pursuant to due corporate authority, have caused this instrument to be executed in their respective corporate names by duly authorized officers, and their respective corporate seals to be hereunto affixed and duly attested, all as of the date first above written.

FIRST SECURITY STATE BANK, not in its individual capacity but solely as Trustee,

by

[Corporate Seal]

Authorized Officer

Attest:

Authorized Officer

SEABOARD COAST LINE RAILROAD COMPANY,

by

[Corporate Seal]

Senior Vice President-Finance

Attest:

Assistant Secretary

delivered to the Vendor pursuant to the Lease Assignment shall be deemed to be the original counterpart and all other counterparts shall be deemed duplicates thereof. It is not necessary that the parties hereto all sign the same counterpart as long as each party shall sign a counterpart and such counterpart is delivered to the Vendor or its counsel, whereupon this Lease shall become effective. Although this Lease is dated as of the date first set forth above for convenience, 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 20. Law Governing; Severability. The terms of this Lease and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

Any provision of this Lease which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 21. Immunities. Notwithstanding anything herein to the contrary, each and all of the representations, warranties, undertakings and agreements herein made on the part of the Lessor are made and intended not as personal representations, warranties, undertakings and agreements by The First Security State Bank or the Owners or for the purpose or with the intention of binding said bank or the Owners personally but are made and intended for the purpose of binding only the Trust Estate (as such term is used in the Trust Agreement); and this Lease is executed and delivered by said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank (except in the case of wilful misconduct or gross negligence by said bank) or the Owners hereunder, on account of this Lease or on account of any representation, warranty, undertaking or agreement of said bank hereunder, either expressed or implied, all such personal liability, if any, being

expressly waived and released by the Lessee and by all persons claiming by, through or under the Lessee.

IN WITNESS WHEREOF, the parties hereto, each pursuant to due corporate authority, have caused this instrument to be executed in their respective corporate names by duly authorized officers, and their respective corporate seals to be hereunto affixed and duly attested, all as of the date first above written.

FIRST SECURITY STATE BANK, not in its individual capacity but solely as Trustee,

by

[Corporate Seal]

Authorized Officer

Attest:

Authorized Officer

SEABOARD COAST LINE RAILROAD COMPANY,

by

[Corporate Seal]

Senior Vice President-Finance

Attest:

Assistant Secretary

STATE OF UTAH,)
) ss.:
COUNTY OF SALT LAKE,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of FIRST SECURITY STATE BANK, that one of the seals affixed to the foregoing instrument is the corporate seal of said bank and that said instrument was signed and sealed on behalf of said bank by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said bank.

Notary Public

[Notarial Seal]

My Commission Expires

STATE OF FLORIDA,)
) ss.:
COUNTY OF DUVAL,)

On this 1st day of July 1981, before me personally appeared Alex J. Mandl, to me personally known, who, being by me duly sworn, says that he is Senior Vice President-Finance of SEABOARD COAST LINE RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that such instrument was this day signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Judith L. Duffett
Notary Public

[Notarial Seal]

My Commission Expires NOTARY PUBLIC, STATE OF FLORIDA AT LARGE
MY COMMISSION EXPIRES AUG. 5, 1984

Lease of Railroad Equipment

SCHEDULE A*

Quantity	AAR Mechanical Designation	Description	Lessee's Road Numbers (Inclusive)
298	XM or XL	77-ton Box Cars	SCL 635000-635099 SCL 635100-635899 SCL 635900-636199 SCL 815000-815499 SCL 815500-815599 SCL 816000-816299 SCL 816550-816749
149	HMS	100-ton Open Top Wet Rock Hopper Cars	SCL 735600-736099 SCL 737000-737402

* Units subject to this Lease will include only those delivered, accepted and settled for under the RCSA on or hereunder prior to May 31, 1982, and will bear Road Numbers included in the groups of Road Numbers listed above. Upon completion of all deliveries, this Schedule A will be appropriately amended to delete the Equipment listed above which has not become subject to this Lease.

STATE OF UTAH,)
) ss.:
COUNTY OF SALT LAKE,)

On this 29 day of June 1981, before me personally appeared FUCHIA B. EICHERS, to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of FIRST SECURITY STATE BANK, that one of the seals affixed to the foregoing instrument is the corporate seal of said bank and that said instrument was signed and sealed on behalf of said bank by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said bank.

Hazel W. Lloyd
Notary Public

[Notarial Seal]

My Commission Expires 6/10/84

STATE OF FLORIDA,)
) ss.:
COUNTY OF DUVAL,)

On this day of 1981, before me personally appeared Alex J. Mandl, to me personally known, who, being by me duly sworn, says that he is Senior Vice President-Finance of SEABOARD COAST LINE RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that such instrument was this day signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission Expires

Lease of Railroad Equipment

SCHEDULE A*

Quantity	AAR Mechanical Designation	Description	Lessee's Road Numbers (Inclusive)
298	XM or XL	77-ton Box Cars	SCL 635000-635099 SCL 635100-635899 SCL 635900-636199 SCL 815000-815499 SCL 815500-815599 SCL 816000-816299 SCL 816550-816749
149	HMS	100-ton Open Top Wet Rock Hopper Cars	SCL 735600-736099 SCL 737000-737402

* Units subject to this Lease will include only those delivered, accepted and settled for under the RCSA on or hereunder prior to May 31, 1982, and will bear Road Numbers included in the groups of Road Numbers listed above. Upon completion of all deliveries, this Schedule A will be appropriately amended to delete the Equipment listed above which has not become subject to this Lease.

Lease of Railroad Equipment

SCHEDULE B

Casualty Value Percentages Schedule

Table 1

Casualty Payment Date	Percentage
2/1/82	88.0043%
8/1/82	90.2877
2/1/83	89.2030
8/1/83	91.1874
2/1/84	88.7077
8/1/84	90.3985
2/1/85	87.0086
8/1/85	88.3902
2/1/86	84.1900
8/1/86	85.3948
2/1/87	80.2992
8/1/87	81.2873
2/1/88	72.4335
8/1/88	73.3502
2/1/89	63.2966
8/1/89	64.2174
2/1/90	53.0378
8/1/90	54.2322
2/1/91	41.8514
8/1/91	43.4462
2/1/92	29.5999
8/1/92*	27.5470*
2/1/93*	25.0257*
8/1/93*	22.8968*
2/1/94*, and thereafter	20.0000*

* These apply only if one or both of the fixed price renewals is exercised.

Table 2

The percentages set forth in Table 1 of this Schedule B have been computed without regard to recapture of any investment tax credit. Consequently, the Casualty Value of any Unit suffering a Casualty Occurrence on or before the third, fifth or seventh Anniversary of the date of delivery and acceptance of such Unit shall be increased by the applicable percentage of the Reconstruction Cost set forth below:

Anniversary of Delivery and Acceptance	Percentage of Reconstruction Cost
Third	14.1744%
Fifth	9.4496
Seventh	4.7248

Lease of Railroad Equipment

SCHEDULE C

Lease Rentals

Rental Payment Date	Percentage
8/1/82	5.138968%
2/1/83	8.126257
8/1/83	4.926124
2/1/84	8.339101
8/1/84	4.682949
2/1/85	8.582277
8/1/85	4.405123
2/1/86	8.860103
8/1/86	4.087705
2/1/87	9.177520
8/1/87	3.725056
2/1/88	12.487997
8/1/88	3.100697
2/1/89	13.112356
8/1/89	2.387367
2/1/90	13.825686
8/1/90	1.572387
2/1/91	14.640666
8/1/91	0.641272
2/1/92	15.571781
8/1/92*	3.684785
2/1/93*	3.684785
8/1/93*	3.684785
2/1/94*	3.684785

* These apply if one or both of the fixed price renewals is exercised.