

No. 8-118A083

APR 27 1988

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WASHINGTON, D. C. 20037-1420

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TELEPHONE 202 663-6000

ALLEN H. HARRISON, JR.

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APR 27 1988 - 2 10 PM
INTERSTATE COMMERCE COMMISSION

ICC Washington, D. C.

EUROPEAN OFFICE

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LONDON, SW1Y 5AA, ENGLAND

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CABLE ADDRESS: WICRNG LONDON

Mrs Lee - April 27, 1988

\$13.00 filing fee

Dear Ms. McGee:

Please file this

On behalf of Citicorp North America, Inc., I submit for filing and recording under 49 U.S.C. Section 11303(a) and the regulations promulgated thereunder, seven executed counterparts of a primary document, not previously recorded, entitled Equipment Lease dated as of March 1, 1988.

New Number

The parties to the enclosed Equipment Lease are:

Citicorp North America, Inc. - Lessor
601 Midland Avenue
Rye, New York 10580

CSX Transportation, Inc. - Lessee
100 North Charles Street
Baltimore, Maryland 21201

The said Equipment Lease covers, among other things, the leasing of certain designated covered hopper cars by Citicorp North America, Inc. to CSX Transportation, Inc.

The units of equipment covered by the Equipment Lease are those covered hopper cars identified in Schedule A thereto, a copy attached hereto.

A short summary of the document to appear in the ICC Index is as follows:

"Covers covered hopper cars"

Enclosed is a check in the amount of thirteen dollars (\$13) in payment of the filing fee.

Once the filing has been made, please return to bearer the stamped counterparts of the Equipment Lease not needed for

Carroll Harrison

APR 27 2 47 PM '88
MORNING NEWS

- 2 -

your files, together with the fee receipt, the letter from the ICC acknowledging the filing, and the two extra copies of this letter of transmittal.

Very truly yours,

Allen H. Harrison, Jr.
Attorney for the purpose
of this filing for
Citicorp North America, Inc.

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

Enclosures

AHH/iw

BY HAND

SCHEDULE A TO
EQUIPMENT LEASE

DESCRIPTION OF LEASED EQUIPMENT
Identifying Mark and Numbers

COVERED HOPPER CARS = 177

CSXT 246520	CSXT 246581	CSXT 248282	CSXT 248359
CSXT 246522	CSXT 246582	CSXT 248285	CSXT 248361
CSXT 246523	CSXT 246583	CSXT 248287	CSXT 248363
CSXT 246524	CSXT 246586	CSXT 248289	CSXT 248365
CSXT 246525	CSXT 246587	CSXT 248290	CSXT 248367
CSXT 246526	CSXT 246588	CSXT 248291	CSXT 248372
CSXT 246528	CSXT 246589	CSXT 248292	CSXT 248373
CSXT 246529	CSXT 246591	CSXT 248294	CSXT 248374
CSXT 246532	CSXT 246592	CSXT 248295	CSXT 248380
CSXT 246533	CSXT 246593	CSXT 248298	CSXT 248382
CSXT 246534	CSXT 246594	CSXT 248299	CSXT 248383
CSXT 246535	CSXT 246596	CSXT 248300	CSXT 248384
CSXT 246536	CSXT 246599	CSXT 248303	CSXT 249554
CSXT 246541	CSXT 246600	CSXT 248304	CSXT 249564
CSXT 246542	CSXT 246602	CSXT 248305	CSXT 249572
CSXT 246543	CSXT 248143	CSXT 248308	CSXT 249578
CSXT 246544	CSXT 248144	CSXT 248310	CSXT 249581
CSXT 246545	CSXT 248147	CSXT 248312	CSXT 249587
CSXT 246546	CSXT 248150	CSXT 248313	CSXT 249606
CSXT 246547	CSXT 248151	CSXT 248315	CSXT 249619
CSXT 246548	CSXT 248153	CSXT 248316	CSXT 249621
CSXT 246549	CSXT 248155	CSXT 248317	CSXT 249633
CSXT 246550	CSXT 248156	CSXT 248318	CSXT 249654
CSXT 246551	CSXT 248158	CSXT 248321	CSXT 249660
CSXT 246552	CSXT 248159	CSXT 248322	CSXT 249666
CSXT 246554	CSXT 248160	CSXT 248323	CSXT 249669
CSXT 246556	CSXT 248162	CSXT 248324	CSXT 249716
CSXT 246557	CSXT 248163	CSXT 248325	CSXT 249731
CSXT 246558	CSXT 248164	CSXT 248326	CSXT 249740
CSXT 246559	CSXT 248165	CSXT 248328	CSXT 249742
CSXT 246560	CSXT 248166	CSXT 248329	CSXT 249765
CSXT 246561	CSXT 248167	CSXT 248330	CSXT 249777
CSXT 246562	CSXT 248168	CSXT 248331	CSXT 249797
CSXT 246563	CSXT 248170	CSXT 248332	CSXT 249804
CSXT 246564	CSXT 248171	CSXT 248334	CSXT 249840
CSXT 246565	CSXT 248174	CSXT 248336	
CSXT 246566	CSXT 248176	CSXT 248337	
CSXT 246567	CSXT 248270	CSXT 248338	
CSXT 246568	CSXT 248272	CSXT 248339	
CSXT 246570	CSXT 248273	CSXT 248340	
CSXT 246571	CSXT 248274	CSXT 248343	
CSXT 246572	CSXT 248275	CSXT 248344	
CSXT 246573	CSXT 248276	CSXT 248345	
CSXT 246574	CSXT 248277	CSXT 248346	
CSXT 246576	CSXT 248279	CSXT 248349	
CSXT 246577	CSXT 248280	CSXT 248351	
CSXT 246579	CSXT 248281	CSXT 248355	
CSXT 246580			

Interstate Commerce Commission
Washington, D.C. 20423

4/27/88

OFFICE OF THE SECRETARY

Allen H. Harrison, Jr.
Wilmer, Cutler & Pickering
2445 M. Street, N.W.
Washington, D.C. 20037-1420

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 4/27/88 at 2:50pm, and assigned recordation number(s). 15609, 15610, 15611

Sincerely yours,

Narta R. McGee

Secretary

Enclosure(s)

KEEP
FOR
ICC FILE COPY

1 5611
REGISTRATION NO. _____ FILED FROM

APR 27 1988 - 2 42 PM

COUNTERPART NUMBER 7

INTERSTATE COMMERCE COMMISSION

EQUIPMENT LEASE

Dated as of March 1, 1988

Between

CITICORP NORTH AMERICA, INC.

LESSOR

And

CSX TRANSPORTATION, INC.,

LESSEE

As further described in Section 20.7, to the extent, if any, that this Lease constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no security interest in this Lease may be created through the transfer or possession of any counterpart other than Counterpart Number 1. This is not Counterpart Number 1.

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ATTACHMENTS TO EQUIPMENT LEASE:

Schedule A -- Description of Leased Equipment

Schedule B -- Certificate of Acceptance

Schedule C -- Schedule of Casualty Value for Covered Hopper Cars

Exhibit A -- Definitions

Exhibit B -- Amendment No. ____ to Lease

EQUIPMENT LEASE

THIS EQUIPMENT LEASE dated as of March 1, 1988 (the "Lease") is between CITICORP NORTH AMERICA, INC., a Delaware corporation, ("Lessor") and CSX TRANSPORTATION, INC., a Virginia corporation ("Lessee").

W I T N E S S E T H :

WHEREAS, the defined terms in Exhibit A annexed hereto are hereby incorporated herein;

WHEREAS, it is the intention of Seller to reconstruct approximately 1,000 covered hopper cars ("Hopper Cars") in its facilities (or to cause certain portions of such reconstruction to be completed by one or more third parties) in accordance with the Specifications. Lessee desires, upon completion of such reconstruction, to lease rather than own such equipment. For such purpose, Lessee desires Seller to transfer such equipment to Lessor pursuant to the Participation Agreement and to enter into this Lease with Lessor. Upon completion of such reconstruction, Lessor intends to accept each such Unit on the applicable Closing Date (individually a "Unit" and collectively the "Leased Equipment") for lease hereunder as provided in Section 1.2 hereof and thereupon Lessor shall lease and let such Unit to Lessee and the Lessee shall hire such Unit from Lessor for the Rent and on and subject to the terms and conditions herein set forth.

WHEREAS, Lessee and Lessor have further entered into a Participation Agreement dated as of March 1, 1988 (as the same may be amended or modified and in effect from time to time) with Nationwide Life Insurance Company ("Lender") providing for the commitment of Lessor to acquire the Leased Equipment. Under the Participation Agreement, Lender commits to purchase from Lessor on each Closing Date a Note or Notes to be issued in an aggregate principal amount equal to sixty percent (60%) of the Lessor's Cost of each Unit. The Participation Agreement provides that the Notes will be secured by an assignment of Lessor's right, title and interest in and to this Lease and the Rent and certain other sums due and to become due hereunder, in and to the Leased Equipment pursuant to the Security Agreement dated as of March 1, 1988 (as the same may be amended or modified and in effect from time to time) from Lessor to Lender and in and to any Sublease pursuant to a Lessor Security Agreement dated as of March 1, 1988 (as the same may be amended or modified and in effect from time to time) from Lessee to Lessor.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter contained, the parties hereto agree as follows:

SECTION 1. LEASE AND DELIVERY OF EQUIPMENT.

1.1 Intent to Lease and Hire. Upon acceptance of such Unit as provided in Section 1.2 hereof, Lessee shall lease and let such Unit from Lessor for the Rent and on and subject to the terms and conditions herein set forth.

1.2 Inspection and Acceptance. Promptly following completion of the reconstruction of a Unit as contemplated by Seller in the recitals hereof, Lessee shall cause an inspector (who may be an employee of Lessee) designated and authorized by Lessee to inspect the same, and, if such Unit is found to be in good order and condition in accordance with the requirements of Section 1.3 hereof, Lessee shall accept such Unit hereunder by executing and delivering to Lessor a Certificate of Acceptance in the form attached hereto as Schedule B with respect to such Unit; provided, however, that Lessee shall not accept and Lessor shall have no obligation to lease any Unit for which reconstruction is not completed by December 30, 1988.

1.3 Certificate of Acceptance. Lessee's execution and delivery of a Certificate of Acceptance with respect to a Unit pursuant to Section 1.2 hereof shall conclusively establish that, as between Lessor and Lessee, such Unit is acceptable to and accepted by Lessee under this Lease, notwithstanding any defect with respect to design, manufacture, condition or in any other respect, and that such Unit is in good order and condition and conforms to the Specifications and to all applicable United States Department of Transportation and Interstate Commerce Commission requirements and specifications, if any, and to all standards recommended by the Association of American Railroads applicable to railroad equipment of the character of the Leased Equipment as of the date of this Lease. By execution and delivery of such Certificate of Acceptance, Lessee represents that it has no knowledge of such defect.

1.4 Purchase and Lease. Subject to the terms and conditions set forth in the Participation Agreement, Lessor agrees to purchase each Unit on the applicable Closing Date and lease such Unit to Lessee on such Closing Date.

SECTION 2. RENTS AND PAYMENT DATES.

2.1 Rent for Equipment. Lessee agrees to pay Lessor the following Rent for each Unit:

(a) Interim Rent. For each Unit, an amount per day ("Interim Rent") equal to the Basic Rent for such Unit divided by 182-1/2 for each day during the period from and including the Closing Date for such Unit to, but not including, January 2, 1989;

(b) Basic Rent. Subject to the provisions of Section 2.3 hereof, for each Unit Lessee agrees to pay twenty (20) consecutive semiannual installments of basic rent (the "Basic Rent"), payable in arrears in the

amount equal to the product of the Basic Rent Factor (as defined below) for such Unit multiplied by the Lessor's Cost of such Unit; and

(c) Supplemental Rent. As supplemental rent (the "Supplemental Rent"), (i) any and all amounts, liabilities, and obligations (other than Basic or Interim Rent) which Lessee assumes or agrees to pay to Lessor or any other Person hereunder or under the Participation Agreement or any other Operative Agreement, and (ii) on or before the dates on which the same shall fall due under the Participation Agreement or the Security Agreement, amounts (other than principal and interest payments on the Notes) equal to each other payment required to be made by Lessor pursuant to the Participation Agreement or the Security Agreement, as the case may be.

2.2 Rent Payment Dates. The installment of Interim Rent for each Unit shall be due and payable on January 2, 1989. The first installment of Basic Rent for each Unit shall be due and payable on July 2, 1989 and the balance of said installments shall be payable on January 2 and July 2 of each year thereafter to and including January 2, 1999. If any of the Rent Payment Dates is not a Business Day, the rent payment otherwise payable on such date shall be payable on the next succeeding Business Day.

2.3 Basic Rent Factors and Casualty Value Tables. The Basic Rent Factors for the Units would be 6.9007% and the Casualty Value tables for the Units would be those attached hereto as Schedule C if the following assumptions were true:

(a) Leased Equipment having a Lessor's Cost per Unit equal to \$15,000 is settled for pursuant to the Participation Agreement on the following dates: April 15, 1988; June 30, 1988; September 30, 1988; and December 30, 1988 or such other dates agreed upon by Lessor, Lender and Lessee.

(b) On each of the dates indicated in clause (a) above, the Lessor shall purchase Units having an aggregate Lessor's Cost \$3,750,000.

(c) The Rehabilitation Cost per Unit shall be \$10,000.

(d) The Notes shall bear interest at 9.3% per annum (computed on the basis of a 360-day year consisting of twelve 30-day months), and installments of principal and interest shall be payable on each Rent Payment Date pursuant to an amortization schedule optimized to a maximum principal amount equal to sixty percent (60%) of the Lessor's Cost of the Leased Equipment.;

(e) The aggregate of all fees and expenses listed in Section 10 of the Participation Agreement shall equal to two percent (2%) of the aggregate Lessor's Cost of the Leased Equipment; and

(f) On each Closing Date Lender purchases at par Notes in an aggregate principal amount equal to sixty percent (60%) of Lessor's Cost of all Leased Equipment settled for on such Closing Date.

The Basic Rent which would result from the use of such Basic Rent Factors would provided Lessor with a certain net after-tax yield and certain net after-tax cash flows (Lessor's "Economic Return").

For each Closing Lessor shall in good faith, prior to and effective with the first payment of Basic Rent, recompute the Basic Rent Factors and the Casualty Value tables higher or lower so as to provide Lessor with the same (or as further adjusted as provided in the next following paragraph) Economic Return which Lessor would have received if such assumptions had proved to be correct; provided, that such adjustments shall comply with the Guidelines and any other published or announced position of the Internal Revenue Service; and provided, further, that each installment of Basic Rent shall be in an amount sufficient to pay on each installment date the aggregate principal of, and interest on, the Notes due on such date without acceleration, and the Casualty Value for any Unit as of any date shall be sufficient to pay the principal amount of, and interest and premium, if any, on the Notes due as of such date in the event such Unit were to suffer a Casualty Occurrence. Such recomputation shall be based upon the assumptions and methods of calculation utilized by Lessor in computing the amounts thereof originally set forth in this Lease and in determining Lessor's Economic Return.

The Basic Rent Factors and Casualty Value tables set forth herein prior to adjustment as provided in the preceding paragraph were determined in order to provide to Lessor an Economic Return satisfactory to it. The actual Economic Return which is required to be maintained hereunder on the funds advanced by Lessor on any Closing Date shall itself be increased or decreased to the extent that, on any Closing Date, the per annum yield available to purchasers of 11-5/8% United States Treasury Notes maturing November, 1994 (as quoted in The Wall Street Journal for such Closing Date) shall be greater or less than 7.93%. The recomputation required by the preceding paragraph shall be effected so as to maintain for Lessor advances on each Closing Date an Economic Return as adjusted by this paragraph, and if no recomputation is otherwise required by such preceding paragraph, then the Basic Rent Factors and Casualty Value tables set forth herein shall be recomputed so as to provide Lessor with a Lessor's Economic Return adjusted higher or lower for the funds advanced by Lessor on any Closing Date in the manner above provided in this paragraph.

Promptly following such recomputation, Lessor and Lessee shall enter into an amendment to this Lease reflecting and confirming the amounts of such adjusted Basic Rents and Casualty Values for which settlement is made under the Participation Agreement on each Closing Date, which amendment shall identify each such Unit and be in substantially the form of Exhibit B hereto; provided that Basic Rents and Casualty Values shall be payable hereunder in such recomputed amounts whether or not such an amendment is executed and delivered.

2.4 Place and Manner of Rent Payment. The payments to be made by Lessee under this Lease shall, so long as the Security Agreement shall be in effect, be made as therein provided, and otherwise shall be paid to Lessor by wire or electronic funds transfer to the principal office of Lessor at the address thereof provided for payments in Section 20.1 hereof. Lessee agrees that it will make payments due hereunder by wire or electronic funds transfer at the opening of business on the due date of such payment of Federal or otherwise immediately available funds to the party to whom such payment is to be made. Unless and until Lender shall notify Lessee that a Default under the Security Agreement has occurred and is continuing, Lessee shall make each payment of Interim and Basic Rent by paying to Lender the amount of principal and interest due on the Notes on the applicable Rent Payment Date and by paying to Lessor the balance of such Interim and Basic Rent.

2.5 Net Lease. This Lease is a net lease and Lessee's obligation to pay all Interim Rent and Basic Rent and other amounts payable hereunder shall be absolute and unconditional under any and all circumstances and, without limiting the generality of the foregoing, Lessee shall not be entitled to any abatement of Rent or reduction thereof or setoff against Rent, including, but not limited to, abatements, reductions or setoffs due to any present or future claims of Lessee against Lessor under this Lease or otherwise or against Lender or any other party; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of Lessee to Lessor be otherwise affected, by reason of any defect in or damage to or loss or destruction of all or any of the Leased Equipment from whatsoever cause, the taking or requisitioning of the Leased Equipment by condemnation or otherwise, the lawful prohibition of Lessee's use of the Leased Equipment, the interference with such use by any Person, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or lack of right, power or authority of Lessor to enter into this Lease, 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 Rent and other amounts payable by Lessee hereunder shall continue to be payable in all events unless the obligation to pay the same shall be terminated pursuant to Section 11 hereof, or until, pursuant to Section 13 hereof, the Leased Equipment has been returned to the possession of Lessor (for all purposes of this Lease no Unit shall be deemed to have been returned to Lessor's possession until all of Lessee's obligations with respect to the return, transportation and storage thereof have been performed). To the extent permitted by applicable law, 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 Leased Equipment except in accordance with the express terms hereof. Each Rent or other payment made by Lessee hereunder shall be final and Lessee shall not seek to recover all or any part of such payment from Lessor or Lender for any reason whatsoever.

SECTION 3. TERM OF THE LEASE.

The Basic Term as to each Unit shall begin on the Closing Date for such Unit and, subject to the provisions of Sections 11, 14 and 18 hereof, shall terminate ten (10) years following January 2, 1989.

SECTION 4. OWNERSHIP AND MARKING OF EQUIPMENT.

4.1 Retention of Title. Lessor shall and hereby does retain full legal title to the Leased Equipment notwithstanding the delivery thereof to and possession and use thereof by Lessee or any Person claiming by, through or under Lessee.

4.2 Duty to Number and Mark Equipment. Lessee will cause each Unit to be kept numbered with its road number as set forth in Schedule A hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked, plate or stencil printed in contrasting color upon each side of each Unit in letters not less than one inch in height as follows:

"OWNED BY A BANK OR TRUST COMPANY AND SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION."

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of Lessor to such Unit, its rights under this Lease and the rights of Lender. Lessee will not place any such Unit in operation or exercise any control or dominion over the same until the required legend shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced, obliterated or destroyed. Lessee will not change the road number of any Unit except with the consent of Lessor and in accordance with a statement of new road numbers to be substituted therefor, which consent and statement previously shall have been delivered to Lessor by Lessee and filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited.

4.3 Prohibition Against Certain Designations. Except as above provided, Lessee will not allow the name of any Person to be placed on the Leased Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that Lessee may cause the Leased Equipment to be lettered with the names or initials or other insignia customarily used by Lessee or its Affiliates) on railroad equipment used by it of the same or a similar type for convenience of identification of the right of Lessee to use the Leased Equipment under this Lease.

SECTION 5. DISCLAIMER OF WARRANTIES.

LESSOR LEASES THE EQUIPMENT "AS-IS", IN WHATEVER CONDITION IT MAY BE IN, WITHOUT ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, BY LESSOR, AND LESSOR AND LENDER EXPRESSLY DISCLAIM ANY WARRANTY OR

REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO (A) THE FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY OF ANY UNIT, (B) LESSOR'S TITLE THERETO, (C) THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE EQUIPMENT, OR (D) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN LESSOR AND LENDER, ON THE ONE HAND, AND LESSEE, ON THE OTHER HAND, ARE TO BE BORNE BY LESSEE. Lessor hereby appoints and constitutes Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce, from time to time, in the name and for the account of Lessor and Lessee, as their interests may appear, but in all cases at the sole cost and expense of Lessee, whatever claims and rights Lessor may have as owner of the Leased Equipment against any manufacturer or contractor thereof or any component thereof; provided, however, that if at any time an Event of Default shall have occurred and be continuing, Lessor may assert and enforce, at Lessee's sole cost and expense, such claims and rights. Lessor shall have no responsibility or liability to Lessee or any other Person claiming through Lessee with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Unit 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 Unit or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Unit.

SECTION 6. LESSEE'S GENERAL INDEMNITY.

6.1 Scope of Indemnification. Lessee hereby agrees, whether or not any of the transactions contemplated hereby shall be consummated, to indemnify and hold harmless, Lessor, Lender, each holder from time to time of a Note, and the respective successors, and permitted assigns of the foregoing (the "Indemnified Parties") from and against, on a net after-tax basis, any and all liabilities, obligations, losses, damages, settlements, claims, actions, suits, penalties, costs and expenses (including, without limitation, reasonable legal and investigative fees and expenses) of whatsoever kind and nature, including but not limited to negligence, strict or absolute liability and liability in tort (any of the foregoing being called a "Loss") which may from time to time be imposed on, incurred by or asserted against any Indemnified Party in any way relating to or arising out of (a) any Operative Agreement and/or the enforcement thereof, or (b) the purchase, acceptance, rejection, ownership, delivery, financing (including the offer, issue, sale and delivery of the Notes), refinancing, nondelivery, lease, sublease, assignment, registration, reregistration, rental, possession, use, presence, operation, condition, storage, preparation, installation, testing, manufacture, design, modification, alteration, maintenance, repair, overhaul, release, sale, return, transportation, transfer, abandonment or other disposition of the Leased Equipment or any part thereof (including, without limitation, latent and other defects, whether or not discoverable, and any claim for patent, trademark or copyright infringement). This Section 6 does not constitute a guarantee of the useful life or residual value of the Leased Equipment or a guarantee that the Notes will be paid.

The indemnity set forth above shall not extend to any Loss with respect to such Indemnified Party (a) so long as no Event of Default has occurred and is continuing to the extent such Loss is caused (i) by acts or events which occur after the Leased Equipment is no longer subject to the Security Agreement or this Lease or (ii) if such Leased Equipment remains subject to the Security Agreement or this Lease, by acts or events which occur after possession of such Leased Equipment has been delivered (other than pursuant to Section 15 hereof) to Lessor, or such Leased Equipment has been placed in storage beyond the initial 45-day storage period provided in Section 13 hereof, (b) which is a Tax, whether or not Lessee is required to indemnify therefor pursuant to Section 7 of the Participation Agreement, (c) resulting from the willful misconduct or gross negligence of such Indemnified Party or any successor, assign, employee, servant or agent thereof acting on behalf of such Indemnified Party unless on the part of Lessee acting on behalf of such Indemnified Party, or resulting solely from any misrepresentation or violation or breach of or failure to comply with or perform any obligations of such Indemnified Party contained in any Operative Agreement, including, as to Lessor, the failure of Lessor to discharge any Lessor Liens, (d) which is a cost or expense to the extent required to be paid by Lessor pursuant to the terms of Section 10 of the Participation Agreement, (e) as to Lessor resulting from any negligent or willful misappropriation or mishandling of funds by Lessor, with respect to any Indemnified Party other than Lender, (f) resulting from any disposition by such Indemnified Party of any of its interest in the Leased Equipment, the Operative Agreements or the Notes other than a disposition arising out of an Event of Default or in connection with Section 11 of the Lease, or (g) resulting from a Default (as defined in the Security Agreement) or an event which, with the passage of time or giving of notice or both, would constitute a Default that does not also constitute an Event of Default or an event which, with the passage of time or giving of notice or both, would constitute an Event of Default. If any Indemnified Party entitled to indemnity hereunder has knowledge of any liability hereby indemnified against, it shall give prompt written notice thereof to Lessee but the failure of such Indemnified Party so to notify Lessee shall not relieve Lessee from any liability it may have to such Indemnified Party, except to the extent such failure to give notice shall prejudice Lessee's ability to defend such action.

If written claim is made against any Indemnified Party for any Loss or upon the formal commencement against an Indemnified Party of any judicial, administrative or other proceeding involving one or more Losses, such Indemnified Party shall promptly, upon receiving written notice thereof, give notice of such commencement to Lessee. The failure by such Indemnified Party so to notify Lessee shall not discharge, diminish or relieve Lessee of any liability for indemnification that it may have to such Indemnified Party hereunder, but any payment by Lessee to an Indemnified Party pursuant to this Section 6 shall not be deemed to constitute a waiver or release of any right or remedy (including any remedy of damages) which Lessee may have against such Indemnified Party, if, solely as a result of the failure by such Indemnified Party to give Lessee notice in accordance with the first sentence of this paragraph, Lessee is unable to contest the Loss indemnified against. Lessee shall be entitled, at its sole cost and expense, (a) in any judicial,

administrative or other proceeding that involves solely a claim for one or more Losses, to assume responsibility for and control thereof, (b) in any judicial, administrative or other proceeding involving a claim for one or more Losses and other claims related or unrelated to the transactions contemplated by the Operative Agreements, to assume responsibility for and control of such claim for Losses to the extent that the same may be and is severed from such other claims (and such Indemnified Party shall use reasonable efforts to obtain such severance unless, in the opinion of counsel for such Indemnified Party (the receipt of which opinion by such Indemnified Party shall be confirmed in writing to Lessee), such severance and assumption of responsibility and control by Lessee has a reasonable possibility of adversely affecting the resolution of such other claims), and (c) in any other case, to be consulted by such Indemnified Party with respect to proceedings subject to the control of such Indemnified Party. Notwithstanding any of the foregoing to the contrary, Lessee shall not be entitled to assume responsibility for and control of any such proceedings if (1) an Event of Default shall have occurred and be continuing, (2) such proceedings will involve any significant risk or danger of the sale, forfeiture or loss of, or the creation of any lien (other than as permitted by Section 9 hereof) on the Leased Equipment or any part thereof, or (3) the Losses involved, in the good faith opinion of such Indemnified Party, could have a material adverse effect on the business of the Indemnified Party other than the ownership, leasing and/or financing of the Leased Equipment. The Indemnified Party may participate at its own expense in any judicial proceeding controlled by Lessee pursuant to the preceding provisions. Nothing in this Section 6 shall be deemed to require an Indemnified Party to contest any claim with respect to a Loss or to assume responsibility for or control of any judicial proceeding with respect thereto.

The Indemnified Party shall supply Lessee with such information reasonably requested by Lessee as is necessary or advisable for Lessee to control or participate in any proceeding to the extent permitted hereby. Such Indemnified Party shall not enter into a settlement or other compromise with respect to any matter that is the subject of a claim for payment or indemnity under this Section 6 without the prior written consent of Lessee, which consent shall not be unreasonably withheld or delayed unless such Indemnified Party waives its right to be indemnified with respect thereto under this Section 6.

Upon payment of indemnification of any amount pursuant to this Section 6, Lessee shall be subrogated to any claims the Indemnified Party may have relating thereto other than with respect to insurance maintained by the Indemnified Party. The Indemnified Party agrees to give such further assurances or agreements and to cooperate with Lessee to permit Lessee to pursue such claims.

In the event that Lessee shall have paid an amount to an Indemnified Party pursuant to this Section 6, and such Indemnified Party subsequently shall be reimbursed in respect of such amount from any other Person other than by an Affiliate of such Indemnified Party and other than with respect to insurance maintained by the Indemnified Party, such Indemnified Party shall, so long as no event which, with the giving of notice or lapse of time or both,

would constitute an Event of Default exists and is continuing or if such event has occurred and is continuing, upon the cure of all continuing events which, with the giving of notice or lapse of time or both, would constitute Events of Default, promptly pay to Lessee an amount equal to (i) the amount of such reimbursement net of all expenses (including Taxes) incurred in obtaining the same plus (ii) the amount of the net reduction in Taxes required to be paid by such Indemnified Party resulting from the payment of such reimbursed amount to Lessee (but in no event shall this amount paid by an Indemnified Party be in excess of the payment by Lessee pursuant to this Section 6).

6.2 Payments. Any payments made pursuant to this Section 6 shall be made in dollars directly to the Indemnified Party entitled thereto or to Lessee, as the case may be, upon the written demand thereof, in immediately available funds at such bank or to such account as specified by the payee in written directives to the payor, or, if no such direction shall have been given, by check of the payor payable to the order of the payee and mailed to the payee by certified mail, postage prepaid at its address as set forth in this Lease.

6.3 Survival. All indemnities, obligations, adjustments and payments provided for in this Section 6 shall survive, and remain in full force and effect, notwithstanding the expiration or other termination of this Lease or any other Operative Agreement. The obligations of Lessee in respect of all such indemnities, obligations, adjustments and payments are expressly made for the benefit of, and shall be enforceable by, the Indemnified Party entitled thereto, without declaring the Lease to be in default or taking other action thereunder.

SECTION 7. RULES, LAWS AND REGULATIONS.

Lessee agrees to comply with all governmental laws, regulations, requirements and rules (including, without limitation, the rules of the United States Department of Transportation, the Interstate Commerce Commission and the current Interchange Rules or supplements thereto of the Mechanical Division, Association of American Railroads as the same may be in effect from time to time, or rules then in effect in substitution therefor (the "Interchange Rules")) with respect to the use and maintenance of each Unit subject to this Lease. In case any equipment or appliance is required to be altered, added, replaced or modified on any Unit in order to comply with such laws, regulations, requirements and rules (including, without limitation, the Interchange Rules), Lessee agrees to make such alterations, additions, replacements and/or modifications at its own expense and title thereto shall be immediately vested in Lessor.

SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.

Lessee shall use the Leased Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear; provided that in no event shall the Lessee knowingly permit such Unit to

be exposed to or be used to carry, whether as consignments for common carrier shipment or otherwise, any toxic or explosive materials. Lessee shall, at its own cost and expense, maintain and keep the Leased Equipment, while it is in transportation service (whether or not loaded) in good order, condition and repair, ordinary wear and tear excepted, but in all cases usable in the manner for which it was designed and intended and in compliance with the Interchange Rules for railcars operating on the railroads, and in any event at the same level of maintenance at which Lessee keeps equipment which it owns or leases similar in nature to the Leased Equipment. Lessee may withdraw from transportation service any Unit, at and for any time and for any reason, and while such Unit is not in transportation service, Lessee shall not be required to maintain or repair it; provided, however, that Lessee shall remain responsible for the preservation, safekeeping, use, operation and storage of such Unit; provided further, that Lessee shall remain responsible for the payment of Rent for such Unit under Section 2 hereof and must comply with the requirements contained in Sections 13 and 15 hereof upon return of such Unit. Except as required by the provisions of Section 7 hereof, Lessee shall not modify any Unit without the prior written authority and approval of Lessor. Any parts installed or replacements made by Lessee upon any Unit pursuant to Section 7 hereof or pursuant to its obligation to maintain and keep the Unit in good order, condition and repair under this Section 8 shall be considered accessions to such Unit and title thereto shall be immediately vested in Lessor without cost or expense to Lessor. Lessee shall make no other additions or improvements to any Unit unless the same are readily removable without causing damage to such Unit. Title to any such readily removable additions or improvements shall remain with Lessee. If Lessee shall at its cost cause such readily removable additions or improvements to be made to any Unit, Lessee agrees that it will, prior to the return of such Unit to Lessor hereunder, remove the same at its own expense without causing damage to such Unit and repair all damages, if any, resulting from such removal.

SECTION 9. LIENS ON THE EQUIPMENT.

Lessee shall pay or satisfy and discharge (a) any and all claims against, through or under Lessee and its successors or assigns which, if unpaid, might constitute or become a lien or a charge upon any Unit, (b) any liens or charges which may be levied against or imposed upon any Unit as a result of the failure of Lessee to perform or observe any of its covenants or agreements under this Lease or (c) any other liens or charges which arise by virtue of claims against, through or under any other party other than any Lessor Liens, but Lessee shall not be required to pay or discharge any such claims so long as it shall, in good faith and by appropriate legal proceedings contest the validity thereof in any reasonable manner which will not, in the reasonable opinion of Lessor, affect or endanger the title and interest of Lessor or the security interest or other rights of Lender in and to the Leased Equipment or diminish the value thereof. Lessee's obligations under this Section 9 shall survive the termination of this Lease.

SECTION 10. FILING.

Prior to the delivery and acceptance of any Unit, Lessee will, at its sole expense, cause this Lease, the Security Agreement and the Lessor Security Agreement and amendments and/or supplements thereto (or a financing statement or similar notice thereof if and to the extent permitted or required by applicable law) to be duly filed, recorded or deposited with the Interstate Commerce Commission in accordance with 49 USC 11303 and in such public offices within or without the United States as Lessor or Lender may reasonably request for the protection of Lessor's title or such security interest to the satisfaction of Lessor's or Lender's counsel and will furnish Lessor and Lender proof thereof satisfactory thereto. Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will refile, reregister or rerecord whenever required) any and all further instruments required by law or reasonably requested by Lessor or Lender for the purpose of protecting Lessor's title to, or Lender's security interest in, any Unit to the satisfaction of Lessor's or Lender's counsel or for the purpose of carrying out the intention of this Lease, including, without limitation, perform all acts (other than execution) required of Lessor pursuant to Section B.3 of the Security Agreement, and in connection with any such action, will deliver to Lessor and Lender proof of such filings satisfactory thereto and an opinion of Lessee's counsel that such action has been properly taken. Lessee will pay all costs, charges and expenses incident to any filing, refile, recording and rerecording or depositing and redepositing required as aforesaid, including those required of Lessor pursuant to Section B.3 of the Security Agreement. Lessee shall on its own initiative prepare and arrange for and file in the appropriate offices any and all Uniform Commercial Code or comparable continuation statements which are necessary to continue to perfect and protect the security interest of Lender in the Collateral. At least three (3) months prior to the expiration of any financing statement covering the security interest in the Collateral Lessor shall cause Lessee to provide to Lessor and Lender an opinion of counsel for Lessee to the effect that the continuation statements necessary to continue such security interest have been properly filed and continue such security interest, under the law then in effect, until the expiration of such continuation statements, specifying the date of such expiration.

SECTION 11. INSURANCE; PAYMENT UPON CASUALTY OCCURRENCE.

11.1 Insurance. (a) Lessee will at all times after delivery and acceptance of each Unit, at its own expense, carry and maintain or cause to be carried and maintained (i) property insurance with respect to each such Unit and (ii) public liability insurance with respect to third party personal and property damage, in each case with such deductibles, in such amounts, against such risks in such form with such insurance companies of recognized responsibility as is usually carried by corporations of established reputation engaged in the same or a similar business as Lessee and similarly situated and subject to such self-insurance, in each case as is consistent with Class I railroad industry practice, and in any event, in amounts not less than and against such risks so as to be no less protective than the insurance, if any, maintained by Lessee with respect to similar equipment which it owns or leases.

(b) The foregoing notwithstanding, throughout any period during which Lessee's bond rating, as determined by any nationally recognized rating service, drops below investment grade (BBB or equivalent), Lessee shall be required to maintain in effect casualty insurance covering the Leased Equipment in an amount equal to 110% of the Casualty Value of the Leased Equipment then subject to this Lease and comprehensive general public liability insurance covering such Leased Equipment in an amount not less than \$50,000,000 per occurrence, with such deductibles for each such type of insurance as Lessor has consented to in writing. All policies of insurance required to be carried in accordance with this Section 11.1(b) shall (i) name and insure Lessor and Lender as additional insureds, as their interests may appear, and the casualty policies shall insure Lessor (or Lender if the Security Agreement remains in effect) as loss payee, under policies that insure such parties regardless of any breach or violation of any warranty, declaration or condition therein contained in such policy by Lessee or any other Person (other than Lessor and Lender, but only in respect of their respective coverages), (ii) provide that, in respect of the interests of Lessor and Lender in such policies, the insurance shall not be invalidated by any action or inaction of Lessee or any other Person (other than Lessor or Lender, but only in respect of their respective coverages), (iii) insure Lessor and Lender regardless of any breach or violation of any warranty, declaration or condition contained in such violation of policies (or in the application therefor or in any other document submitted to the insurer in connection therewith) by Lessee or by any other Person (other than Lessor or Lender, but only in respect of their respective coverages), (iv) provide that such insurance is primary without right of contribution from any other insurance which might otherwise be available to the insured party, (v) provide that, in the event of any loss payment under a policy, the insurer shall waive any rights of subrogation against the insured party and shall waive any setoff or counterclaim or any other deduction, whether by attachment or otherwise and (vi) include a cross-liability endorsement providing that inasmuch as the policies are written to cover more than one insured, all terms and conditions, insuring agreements and endorsements, with the exception of limits of liability, shall operate in the same manner as if there were a separate policy covering each insured. In the event any insurance required to be maintained under this Section 11.1(b) shall not be available at commercially reasonable premiums in the commercial insurance market, Lessor shall not unreasonably withhold its agreement to waive such requirement to the extent the maintenance thereof is not so available; provided, however, that (i) Lessee shall first request any such waiver in writing, which request shall be accompanied by a written report prepared by an independent insurance advisor satisfactory to Lessor stating that such insurance is not reasonably available in the commercial insurance market at economically reasonable premiums and explaining in detail the basis for such conclusions; (ii) at any time after the granting of any such waiver, but not more often than twice a year, Lessor may request, and Lessee shall furnish to Lessor within thirty (30) days after such request supplemental reports reasonably acceptable to Lessor from such insurance advisor updating their prior reports and reaffirming such conclusions; and (iii) any such waiver shall be effective only as long as such insurance shall not be so available.

(c) All policies of insurance required to be carried in accordance with Section 11.1(b) shall require thirty (30) days' prior written notice from the appropriate insurance broker to Lessor and Lender of cancellation, nonrenewal or material change in coverage or differentiation of self-insurance status, and Lessee shall be obligated to notify Lessor and Lender of any such act or event, provided, however, that if it is not practicable for the Lessee to have actual or constructive knowledge of such events at least thirty (30) days prior to the occurrence thereof, the Lessee shall give the Lessor written notice as soon as the Lessee has actual or constructive knowledge of such occurrence. For purposes of this Section 11.1, "material changes" shall be changes in limits, exclusions, deductibles or self-insurance exposure.

(d) Lessee shall not less than once in any twelve (12) month period furnish Lessor with certificates or other satisfactory evidence of maintenance of the insurance required by Section 11.1(b) or with a certificate of nationally recognized reputable insurance brokers or agents not affiliated with Lessee stating that the insurance maintained by Lessee complies with the requirements of Section 11.1(b), and with respect to any renewal policy or policies shall furnish certificates evidencing such renewal upon the expiration of the original policy or policies.

(e) Subject to Lender's rights under the Security Agreement, all proceeds of insurance received by any party other than Lessee with respect to any Leased Equipment not suffering a Casualty Occurrence shall be paid thereby to Lessee upon reasonable proof that any damage to any Unit with respect to which such proceeds were paid has been fully repaired.

11.2 Casualty Occurrence and Duty of Lessee to Notify Lessor. In the event that any Unit (a) shall be or become lost, stolen, destroyed, or, in the reasonable opinion of Lessee held in good faith, damaged beyond repair during the term of this Lease or for a period which exceeds ninety (90) days while such Unit is in the possession of Lessee pursuant to Section 13 or 15 hereof, or, (b) shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise during the term of this Lease for a stated period which exceeds ninety (90) days, or (c) shall have its title taken by any governmental entity by condemnation or otherwise (any such occurrence being herein referred to as a "Casualty Occurrence"), Lessee shall promptly and fully (after it has knowledge of such Casualty Occurrence) inform Lessor and any assignee of Lessor pursuant to Section 16 hereof (including, without limitation, Lender) in regard thereto and shall pay the Casualty Value (as defined in Section 11.6 hereof) of such Unit in accordance with the terms of Section 11.3 hereof.

11.3 Sum Payable Upon Casualty Occurrence. Lessee, on the next succeeding Rent Payment Date following its notice of a Casualty Occurrence with respect to any Unit (or within thirty (30) days after such notice in respect of any Casualty Occurrence after the expiration of the term of this Lease while such Unit is in the possession of Lessee pursuant to Section 13 or 15 hereof, in which case Lessee shall pay to Lessor an additional Rent on each such Unit based on the average Basic Rent paid on such Leased Equipment during the immediately preceding year for each day from and including the last day of

the Basic Term to but excluding the date of payment of the Casualty Value), shall pay to Lessor any Rent or other sums with respect to such Unit due and accrued prior to or on such date then remaining unpaid plus the Casualty Value of such Unit as of the date of such payment.

11.4 Rent Termination. Upon (and not until) payment of all sums required to be paid pursuant to Section 11.3 hereof in respect of any Unit, the obligation to pay Basic Rent for such Unit shall terminate upon the Casualty Value payment date, but Lessee shall continue to pay Rent for all other Leased Equipment.

11.5 Disposition of Equipment. Lessee shall, as agent for Lessor, dispose of such Unit having suffered a Casualty Occurrence as soon as it is able to do so for the Fair Market Value thereof. Any such disposition shall be on an "as-is", "where-is" basis without representation or warranty, express or implied. As to each Unit so disposed of, so long as no Lease Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default shall have occurred and be continuing, Lessee may retain all amounts arising from such disposition plus any insurance proceeds and damages received by Lessee by reason of such Casualty Occurrence up to the amount of the Casualty Value attributable thereto which Lessee has previously paid to Lessor pursuant to Section 11.3 hereof, but the excess, if any, of such amounts over such Casualty Value shall be paid to Lessor. In disposing of such Unit, Lessee shall take such action as Lessor shall reasonably request to terminate any contingent liability which Lessor might have arising after such disposition from or connected with such Unit.

11.6 Casualty Value. The Casualty Value of each Unit shall be the higher of (a) an amount determined as of the date the Casualty Value is payable as provided in Section 11.3 hereof (and not the date of the Casualty Occurrence) equal to that percentage of the Lessor's Cost of such Unit set forth in the Schedule of Casualty Value attached hereto as Schedule C opposite such Payment Date, or (b) the proceeds received from any insurance policy covering such Unit, or (c) with respect only to each Unit which suffers a Casualty Occurrence caused by parties other than Lessee after 10% of the Leased Equipment has suffered such a Casualty Occurrence, the amount received by Lessee from the party responsible for such Casualty Occurrence; provided that Lessee shall pay to Lessor any amounts received by Lessee as a result of a Casualty Occurrence from any party after a Casualty Value payment date in excess of the amount paid by Lessee to Lessor as a result of such Casualty Occurrence.

11.7 Risk of Loss. Lessee shall bear the risk of loss and, except as hereinabove in this Section 11 provided, shall not be released from its obligations hereunder in the event of any Casualty Occurrence to any Unit from and after the date hereof and continuing until payment of the Casualty Value and all Basic Rent and other Rent due on and prior to the date of payment of such Casualty Value in respect of such Unit has been made, such Unit or the salvage thereof has been disposed of by Lessee and the title to such Unit or

the salvage thereof and all risk of loss and liabilities incident to ownership have been transferred to the purchaser of such Unit or the salvage thereof.

11.8 Eminent Domain. (a) In the event that during the term of this Lease (i) the use of any Unit is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for an indefinite period or for a stated period which does not exceed the term of this Lease and such requisition or taking does not constitute a Casualty Occurrence under Section 11.2 or (ii) any requisition or taking by any governmental authority occurs other than that set forth in clause (i) which does not constitute a Casualty Occurrence under Section 11.2, Lessee's obligation to pay Basic Rent and other Rent with respect to such Leased Equipment shall continue for the duration of such requisitioning or taking. So long as no Lease Event of Default, or event which with the lapse of time or giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession.

(b) Notwithstanding anything to the contrary in Section 14.2, if any Unit is requisitioned or otherwise taken by any governmental authority pursuant to paragraph (a) above and an Event of Default occurs with respect to such Leased Equipment (other than under Section 14.1(a) hereof), then (i) Lessor shall have the right to declare such Event of Default with respect to such Leased Equipment to be a Casualty Occurrence under Section 11.2, and, so long as Lessee shall fully comply with its obligations with respect to a Casualty Occurrence pursuant to Section 11 hereof, (ii) such Event of Default shall be deemed not to be Event of Default under Section 14.1, and (iii) Lessor shall not be permitted to exercise any rights or remedies under Section 14.2.

SECTION 12. ANNUAL REPORTS.

12.1 Duty of Lessee to Furnish. On or before May 1, 1989 and on or before each May 1 thereafter, Lessee will furnish to Lessor, Lender and each holder of any Note an accurate statement, as of the preceding December 31 (a) showing the amount, description and road numbers of the Leased Equipment, the amount, description and numbers of each Unit that has suffered a Casualty Occurrence during the 12 months ending on such December 31 (or since the date of this Lease, in the case of the first such statement), those Units reputed as bad order during such period and such other information regarding the condition or repair of the Leased Equipment as Lessor or Lender may reasonably request, and (b) stating that, in the case of all Leased Equipment repainted during the period covered by such statement, the markings required by Section 4.2 hereof shall have been preserved or replaced.

12.2 Inspection Rights. Each of Lessor, Lender and each holder of any Note shall have the right, acting separately at their respective sole cost and expense, by their respective authorized representative, to inspect the Leased Equipment and Lessee's records with respect thereto, at such time as

shall be reasonably necessary to confirm thereto the existence and proper maintenance of the Leased Equipment during the continuance of this Lease. Any inspection permitted by this Section 12.2 shall be conducted in a manner which does not unreasonably interfere with Lessee's operation or maintenance of the Leased Equipment.

SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM.

Upon the expiration or earlier termination of the term of this Lease with respect to any Unit, or upon any other occasion on which Lessor (or Lender, as assignee of Lessor) shall be entitled to possession of any Unit, Lessee will, at its own cost and expense, at the request of Lessor, deliver possession of such Unit to Lessor upon such storage tracks of Lessee, and permit Lessor to store such Unit on such tracks for a period not exceeding one hundred thirty-five (135) days (or such other period as the Lessor and Lessee shall mutually agree) and transport the same at any time within such 135-day (or other agreed) period to any place on any railroad lines operated by Lessee or to any connecting carrier for shipment, all as designated in good faith by the Lessor in writing at least ninety (90) days before the termination of the Lease, which place shall be reasonable in light of the intended disposition of such Leased Equipment by Lessor pursuant to a bona fide commercial transaction commencing after the Lease is terminated for any reason. All movement and storage of each such Unit is to be at the risk and expense of Lessee; provided, however, that if such storage exceeds forty-five (45) days Lessee shall have the right to charge Lessor for each additional day of storage a fee based on the then normal rates charged by Lessee to third parties for storage of similar equipment on its tracks. During any such storage period Lessee will permit Lessor or any Person designated by it, including the authorized representative or representatives of any prospective purchaser or lessee of any such Unit, to inspect the same; provided, however, that Lessee shall not be liable, except in the case of negligence of Lessee or of its employees or agents, for any injury to, or the death of, any Person exercising, either on behalf of Lessor or any prospective purchaser or lessee, the rights of inspection granted under this sentence. During any such storage period Lessee shall maintain the insurance required by Section 11.1 hereof and maintain the such Unit in such manner as Lessee normally maintains similar equipment owned or leased by it in similar storage circumstances. Each Unit when delivered to Lessor shall have installed all components, accessories, and parts installed thereon at the time of delivery thereof hereunder, or replacements therefor and alterations thereon made in accordance with the provisions of this Lease, none of which shall be broken or missing, shall be in as good condition and state of repair as at the time of delivery thereof hereunder, ordinary wear and tear and changes and alterations properly made by Lessee as permitted under this Lease excepted, suitable for the transport of items normally transported by railcars of similar type and age, conforming to all applicable Federal Railway Administration (or successor agency) safety rules and regulations, and meeting the Interchange Rules, and if no such Interchange Rules are then in effect, meeting the Interchange Rules as then last previously in effect; and shall be otherwise in good operating condition and in the condition as required by Sections 7 and 8 hereof; and Lessee shall pay

for or perform any repairs necessary to restore the Leased Equipment to such condition. For any Unit not so returned by the date of expiration of this Lease, Lessee shall pay to Lessor a rent per day equal to the higher of (i) the daily Basic Rent payable therefor hereunder during the Base Term, or (ii) the Fair Rental Value therefor, and any rent, per diem or similar charges earned by Lessee in excess of the rent per day paid therefor to Lessor as aforesaid in respect of the use, lease or rent of such Unit after the date of expiration of this Lease shall belong to Lessor and shall be promptly turned over to Lessor. The assembling, delivery, storage and transporting of the Leased Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises Lessor shall be entitled to a decree against Lessee requiring specific performance of the covenants of Lessee to so assemble, deliver, store and transport the Leased Equipment. In any event Lessor shall have no rights hereunder to abandon any Unit to Lessee.

SECTION 14. DEFAULT.

14.1 Events of Default. Any of the following shall constitute an Event of Default hereunder:

(a) default shall be made in the payment of any part of the Basic Rent or Casualty Value provided in Section 2 or 11 hereof and such default shall continue for five (5) days;

(b) Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or of possession of the Leased Equipment, or any portion thereof, or fail to maintain insurance as required by Section 11.1 hereof;

(c) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of Lessee contained herein or in any other Operative Agreement and such default shall continue for thirty (30) days after Lessee has received notice of such default from Lessor or Lender;

(d) any representation or warranty made by Lessee herein or in the Participation Agreement, or in any statement or certificate furnished to Lessor, Lender or any other holder of a Note pursuant to or in connection with this Lease or the Participation Agreement (but not in the Tax Indemnity Agreement), is untrue in any material respect as of the date of issuance or making thereof;

(e) any proceedings shall be commenced by or against Lessee for any relief which includes, or might result in, any modification of the obligations of Lessee hereunder, under any bankruptcy or insolvency law or laws relating to the relief of debtors, readjustments of indebtedness, reorganization, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of Lessee

hereunder), 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 Lessee under this Lease shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed for Lessee or for the property of Lessee in connection with any such proceeding in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees or receiver or receivers, within thirty (30) days after such appointment, if any, or sixty (60) days after such proceedings shall have been commenced, whichever shall be earlier; or

(f) a petition for reorganization under the Bankruptcy Code, as now in effect or hereafter amended, shall be filed by or against 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 Lessee under this Lease shall not have been duly assumed in writing, pursuant to a court order or decree, by such trustee or trustees appointed in such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees, within thirty (30) days after such appointment, if any, or sixty (60) days after such petition shall have been filed, whichever shall be earlier.

14.2 Remedies. If any Event of Default has occurred and is continuing, Lessor or, so long as the Security Agreement shall be in effect, Lender (all references to "Lessor" in the remainder of this Section 14 and in Section 15 being deemed to be references to Lender, in place and stead of Lessor, during such time, but without limiting the right of any Indemnified Party to bring suit and obtain a judgment against Lessee as provided in Section 6 hereof), at its option, may:

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

(b) by notice in writing to Lessee, terminate this Lease, whereupon all right of Lessee to the use of the Leased Equipment shall absolutely cease and terminate as though this Lease had never been made, but Lessee shall remain liable as hereinafter provided; and thereupon, Lessor may by its agents enter upon the premises of Lessee or other premises where any of the Leased Equipment may be located and take possession of all or any of the Leased Equipment and thenceforth hold, possess and enjoy the same free from any right of Lessee, or its successors or assigns, to use such Items for any purpose whatever, but Lessor shall nevertheless have a right to recover from Lessee any and all amounts which may have accrued to the date of such termination (computing the Basic Rent for any number of days less than a full rent period by multiplying the Basic Rent 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 rent period) and also to recover forthwith from Lessee (i) as damages for loss of the bargain and not as a penalty, whichever of the following amounts Lessor, in its sole discretion, shall specify: (x) a sum with respect to each Unit which represents the excess of the present worth, at the time of such termination, of all Basic Rent for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease over the then present worth of the then Fair Rental Value of such Unit for such period computed by discounting from the end of such term to the date of such termination rentals which Lessor reasonably estimates to be obtainable for the use of such Unit during such period, such present worth to be computed in each case on a basis of a per annum discount equal to 10.3%, compounded semi-annually from the respective dates upon which Basic Rent 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 of such Unit as of the Rent Payment Date on or immediately preceding the date of termination over the amount Lessor reasonably estimates to be the Fair Market Value thereof at such time; provided, however, that in the event Lessor shall have sold any Unit, Lessor, in lieu of collection any amounts payable to Lessor by Lessee pursuant to the preceding clauses (x) and (y) of this part (i) with respect thereto may, if it shall so elect, demand that Lessee pay Lessor and Lessee shall pay to 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 of such Unit as of the Rent Payment Date on or immediately preceding the date of termination over the net proceeds of such sale, and (ii) any damages and expenses, other than for a failure to pay Basic Rent, in addition thereto, including attorneys' fees, which Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease other than for the payment of Basic Rent.

For purposes of Section 14.2 above, the Fair Rental Value and/or the Fair Market Value for any Unit shall be determined without prior negotiation but otherwise by appraisal as specified in Section 18.4 hereof, with any appraisal expenses to be borne by Lessee; provided that any sale in a commercially reasonable manner of any Unit prior to any such determination shall conclusively establish the Fair Market Value of such Unit and any rental in a commercially reasonable manner of any Unit prior to any such determination shall conclusively establish the Fair Rental Value of such Unit.

14.3 Cumulative Remedies. The remedies in this Lease provided in favor of 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. Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. Lessee hereby waives any and all existing or future claims of any right to assert any offset against the Rent payments due hereunder, and agrees to pay the Rent regardless of any offset or claim which may be asserted by Lessee on its behalf in connection with the lease of the Leased Equipment.

14.4 Lessor's Failure to Exercise Rights. The failure of Lessor to exercise the rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

14.5 Notice of Event of Default. Lessee also agrees to furnish to Lessor, Lender and each other holder from time to time of any Note, promptly upon any responsible officer becoming aware of any condition which constituted or constitutes an Event of Default or which, after notice or lapse of time, or both, would constitute such an Event of Default, written notice specifying such condition and the nature and status thereof. For the purposes of this Section 14.5 a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of Lessee in this Lease contained, any corporate officer of Lessee who, in the normal performance of his operational responsibilities, would have knowledge of such matter and the requirements of this Lease with respect thereto.

SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT.

15.1 Lessee's Duty to Return. If Lessor or Lender shall terminate this Lease pursuant to Section 14 hereof, Lessee shall forthwith deliver possession of the Leased Equipment to Lessor or Lender, as the case may be, in the condition required by Section 13 hereof. For the purpose of delivering possession of any Unit to Lessor as above required, Lessee shall at its own cost, expense and risk (except as hereinafter stated):

(a) forthwith place such Unit in such reasonable storage place on Lessee's lines of railroad as Lessor may reasonably designate;

(b) permit Lessor to store such Unit in such reasonable storage place on Lessee's lines of railroad without charge for insurance, rent or storage until such Unit has been sold, leased or otherwise disposed of by Lessor and during such period of storage Lessee shall continue to maintain the insurance required by Section 11.1 hereof; and

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

All Rent, per diem or similar charges earned in respect of the use, lease or rent of the Leased Equipment after the date of termination of this Lease shall belong to Lessor and, if received by Lessee, shall be promptly turned over to Lessor.

15.2 Specific Performance. The assembling, delivery, storage and transporting of the Leased Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, Lessor or Lender shall be entitled to a decree against Lessee requiring specific performance of the covenants of Lessee so to assemble, deliver, store and transport the Leased Equipment.

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

SECTION 16. ASSIGNMENTS BY LESSOR.

This Lease and all Basic Rent and all other Rent due or to become due hereunder are being assigned to Lender pursuant to the Security Agreement, and, if such Security Agreement shall no longer be in effect, may be assigned in whole or in part by Lessor without the consent of Lessee, but Lessee shall be under no obligation to any assignee of Lessor (except Lender) except upon written notice of such assignment from Lessor. So long as the Security Agreement shall be in effect, or thereafter upon notice to Lessee of any such assignment, the Basic Rent and other Rent payable by Lessee which are the subject matter of the assignment shall be paid to or upon the written order of Lender or such assignee, as the case may be. Without limiting the foregoing, Lessee further acknowledges and agrees that (i) the rights of Lender or such assignee, as the case may be, in and to the sums payable by Lessee under any provision of this Lease shall not be subject to any abatement whatsoever and shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever whether by reason of failure of or defect in Lessor's title, or any interruption from whatsoever cause in the use, operation or possession of the Leased Equipment or any part thereof, or any damage to or loss or destruction of the Leased Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, of Lessor to Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that Lessee shall be unconditionally and absolutely obligated to pay Lender or such assignee, as the case may be, all of the Basic Rent and other Rent which are the subject matter of the assignment, (ii) Lender or such assignee, as the case may be, shall, if an Event of Default or an event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default shall have occurred and be continuing, have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of Lessor for the use and benefit of Lender or such assignee, as the case may be) which by the terms of this Lease are permitted or provided to be exercised by Lessor (except those rights, privileges and remedies relating to amounts payable to Lessor pursuant to Sections 6, 11.1 (with respect to public liability) insurance and 20.2 hereof and Section 7 of the Participation Agreement which shall remain enforceable by Lessor), but if no Event of Default or event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default shall have occurred and be continuing, said assignee and Lessor may each exercise their respective rights, privileges and remedies stated in this Lease to be provided for their respective benefits, and (iii) all obligations of Lessor, to Lessee under this Lease shall be and remain enforceable by Lessee against, and only against, Lessor.

It is understood and agreed that so long as no Lease Event of Default shall have occurred and be continuing, Lessor, Lender and any other assignee of Lessor shall not interfere, or permit any Person acting by, through or under Lessor, Lender or such assignee to interfere, with any right of Lessee peaceably and quietly to hold, possess and use the Leased Equipment in accordance with the terms of this Lease.

SECTION 17. ASSIGNMENTS BY LESSEE; USE AND POSSESSION.

17.1 Lessee's Right to the Equipment. So long as no Event of Default or an event, which, with the giving of notice or lapse of time, or both, would constitute an Event of Default shall have occurred and be continuing, Lessee shall be entitled to the possession and use of the Leased Equipment in accordance with the terms of this Lease, but, without the prior written consent of Lessor, Lessee shall not assign, transfer or encumber its leasehold interest under this Lease in any Unit or sublease any Unit. Lessee shall not, without the prior written consent of Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any Unit, except to the extent permitted by the provisions of Section 17.2 hereof.

17.2 Use and Possession on Lines Other Than Lessee's Own. So long as Lessee shall not be in default under this Lease, Lessee shall be entitled to the possession of the Leased Equipment and to the use thereof upon the lines of railroad owned or operated by it (either alone or jointly) or by any corporation, a majority of whose voting stock (i.e., having ordinary voting power for the election of a majority of its Board of Directors) is owned directly or indirectly by Lessee, or upon lines of railroad over which Lessee or such corporation has trackage or other operating rights or over which equipment of Lessee is regularly operated pursuant to contract, except that Lessee agrees not to use any Leased Equipment in unit train service in Canada or Mexico, and also to permit the use of any Unit upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements only upon and subject to all terms and conditions of this Lease. Notwithstanding the foregoing, Lessee shall at no time throughout the term of this Lease assign or permit the assignment of any Unit to service (including, without limitation, the regular operation or maintenance thereof) outside the lower 48 United States. No assignment or sublease entered into by Lessee, whether or not permitted by Lessor, shall relieve Lessee of any liability or obligation hereunder which shall be and remain those of a principal and not a surety. Any purported assignment or sublease of the Leased Equipment in violation of this Section 17.2 shall be void.

17.3. Merger, Consolidation or Acquisition of Lessee. Nothing in this Section 17 shall be deemed to restrict the right of Lessee to assign or transfer its leasehold interest under this Lease in the Leased Equipment or possession of the Leased Equipment to any corporation into or with which Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all of the lines of railroad of Lessee, provided that such assignees, successors or transferees shall have duly

assumed by a written agreement satisfactory in form and substance to Lessor, Lender and any other holder from time to time of a Note the obligations of Lessee hereunder and that they will not, upon the effectiveness of such merger or consolidation or acquisition of properties and the assumption of such obligations, be in default under any provision of this Lease and that such merger or consolidation or acquisition of properties shall not alter in any way Lessee's obligations to Lessor hereunder which shall be and remain those of a principal and not a guarantor; provided, further, that the corporation formed by such consolidation or merger or which shall have acquired or leased all or substantially all of the lines of railroad of Lessee shall have a net worth, determined in accordance with generally accepted accounting principles, at least equal to the net worth of Lessee, so determined, immediately prior to giving effect to such consolidation or such conveyance, transfer or lease, as the case may be.

SECTION 18. PURCHASE OPTION; RENEWAL OPTION.

18.1 Purchase Option. Provided that no Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, Lessee shall have the option to purchase all but not less than all of the Units, or both, then leased hereunder at the expiration of the Basic Term hereof, or, if Lessee shall have renewed this Lease pursuant to Section 18.2 hereof, at the expiration of such renewal term, at a price equal to the higher of the Fair Market Value of such Units or \$3,000 per Unit. Lessee shall give Lessor written notice at least one hundred eighty (180) days prior to the end of such term of its election to exercise the purchase option provided for in this Section, which notice shall be irrevocable. Payment of the option price shall be made at the place of payment specified in Section 2.4 hereof in immediately available funds against delivery of a bill of sale transferring and assigning to Lessee all right, title and interest of Lessor in and to such Units. Lessor shall transfer such Units "as-is", "where-is", without representation or warranty as to the condition thereof or any other matters except only that title thereto is free and clear of Lessor Liens.

18.2 Renewal Option. Provided that no Event of Default or an event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default shall have occurred and be continuing, Lessee shall have the option to renew and extend this Lease as to all, but not less than all, of the Units then leased hereunder for up to two (2) successive one (1) year renewal terms upon and subject to the terms and conditions herein contained for the original term of this Lease; provided that the Basic Rent payable for and during each such renewal term shall be an amount equal to the Fair Rental Value of such Unit for such renewal term and that the Casualty Value payable for and during each such renewal term in respect of any Unit suffering a Casualty Occurrence during such renewal term shall be an amount equal to the higher of (i) the Fair Market Value of such Unit as of the beginning of such renewal term, or (ii) an amount equal to twenty percent (20%) of the Lessor's Cost of such Unit, and the Fair Rental Value and Fair Market Value

shall have been agreed upon by Lessor and Lessee or, failing such agreement on or before ninety (90) days prior to the commencement of such renewal term, determined as provided in Section 18.4 hereof. Each renewal term shall commence immediately upon the expiration of the immediately preceding term. Lessee shall give Lessor written notice of any such election at least one hundred eighty (180) days prior to the commencement of each renewal term provided for in this Section 18.2, which notice shall be irrevocable.

18.3 Delivery of Equipment. Unless Lessee has elected to purchase a Unit then leased hereunder or to renew this Lease in respect of such Unit as provided in this Section 18, such Unit shall be returned to Lessor at the end of the Basic Term, or the then current renewal term, as the case may be, in accordance with Section 13 hereof.

18.4 Determination of Fair Rental Value or Fair Market Value. If on or before the 90th day prior to the expiration of any term of this Lease, Lessor and Lessee are unable to agree upon a determination of the Fair Rental Value or Fair Market Value of the Units, such Fair Market Value and, if required, such Fair Rental Value, shall be determined in accordance with the foregoing definitions by the following procedure: For an initial period not exceeding fifteen (15) days the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within the first fifteen (15) days of such 90-day period, each party shall appoint an independent appraiser within twenty (20) days after such initial 15-day period, and the two appraisers so appointed shall within twenty-five (25) days after such initial 15-day period appoint a third independent appraiser. If no such third appraiser is appointed within twenty-five (25) days after such initial 15-day period, either party may apply, to make such appointment, to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine such value of the Units within thirty (30) days after his, her or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of such value of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two appraisers, if any, shall be excluded if such determination differs by an amount greater than 50% of the average value determined by the other two, the remaining determinations shall be averaged and such latter average shall be final and binding upon the parties hereto as such value, and if no such exclusion is required, the three determinations shall be averaged and such average shall be so final and binding. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining the Fair Rental Value or the Fair Market Value and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne by Lessee.

SECTION 19. INTEREST ON OVERDUE RENT AND AMOUNT PAID BY LESSOR.

Anything to the contrary herein contained notwithstanding, any nonpayment of any Basic Rent or any other Rent due hereunder or under any other Operative Agreement, or amounts expended by Lessor on behalf of Lessee, shall result in the additional obligation on the part of Lessee to pay also an Default Rate which is an amount equal to the higher of (i) the Base Rate plus 1%, or (ii) 11.30% (or the maximum rate of interest permitted by law, whichever is less) on the overdue rents and amounts expended for the period of time during which they are overdue or expended and not repaid.

SECTION 20. MISCELLANEOUS.

20.1 Notices. All notices or other communications required or permitted to be given hereunder shall be in writing, shall be addressed as provided below and shall be considered as properly given (a) if delivered in person, (b) if sent by overnight delivery service (including, without limitation, Federal Express, ETA, Emery, Purolator, DHL, Air Borne and other similar overnight delivery services), (c) in the event overnight delivery services are not readily available, if mailed by first class United States mail, postage prepaid, registered or certified with return receipt requested or (d) if sent by prepaid telegram or by telex and confirmed. Notice so mailed shall be effective upon the expiration of five (5) business days after its deposit. Notice given in any other manner shall be effective upon receipt by the addressee; provided, however, that if any notice is tendered to an addressee and the delivery thereof is refused by such addressee, such notice shall be effective upon such tender. For the purposes of notice, the addresses of the parties shall be as set forth below; provided, however, that any party shall have the right to change its address for notice hereunder to any other location within the continental United States by giving of thirty (30) days' notice to the other parties in the manner set forth hereinabove. The initial addresses of the parties hereto are as follows:

(1) Lessor: Citicorp North America, Inc.
601 Midland Avenue
Rye, New York 10580

Attention: Air/Special Project Credit Department

Subject to the Security Agreement, payments to Lessor hereunder shall be made by wire or electronic funds transfer as follows:

Citibank, N.A.
New York, New York
ABA No. 0210-0008
Account No. 3885-9283
Attention: Air/Special Projects Operations

(2) Lender: Nationwide Life Insurance Company
One Nationwide Plaza - 33T
Columbus, Ohio 43216
Attention: Corporate Fixed-Income Securities

Payments to Lender hereunder shall be made by wire or
electronic funds transfer to
Ameritrust/Trust #30352900
FAO Nationwide Life Insurance Company
ABA #041000687

With notification of such payment to
Nationwide Life Insurance Company
One Nationwide Plaza
Columbus, Ohio 43216
Attention: Cash Division, Money and Banking

(3) Lessee: CSX Transportation, Inc.
100 North Charles Street
Baltimore, Maryland 21201
Attention: Treasury Department -
Equipment Unit

20.2 Right of Lessor to Perform. If Lessee shall fail to comply with any of its covenants herein contained, either Lessor or Lender may, but shall not be obligated to, make advances to perform the same and to take all such action as may be necessary to obtain such performance, provided, however, that nothing in this Section 20.2 shall be deemed as between Lessor and Lender to enlarge the rights of Lessor as set forth in Section C.3 of the Security Agreement. Any payment so made by any such party and all cost and expense (including, without limitation, attorneys' fees and expenses) incurred in connection therewith shall be payable by Lessee to the party making the same upon demand as Supplemental Rent hereunder together with interest thereon at the Default Rate.

20.3 Waiver of Jury Trial. Lessee hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim arising out of or relating to this Lease or any other Operative Agreement or the transactions contemplated hereby or thereby.

20.4 Law Governing. This Lease shall be construed in accordance with the laws of the State of New York; provided, however, that the parties shall be entitled to all rights conferred by any applicable Federal statute, rule or regulation.

20.5 Headings and Table of Contents. All Section headings and the Table of Contents are inserted for convenience only and shall not affect any construction or interpretation of this Lease.

20.6 Severability. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be as to such jurisdiction ineffective to the extent of such prohibition or unenforceability without

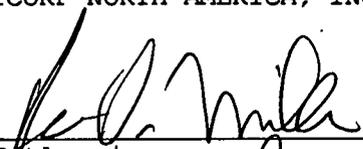
invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction.

20.7 EXECUTION IN COUNTERPARTS. THIS LEASE WILL BE SIMULTANEOUSLY EXECUTED IN TEN (10) COUNTERPARTS, EACH OF WHICH, WHEN SO EXECUTED AND DELIVERED, SHALL CONSTITUTE AN ORIGINAL, FULLY ENFORCEABLE COUNTERPART FOR ALL PURPOSES EXCEPT THAT ONLY THE COUNTERPART STAMPED OR MARKED "COUNTERPART 1", THE RECEIPT OF WHICH HAS BEEN ACKNOWLEDGED BY LENDER, SHALL CONSTITUTE "CHATTEL PAPER" OR OTHER "COLLATERAL" WITHIN THE MEANING OF THE UNIFORM COMMERCIAL CODE IN EFFECT IN ANY JURISDICTION.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed by their respective officers thereunder duly authorized as of the day and year first above written.

CITICORP NORTH AMERICA, INC.

By


Title:

VICE PRESIDENT

CSX TRANSPORTATION, INC.

By _____

Title:

STATE OF New York)
COUNTY OF Westchester) ss:

On this 22 day of MARCH, 1988, before me personally appeared ROGER P. MIJUEL to me personally known, who being by me duly sworn, says that he is the Vice President of CITICORP NORTH AMERICA, INC., that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Thomas A. Matamoros
Notary Public

My commission expires:

THOMAS A. MATAMOROS
Notary Public, State of New York
No. 03-4723452
Qualified in New York County 88
Commission Expires November 30, 19....

STATE OF _____)
COUNTY OF _____) ss:

On this ____ day of _____, 1988, before me personally appeared _____, to me personally known, who being by me duly sworn, says that he is the _____ of CSX TRANSPORTATION, INC., that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

My commission expires:

invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction.

20.7 EXECUTION IN COUNTERPARTS. THIS LEASE WILL BE SIMULTANEOUSLY EXECUTED IN TEN (10) COUNTERPARTS, EACH OF WHICH, WHEN SO EXECUTED AND DELIVERED, SHALL CONSTITUTE AN ORIGINAL, FULLY ENFORCEABLE COUNTERPART FOR ALL PURPOSES EXCEPT THAT ONLY THE COUNTERPART STAMPED OR MARKED "COUNTERPART 1", THE RECEIPT OF WHICH HAS BEEN ACKNOWLEDGED BY LENDER, SHALL CONSTITUTE "CHATTEL PAPER" OR OTHER "COLLATERAL" WITHIN THE MEANING OF THE UNIFORM COMMERCIAL CODE IN EFFECT IN ANY JURISDICTION.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed by their respective officers thereunder duly authorized as of the day and year first above written.

CITICORP NORTH AMERICA, INC.

By _____
Title:

CSX TRANSPORTATION, INC.

By  _____
Title: **AVP & TREASURER - EQUIPMENT UNIT**

STATE OF _____)
) ss:
COUNTY OF _____)

On this ____ day of _____, 1988, before me personally appeared _____, to me personally known, who being by me duly sworn, says that he is the _____ of CITICORP NORTH AMERICA, INC., that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

My commission expires:

STATE OF MARYLAND)
) ss:
COUNTY OF BALTIMORE)

On this 21st day of March, 1988, before me personally appeared Denis J. Voisard to me personally known, who being by me duly sworn, says that he is the AVP & Treas. of CSX TRANSPORTATION, INC., that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

H. Marlene Winchell
Notary Public

My commission expires:

H. MARLENE WINCHELL
BALTO. CO., MD.
My Commission Expires July 1, 1990

SCHEDULE A TO
EQUIPMENT LEASE

DESCRIPTION OF LEASED EQUIPMENT
Identifying Mark and Numbers

COVERED HOPPER CARS = 177

CSXT 246520	CSXT 246581	CSXT 248282	CSXT 248359
CSXT 246522	CSXT 246582	CSXT 248285	CSXT 248361
CSXT 246523	CSXT 246583	CSXT 248287	CSXT 248363
CSXT 246524	CSXT 246586	CSXT 248289	CSXT 248365
CSXT 246525	CSXT 246587	CSXT 248290	CSXT 248367
CSXT 246526	CSXT 246588	CSXT 248291	CSXT 248372
CSXT 246528	CSXT 246589	CSXT 248292	CSXT 248373
CSXT 246529	CSXT 246591	CSXT 248294	CSXT 248374
CSXT 246532	CSXT 246592	CSXT 248295	CSXT 248380
CSXT 246533	CSXT 246593	CSXT 248298	CSXT 248382
CSXT 246534	CSXT 246594	CSXT 248299	CSXT 248383
CSXT 246535	CSXT 246596	CSXT 248300	CSXT 248384
CSXT 246536	CSXT 246599	CSXT 248303	CSXT 249554
CSXT 246541	CSXT 246600	CSXT 248304	CSXT 249564
CSXT 246542	CSXT 246602	CSXT 248305	CSXT 249572
CSXT 246543	CSXT 248143	CSXT 248308	CSXT 249578
CSXT 246544	CSXT 248144	CSXT 248310	CSXT 249581
CSXT 246545	CSXT 248147	CSXT 248312	CSXT 249587
CSXT 246546	CSXT 248150	CSXT 248313	CSXT 249606
CSXT 246547	CSXT 248151	CSXT 248315	CSXT 249619
CSXT 246548	CSXT 248153	CSXT 248316	CSXT 249621
CSXT 246549	CSXT 248155	CSXT 248317	CSXT 249633
CSXT 246550	CSXT 248156	CSXT 248318	CSXT 249654
CSXT 246551	CSXT 248158	CSXT 248321	CSXT 249660
CSXT 246552	CSXT 248159	CSXT 248322	CSXT 249666
CSXT 246554	CSXT 248160	CSXT 248323	CSXT 249669
CSXT 246556	CSXT 248162	CSXT 248324	CSXT 249716
CSXT 246557	CSXT 248163	CSXT 248325	CSXT 249731
CSXT 246558	CSXT 248164	CSXT 248326	CSXT 249740
CSXT 246559	CSXT 248165	CSXT 248328	CSXT 249742
CSXT 246560	CSXT 248166	CSXT 248329	CSXT 249765
CSXT 246561	CSXT 248167	CSXT 248330	CSXT 249777
CSXT 246562	CSXT 248168	CSXT 248331	CSXT 249797
CSXT 246563	CSXT 248170	CSXT 248332	CSXT 249804
CSXT 246564	CSXT 248171	CSXT 248334	CSXT 249840
CSXT 246565	CSXT 248174	CSXT 248336	
CSXT 246566	CSXT 248176	CSXT 248337	
CSXT 246567	CSXT 248270	CSXT 248338	
CSXT 246568	CSXT 248272	CSXT 248339	
CSXT 246570	CSXT 248273	CSXT 248340	
CSXT 246571	CSXT 248274	CSXT 248343	
CSXT 246572	CSXT 248275	CSXT 248344	
CSXT 246573	CSXT 248276	CSXT 248345	
CSXT 246574	CSXT 248277	CSXT 248346	
CSXT 246576	CSXT 248279	CSXT 248349	
CSXT 246577	CSXT 248280	CSXT 248351	
CSXT 246579	CSXT 248281	CSXT 248355	
CSXT 246580			

SCHEDULE B TO
EQUIPMENT LEASE

CERTIFICATE OF ACCEPTANCE
UNDER EQUIPMENT LEASE

To: Citicorp North America, Inc., as Lessor ("Lessor")

I, do hereby certify that I am a duly appointed and authorized representative of CSX TRANSPORTATION, INC. ("Lessee") under the Equipment Lease dated as of March 1, 1988 between Lessor and Lessee, and that I have received, approved and accepted delivery under the Lease of the following Units of Leased Equipment:

DATE ACCEPTED:

NUMBER OF UNITS:

MARKED AND NUMBERED:

I do further certify that the foregoing Leased Equipment is in good order and condition, and conforms to the Specifications (as defined in the Lease) applicable thereto, that there is no defect in any of the foregoing Leased Equipment with respect to design, manufacture, condition or in any other respect, and that each Unit has been labeled by means of a plate or a stencil printed in contrasting colors upon each side of the Unit in letters not less than one inch in height as follows:

"OWNED BY A BANK OR TRUST COMPANY AND SUBJECT TO A SECURITY AGREEMENT,
EACH FILED WITH THE INTERSTATE COMMERCE COMMISSION"

The execution of this Certificate will in no way relieve or decrease the responsibility of any manufacturer, rebuilder or contractor for any warranties it has made with respect to the aforesaid Leased Equipment or any component thereof.

Dated: _____, 1988

Authorized Representative
of Lessee

SCHEDULE C TO
EQUIPMENT LEASE

SCHEDULE OF CASUALTY VALUES
FOR EACH COVERED HOPPER CAR

<u>PAYMENT DATE</u>	<u>STIPULATED LOSS VALUE (%)</u>
4/88-1/89	102.2451
7/89	101.0277
1/90	99.3893
7/90	97.3535
1/91	94.9464
7/91	92.1861
1/92	89.0895
7/92	85.7039
1/93	82.1083
7/93	78.3112
1/94	74.3103
7/94	70.1018
1/95	65.6826
7/95	61.0724
1/96	56.2979
7/96	51.3821
1/97	46.3559
7/97	41.2205
1/98	35.9821
7/98	30.6410
1/99	21.0000

DEFINITIONS

The terms defined in the Security Agreement, in the Lessor Security Agreement and in the Participation Agreement when used herein shall have the same meanings as so defined unless otherwise defined or the context otherwise requires.

"Affiliate" shall mean, with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with, such Person. For this purpose, "control" means the power, directly or indirectly of one person to direct or cause direction of the management and policies of another, whether by contract, through voting securities or otherwise.

"Base Rate" shall mean the fluctuating interest rate per annum equal at all times to the rate of interest announced publicly by Citibank, N.A. in New York, New York, from time to time as Citibank, N.A.'s base rate, each change in such fluctuating interest rate to take effect simultaneously with the corresponding change in the base rate.

"Basic Term" shall have the meaning as defined in Section 3.

"Basic Rent" shall mean the rent payable pursuant to Section 2.1(b).

"Basic Rent Factors" shall have the meaning as defined in Section 2.3.

"Bill of Sale" for any Unit shall mean a warranty bill of sale for such Unit from Seller to Lessor delivered pursuant to the Participation Agreement.

"Business Day" shall mean each day other than a Saturday, Sunday or day on which banks in the States of Ohio, Maryland or New York are required or authorized to close.

"Casualty Value" shall mean the casualty value assigned to Units in Section 11.6.

"Certificate of Acceptance" shall mean a certificate of acceptance substantially in the form of Schedule B annexed hereto.

"Closing" shall mean each Closing to be held on a Closing Date.

"Closing Date" shall mean March 31, June 30, September 30 and December 30, 1988 or such other dates agreed upon by Lessor, Lender and Lessee.

"Collateral" shall have the meaning as defined in Section B.1 of the Security Agreement.

"Covered Hopper Cars" shall mean the Covered Hopper Cars described in Schedule A to this Lease.

"Default" shall mean any of the events and Events of Default described in Section C.1 of the Security Agreement.

"Default Rate" shall have the meaning as defined in Section 19.

"Economic Return" shall have the meaning as defined in Section 2.3.

"Event of Default" shall mean any of the events referred to in Section 14.

"Fair Market Value" of a Unit shall mean an amount equal to the value which it would obtain in an arm's-length transaction between an informed and willing buyer-user (other than a buyer currently in possession or a used equipment dealer) and an informed and willing seller under no compulsion to sell. For all purposes of Section 14.2, Fair Market Value shall be determined on the basis that the Leased Equipment has been maintained in all respects in accordance with the provisions of this Lease (whether or not all or any part thereof is in fact in such condition); otherwise Fair Market Value shall be determined on an "as is, where is" basis. Costs of removal from the location of current use shall not be a deduction from such value.

"Fair Rental Value" of a Unit shall mean an amount equal in amount to the value which it 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. For purposes of Section 14.2, Fair Rental Value shall be determined on the basis that the Leased Equipment has been maintained in all respects in accordance with the provisions of this Lease (whether or not all or any part thereof is in fact in such condition); otherwise Fair Rental Value shall be determined on an "as is, where is" basis. Costs of removal from the location of current use shall not be a deduction from such value.

"Guidelines" shall mean the guidelines set forth in Revenue Procedure 75-21, 1975-1 C.B. 715, as further set forth in Revenue Procedure 75-28, 1975-1 C.B. 752, and as modified in Revenue Procedure 76-30, 1976-2 C.B. 647 and Revenue Procedure 79-48, 1979-2 C.B. 529 that are applied by the Internal Revenue Service in determining, for advance ruling purposes, whether leveraged lease transactions (other than transactions which are treated as leases pursuant to Section 168(f)(8) of the Code) are leases for Federal income tax purposes.

"Indemnified Parties" shall have the meaning as defined in Section 6.

"Interchange Rules" shall have the meaning as defined in Section 7.

"Interim Rent" for any Unit shall mean an amount as provided in Section 2.1(a).

"Lease", "herein", "hereunder" or other like words, unless the context otherwise requires, shall mean and include this Equipment Lease and each amendment hereto from time to time entered into.

"Leased Equipment" shall mean collectively all Units subject to this Lease at any given time.

"Lessor's Cost" for any Unit shall mean the fair market value thereof, which shall not exceed \$15,000 for each such Unit.

"Lessor's Economic Return" shall have the meaning as defined in Section 2.3.

"Loss" shall have the meaning as defined in Section 6.

"Lessor Liens" shall mean any lien which (a) results from claims against Lessor not related or connected to the ownership, leasing, use or operation of any of the Units or its status as Lessor under this Lease or (b) results from an affirmative act of Lessor to create a lien, which act is neither consented to by Lessee nor created in connection with an Event of Default.

"Note" or "Notes" shall mean a Note or Notes of Lessor issued under the Security Agreement.

"Operative Agreements" shall mean this Lease, the Participation Agreement, the Notes, the Lessor Security Agreement, the Security Agreement, the Tax Indemnity and the Bill of Sale.

"Participation Agreement" shall mean the Participation Agreement, dated as of the date hereof, among Lessee, Lessor and Lender.

"Person" shall have the meaning as set forth in the Participation Agreement.

"Renewal Term" shall mean any of the successive periods which follow the end of the Basic Term with respect to which Lessee shall have exercised its option pursuant to Section 18.2.

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

"Rent Payment Date" shall mean each date on which Basic Rent is payable pursuant to Section 2.2.

"Security Agreement Supplement" shall mean the form of security agreement supplement annexed as Exhibit C to the Security Agreement.

"Seller" shall mean Raceland Car Corporation, a Delaware corporation.

"Specifications" shall mean the Repair Specifications in Section B of the Private Placement Memorandum.

"Sublease" shall mean any sublease permitted by Section 17 hereof which covers Delivered Units and is entered into between Lessee and Sublessee for a period in excess of one (1) year, such Sublease being entered into as of the date hereof or hereafter put in place.

"Sublessee" shall mean any party entering into a Sublease with Lessee.

"Supplemental Rent" shall mean the rent payable pursuant to the Section 2.1(c).

"Tax" shall have the meaning as set forth in Section 7 of the Participation Agreement.

"Tax Indemnity" shall mean the Tax Indemnity Agreement, dated as of the date hereof, between Lessor and Lessee.

"Unit" shall have the meaning defined in the recitals hereof.

EXHIBIT B TO
EQUIPMENT LEASE

AMENDMENT NO. TO LEASE

Reference is hereby made to the Equipment Lease dated as of March 1, 1988 ("Lease") between Citicorp North America, Inc., a Delaware corporation ("Lessor"), and CSX Transportation, Inc., a Virginia corporation ("Lessee"):

1. Basic Lease Factors. For purposes of Section 2.2 of the Lease, Lessor and Lessee agree on the following Basic Lease Factors:

Covered Hopper Car
Numbers _____ to _____:

<u>Rent</u> <u>Payment Date</u>	<u>Basic</u> <u>Lease Factors</u>
------------------------------------	--------------------------------------

7/89	
1/90	
7/90	
1/91	
7/91	
1/92	
7/92	
1/93	
7/93	
1/94	
7/94	
1/95	
7/95	
1/96	
7/96	
1/97	
7/97	
1/98	
7/98	
1/99	

2. Casualty Value Table. The Casualty Value table relating to the above-referenced Covered Hopper Cars are attached hereto as Schedule C.

3. Schedule A to the Lease. In the event any Unit described under Section 1 hereof is not described on Schedule A to the Lease, Schedule A to the Lease shall be amended and restated in its entirety and attached hereto for the purpose of adding such Unit thereto.

4. Governing Law and Counterparts. The terms of this Amendment No. ___ to Lease and all rights and obligations of the parties hereto shall be governed by the laws of the State of New York. Such terms, rights and obligations may not be changed orally, but may be changed only by an agreement in writing signed by the party against whom enforcement of such change is sought. This Amendment No. ___ to Lease may be executed in any number of counterparts and by the parties hereto on separate counterparts, but all of such counterparts shall together constitute a single instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. ___ to Lease to be executed by their respective duly authorized officers.

Dated: _____, 19__

CITICORP NORTH AMERICA, INC.

By _____
Title:

CSX TRANSPORTATION, INC.

By: _____
Title

