LOUISVILLE & NASHVILLE RAILROAD COMPANY

908 W. BROADWAY • LOUISVILLE, KENTUCKY 40232 TELEPHONE (502) 587-5235

LAW DEPARTMENT

DAVID M. YEARWOOD
GENERAL ATTORNEY

July 30, 1980

RECORDATION NO. 12062 Filed & Recorded

JUL 31 1980 -2 30 PM

No. 21.81.047 INTERSTATE COMMERCE COMMISSION

Date JUL 31 1980

Fee $ 50.00

ICC Washington, D. C.

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

Dear Madam Secretary:

There are transmitted to you herewith for filing and recordation, pursuant to 49 U.S.C. Section 11303, duly executed counterparts of a Lease of Railroad Equipment dated as of January 1, 1980 between First Security State Bank, as Lessor, whose address is 79 South Main Street, Salt Lake City, Utah 84111, and Louisville and Nashville Railroad Company, as Lessee, whose address is 908 West Broadway, Louisville, Kentucky 40203.

The equipment covered by said Lease of Railroad Equipment is set forth in Schedule A to said Lease Agreement, a copy of which is attached hereto.

Attached hereto is a draft in the amount of $50 payable to the Interstate Commerce Commission to cover the recordation fee for said Agreement.

This letter of transmittal is signed by an officer of Louisville and Nashville Railroad Company designated for the purpose hereof who has knowledge of the matters set forth herein.

After recordation, please return the recorded counterparts of said Lease of Railroad Equipment to:

Sidley & Austin
1730 Pennsylvania Avenue, N. W.
Washington, D. C. 20006

Respectfully yours,

Louisville and Nashville Railroad Company

By David M. Yearwood
David M. Yearwood
General Attorney

Attachments

RECEIVED
JUL 31 2 24 PM '80
I.C.C.
FILE OPERATION BR.

Jeffrey M. Anders

SCHEDULE A to
Lease of Railroad Equipment

DESCRIPTION OF THE UNITS

Quantity	AAR Mechanical Designation	Description	Lessee's Road Numbers (both incl.)	Category
65	XL	50-Ton Box Car	96335-96387 110288-110290 111887-111895	10
50	XM	50-Ton Box Car	96388-96395 110291-110332	10
14	LC	70-Ton Box Car	94000-94013	13
23	XF	70-Ton Box Car	112768-112787 113889-113891	13
59	XL	70-Ton Box Car	111987-111989 112253-112257 112522 112528-112537 112543-112573 112759-112767	13
51	XM	70-Ton Box Car	112538-112542 112746-112758 112788-112820	13
3	XL	100-Ton Box Car	113955 113961 114080	14
20	XP	100-Ton Box Car	113956-113960 114069-114079 114302-114305	14
92	HT	70-Ton Open Top Hopper	76525-76554 76556-76617	12
46	HT	80-Ton Open Top Hopper	189448-189493	12

DESCRIPTION OF THE UNITS

Quantity	AAR Mechanical Designation	Description	Lessee's Road Numbers (both incl.)	Category
12	HT	100-Ton Open Top Hopper	192111-192122	14
82	GB	70-Ton Gondola Car	27449-27452 28601-28620 29052-29054 29202-29205 29566-29615 29621	12
2	GBS	70-Ton Gondola Car	27453-27454	12
17	LG	70-Ton Gondola Car	27777-27789 29616-29618 29620	12
1	GBS	100-Ton Gondola Car	27979	12
1	GBSR	100-Ton Gondola Car	29619	12
50	LO	70-Ton Ballast	45201-45250	10
10	LO	70-Ton Covered Hopper	37173-37176 201888-201893	10
86	LO	100-Ton Covered Hopper	201656-201681 201894-201899 201983-201984 204300-204313 205216-205249 250520-250523	14

DESCRIPTION OF THE UNITS

Quantity	AAR Mechanical Designation	Description	Lessee's Road Numbers (both incl.)	Category
33	LP	50-Ton Ribbon Rail	42867-42873 42875-42900	10
11	FMS	70-Ton Bulkhead Flat Car	990610-990611 990835-990836 990911-990914 991009-991010 991200	12
3	FB	100-Ton Bulkhead Flat Car	990317-990319	12
1	FMS	100-Ton Bulkhead Flat Car	990404	12
12	GBSR	100-Ton Covered Gondola	26375-26386	13
25	LP	70-Ton Pulpwood Car	20013-20021 20100-20101 20194-20197 20286-20295	11
769				

Interstate Commerce Commission

Washington, D.C. 20423

9 7/31/80

OFFICE OF THE SECRETARY

David M Yearwood,Gen.Atty.
L&N RailRoad Company
908 West Broadway
Louisville, Kentucky 40232

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 7/31/80 at 2:30pm ; and assigned re-recordation number(s). 12062 & 12062-A

Sincerely yours,

Agatha L. Mergenovich

Agatha L. Mergenovich
Secretary

Enclosure(s)

SE-30
(7/79)

NOS. Same as in 12062-A & 11555
(All numbers changed)
(See 12062-B)

12062
RECORDATION NO.....Filed & Recorded

JUL 31 1980 -2 30 PM

INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

Dated as of January 1, 1980

Between

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

and

LOUISVILLE AND NASHVILLE RAILROAD COMPANY,
as Lessee

Reconstructed Freight Cars

[L&N TRUST B]

LEASE OF RAILROAD EQUIPMENT

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THIS LEASE OF RAILROAD EQUIPMENT dated as of January 1, 1980 between FIRST SECURITY STATE BANK, a Utah corporation, not in its individual capacity but solely as Trustee (hereinafter, together with its successors and assigns, called "Lessor") under a Trust Agreement dated as of the date hereof (hereinafter called the "Trust Agreement") with WESTINGHOUSE CREDIT CORPORATION, a Delaware corporation (hereinafter, together with its successors and assigns permitted by the Trust Agreement, called "Owner"), and LOUISVILLE AND NASHVILLE RAILROAD COMPANY, a Kentucky corporation (hereinafter called "Lessee").

W I T N E S S E T H:

WHEREAS:

(a) Lessor, Owner, Lessee, FIRST SECURITY BANK OF UTAH, N.A., as Trustee (hereinafter, together with its successors and assigns, called "Security Trustee") under the Security Agreement referred to below and the note purchasers named in Appendix I thereto (hereinafter called the "Note Purchasers") are entering into a Participation Agreement dated as of the date hereof (hereinafter called the "Participation Agreement") relating to the financing of the purchase and reconstruction of the Hulks referred to below. The commitments of the Note Purchasers are to be evidenced by Lessor's 12-1/4% Secured Equipment Notes (hereinafter called the "Notes") to be issued under and secured by the Security Agreement. The holders of the Notes from time to time are hereinafter called the "Noteholders".

(b) Lessor and Lessee are entering into a Hulk Purchase Agreement dated as of the date hereof (hereinafter called the "Hulk Purchase Agreement"), in substantially the form of Annex A to the Security Agreement, pursuant to which Lessor will purchase from Lessee certain used railroad freight cars (hereinafter called collectively the "Hulks" and individually a "Hulk") to be selected by Lessee from the group listed on Schedule A to the Hulk Purchase Agreement.

(c) Lessor and L&N INVESTMENT CORPORATION, a Delaware corporation ("Builder"), are entering into a Reconstruction Agreement dated as of the date hereof (hereinafter called the "Reconstruction Agreement"), in substantially the form of Annex B to the Security Agreement, pursuant to which Builder will reconstruct the Hulks for the account of Lessor. The Hulks so reconstructed are hereinafter called the "Equipment", which is more particularly described in Schedule A hereto; provided, however, that such term shall not include any unit excluded from the Reconstruction Agreement in accordance with the terms thereof.

(d) Lessor and Security Trustee are entering into a Trust Indenture and Security Agreement dated as of the date hereof (hereinafter called the "Security Agreement"), in substantially the form of Exhibit B to the Participation Agreement, pursuant to which Lessor will provide for the issue of the Notes and Security Trustee will hold the right, title and interest of Lessor in and to the Equipment, certain of Lessor's rights in, to and under this Lease and certain other property as security for the Notes.

(e) Lessee desires to lease all the units of the Equipment, or such lesser number as are delivered, accepted and settled for under the Reconstruction Agreement, at the rentals and upon the terms and conditions hereinafter stated (such number of units as are delivered, accepted and settled for under the Reconstruction Agreement being hereinafter called collectively the "Units" and individually a "Unit").

(f) Lessee and Owner are entering into a Tax Indemnity Agreement dated as of the date hereof (hereinafter called the "Tax Indemnity Agreement") with respect to certain income tax consequences of the transactions contemplated hereby.

NOW, THEREFORE, in consideration of the premises and intending to be legally bound hereby, Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Units upon the following terms and conditions:

SECTION 1. Net Lease. This Lease is a net lease and Lessee shall not be entitled to any abatement of rent, reduction thereof or set-off, counterclaim, recoupment or defense against rent, including, but not limited to, abatements, reductions, set-offs, counterclaims, recoupments or defenses due or alleged to be due by reason of any past, present or future claims of Lessee against Lessor, Owner, the Noteholders or any other person for any reason whatsoever; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the obligations of Lessee be otherwise affected, by reason of any defect in the title, condition, design, operation or fitness for use of any Unit or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause and of whatever duration, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or bankruptcy, reorganization or similar proceeding against Lessee, or for any other cause whether similar or dissimilar to the fore-

going, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by Lessee hereunder shall be final, and Lessee shall not seek to recover all or any part of such payment from Lessor for any reason whatsoever.

SECTION 2. Delivery and Acceptance of Units. Lessor hereby appoints Lessee as its agent for the inspection and acceptance of, and the approval of all invoices relating to, the Units pursuant to the Hulk Purchase Agreement and the Reconstruction Agreement. Lessor will cause each Unit to be delivered to Lessee at the point or points within the United States of America at which such Unit is delivered to Lessor under the Reconstruction Agreement. Upon such delivery, Lessee may cause an employee of Lessee or an authorized representative of Lessee to inspect the same and, in any event, if such Unit is acceptable, Lessee shall accept delivery of such Unit (and Lessee shall thereafter execute and deliver to Lessor a certificate of acceptance in the form provided for in the Reconstruction Agreement [hereinafter called a "Certificate of Acceptance"], stating that such Unit has been inspected [or that inspection of such Unit is waived] and accepted on behalf of Lessee and Lessor and is marked in accordance with Section 5 of this Lease), whereupon such Unit shall, as of the date of delivery and acceptance, be deemed to have been delivered to and accepted by Lessee hereunder, shall belong to the category (hereinafter called a "Category") specified in Schedule A hereto, shall (without limiting Section 9) as between Lessor and Lessee be conclusively presumed to comply with the Specifications, requirements and standards applicable thereto pursuant to the Reconstruction Agreement and to be in good working order and repair without inherent vice or defect in title, condition, design, operation or fitness for use and shall thereafter be subject to all the terms and conditions of this Lease.

Notwithstanding the delivery to and acceptance by Lessee of the Units and their possession and use by Lessee hereunder, Lessor shall and does retain the full legal title to and property in all of the Units, it being expressly understood that this Lease is an agreement of lease only.

SECTION 3. Rentals. Lessee agrees to pay Lessor, as rental hereunder, payments (hereinafter called "Interim Rent") on the Cut-Off Date (as defined in the Participation Agreement) and on February 1, 1981 and 28 consecutive payments (hereinafter called "Basic Rent") on February 1 and August 1 in each year, commencing August 1, 1981.

The Interim Rent payment due on the Cut-Off Date shall be in an amount equal to the sum of (i) all amounts required to have been or to be paid by Lessor to Security Trustee pursuant to Section 3.01 of the Security Agreement, plus (ii) an amount equal to the difference, if any, between the amount of interest accrued on the Notes to the Cut-Off Date and any interest earned on Investments pursuant to Section 3.01 of the Security Agreement to the Cut-Off Date. The Interim Rent payment due on February 1, 1981 shall be in an amount equal to the sum of (x) .0340277% of all amounts paid by Owner pursuant to Section 2(b) of the Participation Agreement from the respective dates of payment to the Cut-Off Date plus (y) .0340277% of the Total Cost (as defined in the Reconstruction Agreement) of each Unit then subject to this Lease for each day elapsed from the Cut-Off Date to February 1, 1981. The Interim Rent payments are payable whether or not any Units have been delivered to Lessee hereunder.

Each Basic Rent payment shall be in an amount equal to the sum of the products of the Total Cost of each Unit then subject to this Lease multiplied by the percentage set forth in Schedule B hereto with respect to the Category to which such Unit belongs, it being understood that the number of semi-annual Basic Rent payments for each Category shall be as specified in such Schedule B.

If (i) the aggregate Reconstruction Cost (as defined in the Reconstruction Agreement) of all Units of any Category settled for under the Reconstruction Agreement is other than the percentage of the Total Cost of such Units of such Category set forth in Schedule B, or (ii) any Unit is delivered and accepted under the Reconstruction Agreement after DATE 1 (set forth on Schedule B hereto) or (iii) the weighted average Closing Date for the Units, computed as set forth below ("Average Closing Date"), is not DATE 2 (set forth on Schedule B hereto), and the difference in each case, in the reasonable opinion of Owner, results in a difference in Owner's after-tax return on and rate of recovery of investment and annual net cash flows, then Lessor and Lessee agree that the rentals payable hereunder and the Casualty Value percentages set forth in Schedule C hereto will be appropriately adjusted in order that Owner's after-tax return on and rate of recovery of investment and the annual net cash flows (computed on the same assumptions,

including, without limitation, tax rates, as were utilized by Owner in originally evaluating this transaction) will not be decreased by reason thereof; provided, however, that the rentals and Casualty Value percentages, as so adjusted, shall be sufficient to satisfy the obligations of Lessor under the Security Agreement, notwithstanding any limitation on Lessor's liability expressed therein. (For the purposes of this Section 3, the Average Closing Date for the Units shall be determined by using the following calculation: For each Closing Date for the Units, the dollar amount settled for on such Closing Date shall be multiplied by the number of days such Closing Date occurs after January 1, 1980. The sum of these products for all Closing Dates shall be divided by the total dollar amount settled for on all Closing Dates. The quotient will be the number of days after January 1, 1980 on which the Average Closing Date shall be deemed to occur.)

The Basic Rent is also subject to adjustment pursuant to the provisions of the Tax Indemnity Agreement.

If any of the semi-annual rental payment dates referred to above is not a Business Day, the semi-annual rental payment otherwise payable on such date shall be payable on the next succeeding Business Day. The term "Business Day" means any calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Louisville, Kentucky or Salt Lake City, Utah are authorized or obligated to remain closed.

All payments provided for in this Lease shall be made by wire transfer of immediately available funds by 10:00 a.m. in Salt Lake City on the applicable payment date or by check payable in Salt Lake City Clearing House funds, which funds shall be available by 10:00 a.m. in Salt Lake City on such date.

Lessee agrees that it will not take any action or omit to take any action which would result in a delay or hindrance in or prohibition of the orderly flow of rental payments (or the application thereof) as contemplated by this Section 3, and further agrees that if, for any reason whatsoever, such a delay, hindrance or prohibition should occur or be threatened, Lessee will promptly use its best efforts to eliminate such delay, hindrance or prohibition.

So long as any of the Notes are outstanding, Lessor irrevocably instructs Lessee to make all the payments (other than payments owing to Lessor or Owner pursuant to Sections 6, 7 [with respect to public liability insurance] and 9, which shall be made directly to Lessor or Owner, as

the case may be) provided for in this Lease at the principal office of Security Trustee, for the account of Lessor, in care of Security Trustee, with instructions to Security Trustee to apply such payments in accordance with Article IV of the Security Agreement.

SECTION 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of Sections 7, 10 and 13, shall terminate with respect to each Category on the date specified in Schedule B.

Anything herein to the contrary notwithstanding, upon the occurrence and during the continuance of an Event of Default hereunder, all rights of Lessee under this Lease and in and to the Units are subject to the rights of Security Trustee under the Security Agreement.

SECTION 5. Identification Marks. Lessee will cause each Unit to be kept numbered with Lessee's road numbers as set forth in Schedule A hereto, or in the case of any Unit not there listed such identifying number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "Leased from a Bank or Trust Company and subject to a Security Interest recorded with the I.C.C." or other appropriate words designated by Lessor and/or Security Trustee, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect Lessor's title to and property in such Unit and the rights of Lessor under this Lease and of Security Trustee under the Security Agreement. Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such markings shall have been made thereon and will replace promptly any such markings which may be removed, defaced or destroyed. Lessee will not change the identifying number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with Security Trustee and Lessor and filed, recorded, registered and deposited by Lessee in all public offices where this Lease and the Security Agreement shall have been filed, recorded, registered and deposited and (ii) Lessee shall have furnished Security Trustee and Lessor an opinion of counsel for Lessee with respect thereto satisfactory to Security Trustee and Lessor.

Except as provided in the immediately preceding paragraph, Lessee will not allow the name of any person,

association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership; provided, however, that the Units may be lettered with the name or initials or other insignia customarily used by Lessee.

SECTION 6. Impositions. All payments to be made by Lessee hereunder will be free of expense to Lessor, Owner, Security Trustee and the Noteholders (including their respective successors, assigns, agents and servants), and Lessee shall pay and shall indemnify and hold harmless Lessor, Owner, Security Trustee, the Noteholders (including their respective successors, assigns, agents and servants), the Estate (as defined in the Trust Agreement) and the Trust Estate (as defined in the Security Agreement) from and against all collection charges, all license and registration fees and all taxes, including, without limitation, income, sales, use, personal property, stamp, interest equalization, withholding and other taxes, levies, imposts, duties, charges or withholdings of any nature, together with any penalties, fines or interest thereon (all such collection charges, fees, taxes, levies, imposts, duties, charges, withholdings, penalties, fines and interest being hereinafter called collectively "Impositions"), imposed against Lessor, Owner, Security Trustee, the Noteholders (including their respective successors, assigns, agents and servants), the Estate, the Trust Estate, Lessee or any Unit by any federal, state or local government or taxing authority of or in the United States of America, or by any taxing authority or governmental subdivision of a foreign country, upon or with respect to any Unit, or upon the purchase, ownership, delivery, leasing, possession, use, operation, sale, return or other disposition thereof, or upon the rentals, receipts or earnings arising therefrom, or upon the proceeds received with respect thereto, or upon or with respect to this Lease, the Participation Agreement, the Trust Agreement, the Hulk Purchase Agreement, the Reconstruction Agreement, the Security Agreement or the issuance of the Notes (or any amendment, consent, waiver or modification of any thereof); excluding, however:

(i) United States federal income taxes payable by Owner in consequence of the receipt of payments provided for herein and, to the extent that Owner receives credit therefor against its United States federal income tax liability, any foreign income taxes,

(ii) the aggregate of all state or local taxes payable by Owner measured by net income based on such receipts and any value-added taxes payable by Owner in lieu of such net income taxes,

up to the amount of any such taxes which would be payable to the state and city in which Owner has its principal place of business (determined without apportionment to any other state);

(iii) any state franchise tax,

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

(v) any taxes, fees or other charges on or with respect to the ownership or transfer of the Notes or the revenues, receipts or earnings therefrom for which any Noteholder is liable;

except any such tax which is in substitution for or relieves Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided and except that Lessee need not pay any Imposition to the extent that and while it is being contested by Lessee in good faith and by appropriate proceedings and so long as such proceedings or the nonpayment of such Imposition does not, in the reasonable opinion of Owner and Security Trustee, involve (A) any danger of the sale, forfeiture or loss of any Unit or any interest therein, (B) any material adverse change in the title, property or rights of Lessor in or to the Units or hereunder or of Security Trustee under the Security Agreement, (C) any assessment or penalty against any party which is indemnified by this Section 6, (D) any interference with the due payment by Lessee of rentals hereunder or the application of such rentals under the Security Agreement or (E) any danger of criminal liability or of other liability for which no indemnification is provided hereunder being imposed against Lessor, Owner, Security Trustee or the agents or servants of any of them. If any Imposition shall have been charged or levied against Lessor, Owner, Security Trustee or the Noteholders (including their respective successors, assigns, agents and servants) directly and paid by such person, Lessee shall reimburse such person, plus interest at the rate of 12-1/4% per annum (computed on the basis of a 360-day year of twelve 30-day months) from the date of payment to the date of reimbursement, upon presentation of an invoice therefor. Lessee further agrees that it will promptly pay to Lessor, Owner, Security Trustee, the Noteholders (including their respective successors, assigns, agents and servants), the Estate or the Trust Estate, as the case may be, an amount which, after deduction of any taxes required to be paid by such person in respect of the receipt thereof, shall be equal to any additional tax payable by

such person attributable to the inclusion in such person's income of any payment or reimbursement made or payable by Lessee under this Section 6; provided, however, that such payment shall be reduced by an amount equal to any reduction in taxes resulting from the deduction by such person of the liability or payments with respect to which such payment or reimbursement is made or paid by Lessee.

All amounts payable by Lessee pursuant to this Section 6 shall be payable, to the extent not theretofore paid, on written demand by the party entitled to indemnification; and all the indemnities contained in this Section 6 shall continue in full force and effect notwithstanding the expiration or other termination of this Lease and are expressly made for the benefit of, and shall be enforceable by, Lessor, Owner, Security Trustee and the Noteholders.

In the event that Lessor or Owner shall become obligated to make any payment to Security Trustee or otherwise pursuant to any correlative provision of the Security Agreement not covered by the foregoing paragraphs of this Section 6, or in the event Owner shall become obligated to make any payment to Lessor pursuant to any provision of Article VI of the Trust Agreement not covered by the foregoing paragraphs of this Section 6, Lessee shall pay such additional amounts (which shall also be deemed Impositions hereunder) to Lessor or Owner, as the case may be, as will enable Lessor or Owner to fulfill completely its obligations pursuant to such provision.

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

In the event Lessee may be prohibited by law or is impaired from contesting in its own name any Imposition covered by this Section 6 in respect of which Lessee would otherwise be required to make payments to Owner or Lessor pursuant hereto, Owner or Lessor shall, upon request and at the expense of Lessee, take all legal and other appropriate action reasonably requested by Lessee to contest such Imposition. Owner or Lessor shall not be obligated to take any such legal or other appropriate action unless Lessee shall first have indemnified Lessor and Owner in a manner satisfactory to Lessor and Owner, for all liabilities and expenses which may be entailed therein. Further, Lessee shall indemnify and hold Owner and Lessor harmless from and against any and

all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action taken by Owner, Lessor or Lessee under this Section 6. Lessee shall be entitled to any refund received by Owner, Lessor or Lessee in respect of any Imposition paid by Lessee, provided no Event of Default or other event (hereinafter called a "Default") which, with notice, demand and/or lapse of time, would constitute such an Event of Default shall have occurred and be continuing.

SECTION 7. Payment for Casualty Occurrences; Insurance. In the event that any Unit or Units shall become worn out, lost, stolen, destroyed, irreparably damaged from any cause whatsoever or otherwise rendered permanently unfit for use, or shall be taken or requisitioned by condemnation or otherwise, except any requisition which by its express terms is for a period less than the term of this Lease (such occurrences being hereinafter called "Casualty Occurrences"), during the term of this Lease (including any extended term), Lessee shall within 30 days of its knowledge fully notify Lessor and Security Trustee with respect thereto. Lessee shall bear the risk of any Casualty Occurrence to any Unit. When any Unit or Units shall have suffered a Casualty Occurrence, on the Basic rental payment date next succeeding, Lessee shall (i) pay to Lessor an amount equal to the rental payment or payments in respect of such Unit or Units due and payable on such date, plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit or Units as of the date of such payment in accordance with the schedule set out in Schedule C hereto and (ii) deliver to Lessor and Security Trustee a computation, in form and substance satisfactory to Owner Trustee and Security Trustee, setting forth the portion of such Casualty Value which shall equal the "Unamortized Debt Commitment" (as defined in the Security Agreement) of such Unit or Units. Upon (but not prior to) the making of such payment by Lessee in respect of any Unit or Units, the rental for such Unit or Units shall thereafter cease, the term of this Lease as to such Unit or Units shall terminate and Lessor shall be entitled to recover possession of such Unit or Units. Lessor hereby appoints Lessee as its agent to dispose of any Unit or Units suffering a Casualty Occurrence for which the Casualty Value is to be paid at the best price obtainable on an "as is, where is" basis. If Lessee shall have previously paid the Casualty Value to Lessor, Lessee shall be entitled to the net proceeds of such disposition to the extent that such proceeds do not exceed the Casualty Value of such Unit or Units, and shall pay any excess to Lessor.

Subject to adjustment pursuant to the provisions of Section 3 and of the Tax Indemnity Agreement, the Casualty

Value of each Unit as of the rental payment date on which payment is to be made as aforesaid shall be that percentage of the Total Cost of such Unit set forth in Schedule C hereto under the appropriate Category heading.

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

Lessee will, at all times prior to the return of the Units to Lessor, at its own expense, cause to be carried and maintained property insurance and public liability insurance in respect of the Units at the time subject hereto, in amounts and against risks customarily insured against by Lessee in respect of similar equipment owned by it. The benefits arising from such insurance shall be payable to Lessor, Security Trustee and Lessee, as their respective interests may appear, so long as any of the Notes remain outstanding, and thereafter to Lessor and Lessee, as their respective interests may appear.

Any net insurance proceeds resulting from insurance carried by Lessee or condemnation payments received by Lessor or Security Trustee in respect of any Unit suffering a Casualty Occurrence shall be deducted from the amount payable by Lessee to Lessor in respect of such Casualty Occurrence pursuant to this Section 7. If Lessor or Security Trustee shall receive any such net insurance proceeds or condemnation payments after Lessee shall have made payments pursuant to this Section 7 without deduction for such net insurance proceeds or such condemnation payments, Lessor or Security Trustee, as the case may be, shall pay such net insurance proceeds or condemnation payments to Lessee up to the amount of such payments made by Lessee (but not in excess of the Casualty Value with respect to such Unit) unless an Event of Default or Default shall have occurred and be continuing, in which case the amount otherwise payable to Lessee may be retained by Lessor or Security Trustee and applied to discharge the liabilities of Lessee under Section 10. The balance of such net insurance proceeds or condemnation payments shall remain the property of Lessor. All net insurance proceeds received by Lessor, Security Trustee or Lessee with respect to a Unit not suffering a Casualty Occurrence shall be applied in payment of the cost of repairing the damage to such Unit, but no such proceeds shall be paid to Lessee until Lessor and Security Trustee shall have received a certificate signed by an authorized officer of Lessee to the effect that such damage has been fully repaired; and any balance remaining after the completion of such repairs shall be paid to Lessee unless an Event of Default or Default shall have occurred and be continuing,

in which case the amount otherwise payable to Lessee may be retained by Lessor or Security Trustee and applied to discharge the liabilities of Lessee under Section 10. Any condemnation payments received with respect to a Unit not suffering a Casualty Occurrence shall be the property of Lessor.

Nothing in this Section 7 shall prohibit Lessor from placing any insurance Lessor desires, at Lessor's expense, on or with respect to the Units or the operation thereof unless such insurance would conflict with or otherwise vitiate insurance that is required to be carried by Lessee pursuant to this Section 7.

SECTION 8. Reports. On or before March 31 in each year, commencing with the year 1981, Lessee will furnish to Lessor, Owner and Security Trustee an accurate statement (a) setting forth as of the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the Security Agreement, the amount, description and numbers of all Units that have suffered a Casualty Occurrence or are then undergoing repairs (other than running repairs) or have been withdrawn from use pending repairs (other than running repairs) during the preceding calendar year and such other information regarding the condition and state of repair of the Units as Lessor or Security Trustee may reasonably request and (b) stating that, in the case of all Units repaired or repainted during the period covered by such statement, the numbers and markings required by Section 5 and the Security Agreement have been preserved or replaced. Lessor, Owner and Security Trustee shall have the right, by their respective agents, to inspect the Units and to discuss with Lessee's officers and agents Lessee's records with respect thereto, and to inspect such records to the extent required by governmental or regulatory authority, at such reasonable times as Lessor or Security Trustee, as the case may be, may request during the term of this Lease.

SECTION 9. Disclaimer of Warranties; Compliance with Laws and Rules; Maintenance; Indemnification. LESSOR LEASES THE UNITS, AS IS, IN WHATEVER CONDITION THEY MAY BE, WITHOUT ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, BY LESSOR OR OWNER, EACH EXPRESSLY DISCLAIMING ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO (A) THE FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY OF ANY OF THE UNITS INCLUDING BUT NOT LIMITED TO THEIR VALUE, CONDITION, DESIGN OR OPERATION, (B) LESSOR'S TITLE THERETO, (C) THE DESIGN OR CONDITION OF, OR THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS OR (D) ANY OTHER MATTER WHATSOEVER, IT BEING

AGREED THAT ALL SUCH RISKS, AS BETWEEN LESSOR, OWNER AND LESSEE, ARE TO BE BORNE BY LESSEE. Lessee's execution of this Lease shall be conclusive evidence as between Lessor, Owner and Lessee that the Units described herein are in all of the foregoing respects satisfactory to Lessee, and Lessee will not assert any claim of any nature whatsoever against Lessor or Owner based on any of the foregoing matters.

Lessee agrees, for the benefit of Lessor and Security Trustee, to comply in all respects with all laws (including, without limitation, laws with respect to the use, maintenance and operation of each Unit) of the jurisdictions in which operations involving the Units may extend, with the interchange rules of the Association of American Railroads, with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units and with all provisions of the insurance policies carried by Lessee pursuant to Section 7; and in the event that such laws, rules or provisions require any alteration, replacement or addition of or to any part of any Unit, Lessee will conform therewith at its own expense; provided, however, that Lessee may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of Lessor or Security Trustee, adversely affect the property or rights of Lessor or Security Trustee under this Lease or under the Security Agreement or create any danger that Lessor, Security Trustee or the agents or servants of either of them will incur criminal or other liability for which no indemnification is provided hereunder; and provided, further, that Lessee shall not be obligated to make any such alteration, replacement or addition (hereinafter an "Alteration") to any Unit unless either (i) the Alteration is readily removable from such Unit without causing material damage thereto (hereinafter called a "Severable Alteration"), in which event the Lessee shall cause such Severable Alteration to be made as above provided and to remain affixed to such Unit during the remainder of the term of this Lease, but such Severable Alteration shall otherwise be subject to the provisions of the fourth paragraph of this Section 9 and to the provisions of Section 16 or (ii) such Alteration is not a Severable Alteration (hereinafter called a "Non-Severable Alteration") and such Non-Severable Alteration complies with one or both of the following conditions:

(A) the Non-Severable Alteration is furnished by Lessee in order to comply with any health, safety or environmental standards of any government or governmental authority having relevant jurisdiction, or

(B) the Non-Severable Alteration does not increase either the productivity or the capacity of such Unit by more than 25% over its productivity or capacity when first placed in service and does not modify such Unit for a materially different use (provided that in any event a Non-Severable Alteration will be regarded as complying with this clause (B) as to increases in productivity or capacity if the actual cost thereof when added to the actual cost of all previous Non-Severable Alterations to such Unit made by Lessee hereunder [other than those described in the foregoing clause (ii)(A)] does not exceed 10% of the Total Cost of such Unit, calculated with appropriate price adjustments as set forth in Internal Revenue Service Procedure 79-48).

Lessee shall pay all costs, expenses, fees and charges incurred in connection with the use and operation of the Units. Lessee, at its own cost and expense, shall maintain and service, or cause to be maintained and serviced, each of the Units so as to keep it in the same operating condition, order, repair and appearance as it was when it first became subject to this Lease, ordinary wear and tear excepted; and at all times during the term hereof each of the Units (except Units described on Schedule A as ballast or ribbon rail cars and not more than five other cars which at the expiration of their primary term would be over 40 years old) shall be suitable for use in interchange. Lessee, at its own cost and expense and within a reasonable period of time, shall also replace all parts of any Unit that may have become worn out, lost, stolen, confiscated, destroyed or otherwise rendered permanently unfit for use with appropriate replacement parts, which shall be free and clear from any mortgage, lien, charge or encumbrance (except for those created by the Security Agreement and this Lease). Notwithstanding any sublease of Units pursuant to Section 12, Lessee shall continue to perform all maintenance and repairs thereon as required hereby (other than minor maintenance or running repairs, which may be performed by the sublessee).

Lessee, at its own cost and expense, may at its option furnish additions, modifications and improvements to the Units during the term of this Lease if the same are readily removable without causing material damage to the Units. All such additions, modifications and improvements shall remain the property of Lessee, but shall be subject to the lien of the Security Agreement and the rights of Security Trustee and the Noteholders thereunder; provided, however, that upon the occurrence of an Event of Default all such additions, modifications and improvements shall constitute

accessions to the Units and ownership thereof shall immediately vest in Lessor. Lessee shall not, however, without the prior written consent of Lessor, alter any Unit, or affix or install any accessories or devices on any Unit, if the same shall impair the originally intended function or use of such Unit or shall diminish its commercial value. Except as provided in the first sentence of this paragraph, any and all additions to and improvements of any Unit, and any and all parts installed on and additions and replacements made to any Unit, shall constitute accessions to such Unit and ownership thereof, free from any lien, charge, security interest or encumbrance (except for those created by the Security Agreement or this Lease), shall immediately be vested in Lessor.

Lessee agrees to indemnify, protect and hold harmless Lessor, Owner, Security Trustee, the Noteholders (including their respective successors, assigns, agents and servants), the Estate and the Trust Estate from and against all losses, damages, injuries, liabilities, claims (including claims for negligence or strict liability in tort) and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, penalties and interest, arising out of or as a result of (i) the entering into or the performance of the Participation Agreement, the Trust Agreement, the Hulk Purchase Agreement, the Reconstruction Agreement, the Security Agreement or this Lease, or any amendment, consent, waiver or modification of any thereof, the ownership of any Unit, the ordering, reconstruction, acquisition, use, operation, condition (whether defects are latent or discoverable by Lessor or Lessee), maintenance, repair, improvement, purchase, delivery, rejection, lease, storage or return of any Unit or any accident in connection with the operation, use, condition, possession, storage, sale or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in Section 14, (ii) any loss or damage to the Units, ordinary wear and tear excepted, (iii) any act or omission of Lessee when acting as agent or attorney-in-fact for Lessor hereunder, (iv) any failure of Lessee to comply with the terms of this Lease or (v) any claims for patent infringement. Without limiting the generality of this Section 9 or Section 6, Lessee further agrees to indemnify, protect and hold harmless Owner, and its successors, assigns, agents, servants and legal representatives, from and against all losses, damages, liabilities, claims, taxes, penalties, expenses, costs, disbursements, actions, suits and other obligations, including legal fees and disbursements, of any kind or nature whatsoever which may be imposed or asserted against Owner under the Trust Agreement or as to which Owner is required to indemnify Lessor under the Trust Agreement.

The indemnities arising under this paragraph are expressly made for the benefit of, and shall be enforceable by, Lessor, Owner, Security Trustee, the Noteholders (including their respective successors, assigns, agents and servants), the Estate and the Trust Estate and shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the termination of this Lease.

Lessee agrees to prepare, deliver to Lessor for execution within a reasonable time prior to the required date of filing and file (or, to the extent permissible, to prepare for and file on behalf of Lessor directly) any and all reports (other than income tax returns) to be filed by Lessor with any federal, state or other regulatory authority by reason of the ownership by Lessor of the Units or the leasing thereof to Lessee.

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

(A) default shall be made in payment of any part of the rent provided in Section 3, and the continuance of such default unremedied for a period of five Business Days;

(B) Lessee shall make or permit any unauthorized assignment or transfer of this Lease or of possession of the Units, or any thereof, or shall fail to maintain insurance in accordance with Section 7;

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

(D) any proceedings shall be commenced by or against Lessee for any relief under any bankruptcy or insolvency law, or any law relating to the relief of debtors, readjustment of indebtedness, reorganization, arrangement, composition or extension, and, if such proceedings have been commenced against Lessee, (i) such proceedings shall not have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffec-

tiveness shall continue) within 60 days after such proceedings shall have been commenced or (ii) all the obligations of Lessee under this Lease shall not have been and shall not continue to be duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees, within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier, or Lessee shall make a general assignment for the benefit of creditors or shall fail to pay its debts generally as they become due;

(E) any representation or warranty made by Lessee or Builder in the Participation Agreement, the Hulk Purchase Agreement, the Reconstruction Agreement or this Lease, or any certificate or other document delivered by Lessee or Builder pursuant thereto, shall be false or misleading in any material respect as of the date made; or

(F) default shall be made in the observance or performance of any covenant, condition or agreement on the part of Lessee or Builder contained in the Participation Agreement, the Hulk Purchase Agreement or the Reconstruction Agreement, and such default shall continue for 30 days after written notice from Lessor to Lessee specifying such default and demanding that the same be remedied;

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

(1) 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 net after-tax losses of federal and state income tax benefits to which Lessor or Owner would otherwise be entitled as a result of owning the Units and leasing the same to Lessee under this Lease; or

(2) by notice in writing to Lessee terminate this Lease, whereupon all rights of Lessee to the possession and

use of the Units 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 any other premises where any of the Units may be located and take possession of all or any of such Units and thenceforth hold, possess and enjoy the same free from any right of Lessee, or its successors or assigns, to use the Units for any purposes whatsoever, but Lessor shall, nevertheless, have a right to recover from Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from Lessee (a) as damages for loss of the bargain and not as a penalty, whichever of the following sums, with respect to each Unit then subject to this Lease, Lessor, in its sole discretion, shall specify by written notice to Lessee: (x) an amount equal to the excess, if any, of the Casualty Value for such Unit, computed as of the rental payment date immediately preceding the Event of Default specified in such notice, over the Fair Market Rental (computed as provided in Section 13) of such Unit for the remainder of the term of this Lease for such Unit after discounting such Fair Market Rental semi-annually to present value as of such preceding rental payment date at the rate of 12-1/4% per annum or (y) an amount equal to the excess, if any, of the Casualty Value for such Unit as of such preceding rental payment date over the Fair Market Value (computed as provided in Section 13) of such Unit as of such preceding rental payment date and (b) any damages and expenses, including reasonable

attorneys' fees, in addition thereto which Lessor shall have sustained by reason of the breach of any covenant, representation or warranty of this Lease other than for the payment of rental.

It is expressly understood and agreed that upon the occurrence of any default described in clause (A) of the first paragraph of this Section 10, and prior to the time that this Lease is terminated by Security Trustee or the maturity of the Notes is accelerated pursuant to Section 8.03 of the Security Agreement, either Lessor or Owner may make such payment as will cure such default, and the amount of all payments by Lessor or Owner on behalf of Lessee, plus the amount of all reasonable expenses incurred in connection therewith, together with interest thereon at 13-1/4% per annum, but not to exceed the maximum rate permitted by law, from the date of expenditure to the date of reimbursement, shall constitute additional rental payable hereunder by Lessee to Lessor on demand; provided, however, such option of Lessor or Owner shall be limited to six cures, no more than three of which may be exercised to cure defaults in consecutive rental payment dates.

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 the remedies herein provided, to the extent that such waiver is permitted by law. Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make rental payments regardless of any offset or claim which may be asserted by Lessee or on its behalf.

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

The foregoing provisions of this Section 10 are subject in all respects to all mandatory requirements of law at the time in force and applicable thereto.

SECTION 11. Return of Units upon Default. If this Lease shall terminate pursuant to Section 10, Lessee shall forthwith deliver possession of the Units to Lessor and shall:

(a) forthwith place such Units upon such storage tracks as Lessor reasonably may designate until such Units have been sold, leased or otherwise disposed of by Lessor; and

(b) cause the same to be delivered to any carrier for shipment directed by Lessor.

The Units shall be returned in the condition in which they are required to be maintained by Lessee under Section 9, shall be maintained, or caused to be maintained, by Lessee, at its own cost and expense, in such condition during the period of storage provided for in this Section 11 and shall be insured by Lessee, at its own cost and expense, during such period of storage in accordance with Section 7; and at the time of such return and during such period of storage shall be kept free and clear of all liens, charges, security interests and encumbrances in accordance with Section 12. The assembling, delivery, storage and transporting of the Units as in this Section 11 provided shall be at the expense and risk of Lessee and 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 same. During any storage period, Lessee will permit Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same.

Without in any way limiting the obligations of Lessee under the foregoing provisions of this Section 11, 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 Unit to Lessor, to demand and take possession of such Unit in the name and on behalf of Lessee from whomsoever shall be in possession of such Unit at the time.

SECTION 12. Assignment; Possession and Use; Liens. Lessor, or any assignee of Lessor, may at any time, without notice to or consent by Lessee, sell, assign, transfer, mortgage or otherwise encumber its interest under this Lease or in the Units, subject to the terms of this Lease and the rights of Lessee hereunder, and, upon receipt of written notice of any such assignment, Lessee shall recognize such assignment subject to the rights of Lessee against Lessor hereunder. No assignment or reassignment shall release Lessor from its obligations to Lessee under this Lease. Lessor agrees to deliver to Lessee a copy of each agreement evidencing any such sale, assignment, transfer, mortgage or other encumbrance, or the portion thereof which effects

compliance with the provisions of this Section 12, as soon as practicable after the execution and delivery thereof. All the rights of Lessor hereunder (including, but not limited to, the rights under Sections 6, 7 and 9 and the rights to receive the rentals payable under this Lease) shall inure to the benefit of Lessor's assigns (including the partners or any beneficiary of any such assignee if such assignee is a partnership or a trust, respectively), but only to the extent assigned.

Lessee represents and warrants to Lessor that title to each of the Units from time to time subject to this Lease has been validly and effectively transferred to Lessor pursuant to the Hulk Purchase Agreement and the Reconstruction Agreement and that at the time each Unit became subject to this Lease Lessor had good title thereto, free and clear of all claims, liens, security interests, security titles and other encumbrances of any nature whatsoever (other than the Security Agreement or this Lease). Lessee covenants and agrees that in the event of any breach of the foregoing representation and warranty all payments in respect thereof (and all payments in respect of any related breach under the bills of sale delivered pursuant to the Hulk Purchase Agreement or otherwise with respect to the title to the Units) shall be made directly to the Security Trustee, for the account of Owner Trustee, to be applied in the manner provided in Article IV of the Security Agreement; provided, however that so long as no Default or Event of Default shall have occured and be continuing under the Security Agreement, such payment shall be applied to cure the defect in title in respect of which such payment was made to the Security Trustee. Subject to the terms and conditions of this Lease and the Security Agreement, Lessee shall have the right to the full use and uninterrupted and undisturbed possession of the Units, and so long as no Default or Event of Default hereunder shall have occurred and be continuing, Lessor shall not interfere with or otherwise disturb Lessee's use and enjoyment of any Unit nor do or cause to be done any act which would deprive Lessee of the full use, possession and enjoyment of any Unit.

Without the prior written consent of Lessor, Lessee shall not assign or transfer its leasehold interest under this Lease in the Units, or any of them, or sublease the Units, or any of them, or part with possession thereof except to permit the use of the Units upon connecting and other carrier's in the usual interchange of traffic and equipment.

Nothing in this Lease shall be deemed to authorize or permit Lessee to assign, sublease or use, or permit the assignment, sublease or use of, any Unit to service (including, without limitation, the regular operation or maintenance thereof) outside the United States of America.

Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any person which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by Lessor or Security Trustee or resulting from claims against Lessor or Security Trustee unrelated to transactions contemplated by the Participation Agreement) on or with respect to any Unit, including any accession thereto, or the interest of Lessor, Security Trustee or Lessee therein, and will promptly discharge any such lien, charge, security interest or other encumbrance which arises; provided, however, that Lessee shall not be required to pay or discharge any such claim to the extent that and while it is being contested by Lessee in good faith and by appropriate proceedings and so long as such proceedings or the nonpayment of such claim does not, in the written opinion of counsel satisfactory to Lessor and Security Trustee, involve (i) any danger of the sale, forfeiture or loss of any Unit or any interest therein, (ii) any material adverse change in the title, property or rights of Lessor in or to the Units or hereunder or of Security Trustee under the Security Agreement, (iii) any assessment or penalty against any party which is indemnified by Section 6, (iv) any interference with the due payment by Lessee of rentals hereunder or the application of such rentals under the Security Agreement or (v) any danger of criminal liability or of other liability for which no indemnification is provided hereunder being imposed against Lessor, Security Trustee or the agents or servants of either of them; and provided further that this covenant will not be breached by reason of the existence of liens for taxes, assessments or governmental charges or levies, in each case so long as not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent.

SECTION 13. Renewal Options; Right of First Refusal. Provided there exists no Default or Event of Default hereunder, Lessee may by written notice delivered to Lessor not less than six months prior to the end of the original term or the extended term of this Lease, as the case may be, elect to extend the term of this Lease in respect of all, but not less than all, of the Units within a Category then covered by this Lease for two additional periods of 12 months each, commencing on the scheduled expiration of the original term or the extended term of this Lease applicable to such Category, as the case may be. In the event that the term of this Lease is extended pursuant to the preceding sentence, Lessee shall pay rentals at the "Fair Market Rental" (as hereinafter defined) of such Units in semi-annual payments in arrears on February 1 and August 1 in each year of such extended term; and all of the other terms of this Lease shall be applicable during any extended term.

For purposes of Section 10, Fair Market Value shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing buyer (other than a lessee currently in possession or a used equipment dealer) and an informed and willing seller under no compulsion to sell and, in such determination, the value of any additions, modifications and improvements as to which Lessee retains title pursuant to Section 9 shall not be included, and costs of removal from the location of current use shall not be a deduction from such value. If Lessee and Lessor are unable to agree as to Fair Market Value within 10 days of notice from Lessor, Fair Market Value shall be determined by appraisal according to the procedures described below. Fair Market Rental shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease and, in such determination, the value of the additions, modifications and improvements as to which Lessee retains title pursuant to Section 9 shall not be included and costs of removal from the location of current use shall not be a deduction from such value. If, within two months following receipt of the notice required by the preceding paragraph, Lessor and Lessee are unable to agree upon a determination of the Fair Market Rental of the relevant Units, such rental shall be determined in accordance with the foregoing definition by a qualified independent Appraiser. The term "Appraiser" shall mean such independent appraiser as Lessor may select with the approval of Lessee, or, failing such approved selection, a panel of three independent Appraisers, one of whom shall be selected by Lessor, the second by Lessee and the third designated by the first two so selected; and if the appraisers selected by Lessor and Lessee are unable to agree upon such third appraiser, either Lessor or Lessee may apply to any court of competent jurisdiction to select such third appraiser. The Appraiser shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to Lessor and Lessee. The determination so made shall be conclusively binding upon both Lessor and Lessee. The expenses and fees of the Appraiser shall be paid by Lessee.

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

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

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

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

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

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

SECTION 14. Return of Units upon Expiration of Term. As soon as practicable on or after the expiration of the original or any extended term of this Lease with respect to any Unit, but in any event not later than 90 days after such expiration, 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 or any of its affiliates as Lessor may designate or, in the absence of

such designation, as Lessee may select and permit Lessor to store such Unit on such tracks for a period not exceeding three months and transport the same, at any time within such three-month period, to any conncecting carrier for shipment, all as directed by Lessor, the movement and storage of such Unit to be at the expense and risk of Lessee. 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 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, the rights of inspection granted under this sentence. Each Unit returned to Lessor pursuant to this Section 14 shall (i) be in the same operating order, repair and condition as when originally delivered to Lessee, ordinary wear and tear excepted, (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads, if applicable, and/or the applicable rules of any governmental agency or other organization with jurisdiction and (iii) have removed therefrom by Lessee without cost or expense to Lessor all additions, modifications and improvements which Lessee owns pursuant to the second sentence of the fourth paragraph of Section 9. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, Lessor shall be entitled to a decree against Lessee requiring specific performance of the covenants of Lessee so to assemble, deliver, store and transport the Units.

All amounts earned in respect of the Units after the end of the term of this Lease shall belong to Lessor and, if recieved by Lessee, shall be promptly turned over to Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after the end of the term of this Lease, Lessee shall, in addition, pay to Lessor for each day thereafter an amount equal to the amount, if any, by which the per diem interchange rate for such Unit for each such day exceeds the actual earnings received by Lessor on such Unit for each such day.

SECTION 15. Recording. Lessee, at its own expense, will cause this Lease and the Security Agreement, and any amendments or supplements hereto or thereto, and any further assignments hereof and thereof, to be filed and recorded in accordance with Section 11303(a) of Title 49, United States Code, and Lessee will effect all other filing, registering, depositing and recording required of Lessor under the Security

Agreement and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record (and will re-file, re-register, re-deposit or re-record whenever required) any and all further instruments, including Uniform Commercial Code financing and continuation statements, required by law or reasonably requested by Lessor or Security Trustee for the purposes of perfection and proper protection, to their satisfaction, of Lessor's and Security Trustee's respective interests in the Units, or for the purpose of carrying out the intention of and their respective rights under this Lease and the Security Agreement; and Lessee will promptly furnish to Lessor and Security Trustee evidence of all such filing, registering, depositing and recording and an opinion or opinions of counsel for Lessee with respect thereto satisfactory to Lessor and Security Trustee. This Lease and the Security Agreement shall be filed and recorded with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

SECTION 16. Removal of Certain Additions, Modifications or Improvements. If title to any additions, modifications or improvements to any Unit or Units shall remain in Lessee at the date of termination of this Lease pursuant to Section 9, Lessee shall, at its cost and expense, prior to the return of such Unit or Units to Lessor hereunder, remove the same without material damage to such Unit or Units.

SECTION 17. Interest on Overdue Rentals. Anything herein to the contrary notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of Lessee promptly to pay interest equal to 13-1/4% per annum, but not to exceed the maximum rate permitted by law, on the overdue rentals and other obligations for the period of time during which they are overdue. Such interest shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 18. Notices. Any notice hereunder to any of the persons designated below shall be deemed to have been properly served if delivered personally or if mailed, certified mail postage prepaid, at the following specified addresses:

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

(b) To Lessee (i) if delivered by hand at 908 West Broadway, Louisville, Kentucky 40201, and (ii) if mailed, at P.O. Box 32290, Louisville, Kentucky 40232, attention: Finance Department;

(c) To Owner at Three Gateway Center, Pittsburgh, Pennsylvania 15222, attention: Manager of Lease Operations;

(d) To Security Trustee, at 79 South Main Street, Salt Lake City, Utah 84111, attention: Corporate Trust Department;

or to such other address as may have been furnished in writing by any of the foregoing to the other persons named above.

SECTION 19. Payment of Expenses. Lessee agrees to pay the expenses assumed by it in the Participation Agreement.

SECTION 20. Merger, Consolidation, etc. Nothing herein shall be deemed to prohibit Lessee from consolidating with or merging into any other corporation or leasing, conveying or transferring its properties and assets substantially as an entirety to any person, provided that:

(A) such successor corporation shall expressly assume (where such assumption is not effected by operation of law), by an appropriate instrument executed and delivered to Lessor, in form and substance satisfactory to Lessor and Security Trustee, the due and punctual payment of all rents and other sums and the performance and observance of each and every covenant and agreement of this Lease on the part of Lessee to be paid, performed or observed; and

(B) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing hereunder or under the Security Agreement.

Upon the consummation of any transaction permitted by the immediately preceding paragraph, the successor corporation shall succeed to, and be substituted for, and may exercise every right and power of, Lessee under this Lease with the same effect as if such successor corporation had been named as Lessee herein; provided, however, that no conveyance or transfer referred to in such preceding paragraph shall have the effect of releasing Lessee or any successor corporation which shall theretofore have become such in the manner prescribed in this Section 20 from its obligations under this Lease.

SECTION 21. Severability; Effect and Modification of Lease. Any provision of this Lease prohibited or unenforceable by any applicable law of any jurisdiction shall as to such jurisdiction be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby waived by Lessee to the full extent permitted by law, to the end that this Lease shall be enforced as written.

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

The Table of Contents and all Article and Section headings are inserted for convenience or reference only and shall not affect any construction or interpretation of this Lease. All references herein to Sections, paragraphs, clauses and other subdivisions refer to the designated Sections, paragraphs, clauses and other subdivisions of this Lease; and the words "herein", "hereof", "hereunder" and words of similar import refer to this Lease as a whole and not to any particular Section, paragraph, clause or other subdivision hereof.

SECTION 22. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the Commonwealth of Kentucky; provided, however, that the parties shall be entitled to all rights conferred by Section 11303(a) of Title 49, United States Code, and such additional rights arising out of the filing, recording, registering or depositing, if any, of this Lease as shall be conferred by the laws of the several jurisdictions in which this Lease shall be filed, recorded, registered or deposited.

SECTION 23. Further Assurances. Lessee agrees that at any time and from time to time, after the execution and delivery of this Lease, it shall, upon reasonable request of Lessor, execute and deliver such further documents, including, but not limited to any instrument required by Section 9 to evidence the first lien of the Security Agreement, and do such further acts and things as Lessor may reasonably request in order fully to effect the purposes of

this Lease, including, but not limited to, any and all information necessary to enable Lessor properly to complete and file any and all state or political subdivision thereof income tax returns in connection herewith. Without limitation of the foregoing provisions of this Section 23, Lessee agrees to furnish the certificate and the opinion of counsel which may from time to time be requested by Security Trustee pursuant to Section 7.02 of the Security Agreement.

SECTION 24. Modification, Waiver and Consent. Any modification or waiver of any provision of this Lease, or any consent to any departure by Lessee therefrom, shall not be effective in any event unless the same is in writing and signed by Lessor, and then such modification, waiver or consent shall be effective only in the specific instance and for the specific purpose given. Any notice to or demand on Lessee in any event not specifically required of Lessor hereunder shall not entitle Lessee to any other or further notice or demand in the same, similar or other circumstances unless specifically required hereunder.

SECTION 25. Binding Effect. This Lease shall be binding upon and shall inure to the benefit of the respective successors and permitted assigns of Lessee and Lessor.

SECTION 26. Limitation of Liability. It is expressly understood and agreed by and between Lessor and Lessee that this Lease is executed by First Security State Bank, not in its individual capacity but solely as Trustee under the Trust Agreement in the exercise of the power and authority conferred and vested in it as such Trustee (and First Security State Bank hereby warrants that it possesses full power and authority to enter into and perform this Lease); it is further understood and agreed that, except as otherwise expressly provided herein or in the Participation Agreement and except in the case of gross negligence or willful misconduct of Lessor for which Lessor alone shall be liable, nothing herein contained shall be construed as creating any liability on First Security State Bank, in its individual capacity or on Owner to perform any covenant contained herein, all such liability being expressly waived by Lessee; and so far as First Security State Bank, or Owner is concerned, Lessee shall look solely to the Estate (as defined in the Trust Agreement) for the performance of the obligations of Lessor herein.

SECTION 27. Rights, Remedies and Powers. Each and every right, remedy and power granted to Lessor hereunder shall not be exclusive but shall be cumulative and in addition to any other right, remedy or power herein specifically granted or now or hereafter existing in equity, at law, by

virtue of statute or otherwise and may be exercised by Lessor from time to time concurrently or independently and as often and in such order as Lessor may deem expedient. Any failure or delay on the part of Lessor in exercising any such right, remedy or power, or abandonment or discontinuance of steps to enforce the same, shall not operate as a waiver thereof or affect Lessor's right thereafter to exercise the same, and any single or partial exercise of any such right, remedy or power shall not preclude any other or further exercise thereof or the exercise of any other right, remedy or power. In the event Lessor shall have proceeded to enforce any such right, remedy or power and such proceeding shall have been determined adversely to Lessor, then in such event Lessee and Lessor shall be restored to their former positions and the rights, remedies and powers of Lessor shall continue as if no such proceeding had been taken.

SECTION 28. Execution. This Lease may be executed in any number of counterparts, but the counterpart delivered to Security Trustee shall be deemed to be the original counterpart.

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

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

(Corporate Seal)

By: _____
Authorized Officer

ATTEST:

_____
Authorized Officer

LOUISVILLE AND NASHVILLE
RAILROAD COMPANY,
as Lessee

(Corporate Seal)

By D J Watkins
Asst. Vice President

ATTEST:

Assistant Secretary

STATE OF UTAH)
) SS
COUNTY OF SALT LAKE)

On this 30th day of June, 1980, before me personally appeared Justin B. Eccles, to me personally known, who, being by me duly sworn, says that she is an authorized officer of First Security State Bank, that one of the seals affixed to the foregoing instrument is the corporate seal of said association and that said instrument was signed and sealed on behalf of said association by authority of its By-laws, and she acknowledged that the execution of the foregoing instrument was the free act and deed of said association.

Casey N. Knobel
Notary Public

(Notarial Seal)

My Commission Expires 7/17/82

STATE OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

On this 30th day of ~~June~~ July 1980, before me personally appeared D. G. Watkins, to me personally known, who, being by me duly sworn, says that he is Asst. Vice President of Louisville and Nashville Railroad Company, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Patricia A. Oglesby
Notary Public

(Notarial Seal)

My Commission Expires NOTARY PUBLIC, STATE AT LARGE
My Commission Expires April 12, 1981

SCHEDULE A to
Lease of Railroad Equipment

DESCRIPTION OF THE UNITS

Quantity	AAR Mechanical Designation	Description	Lessee's Road Numbers (both incl.)	Category
65	XL	50-Ton Box Car	96335-96387 110288-110290 111887-111895	10
50	XM	50-Ton Box Car	96388-96395 110291-110332	10
14	LC	70-Ton Box Car	94000-94013	13
23	XF	70-Ton Box Car	112768-112787 113889-113891	13
59	XL	70-Ton Box Car	111987-111989 112253-112257 112522 112528-112537 112543-112573 112759-112767	13
51	XM	70-Ton Box Car	112538-112542 112746-112758 112788-112820	13
3	XL	100-Ton Box Car	113955 113961 114080	14
20	XP	100-Ton Box Car	113956-113960 114069-114079 114302-114305	14
92	HT	70-Ton Open Top Hopper	76525-76554 76556-76617	12
46	HT	80-Ton Open Top Hopper	189448-189493	12

DESCRIPTION OF THE UNITS

Quantity	AAR Mechanical Designation	Description	Lessee's Road Numbers (both incl.)	Category
12	HT	100-Ton Open Top Hopper	192111-192122	14
82	GB	70-Ton Gondola Car	27449-27452 28601-28620 29052-29054 29202-29205 29566-29615 29621	12
2	GBS	70-Ton Gondola Car	27453-27454	12
17	LG	70-Ton Gondola Car	27777-27789 29616-29618 29620	12
1	GBS	100-Ton Gondola Car	27979	12
1	GBSR	100-Ton Gondola Car	29619	12
50	LO	70-Ton Ballast	45201-45250	10
10	LO	70-Ton Covered Hopper	37173-37176 201888-201893	10
86	LO	100-Ton Covered Hopper	201656-201681 201894-201899 201983-201984 204300-204313 205216-205249 250520-250523	14

DESCRIPTION OF THE UNITS

Quantity	AAR Mechanical Designation	Description	Lessee's Road Numbers (both incl.)	Category
33	LP	50-Ton Ribbon Rail	42867-42873 42875-42900	10
11	FMS	70-Ton Bulkhead Flat Car	990610-990611 990835-990836 990911-990914 991009-991010 991200	12
3	FB	100-Ton Bulkhead Flat Car	990317-990319	12
1	FMS	100-Ton Bulkhead Flat Car	990404	12
12	GBSR	100-Ton Covered Gondola	26375-26386	13
25	LP	70-Ton Pulpwood Car	20013-20021 20100-20101 20194-20197 20286-20295	11
769				

Schedule B to
Lease of Railroad Equipment

RENTALS AND TERMS

Category of Units	Basic Rental Factor (as percentage of Total Cost)	Ratio of Reconstr. Cost to Total Cost	No. Payments of Basic Rent	End of Initial Lease Term
10	6.6050	81.15%	20	1/31/91
11	6.3577	73.07%	22	1/31/92
12	5.9727	76.32%	24	1/31/93
13	5.6497	80.31%	26	1/31/94
14	5.4023	83.04%	28	1/31/95

DATE 1: December 31, 1980
DATE 2: November 1, 1980

Schedule C to
Lease of Railroad Equipment

CASUALTY VALUES

Payment Date	Percentages Category 10	Category 11	Category 12	Category 13	Category 14
2/1/81	87.2144	88.7822	88.1572	87.4196	86.9120
8/1/81	86.5432	88.4357	88.1838	87.7930	87.5465
2/1/82	84.9226	87.2017	87.3278	87.2583	87.2607
8/1/82	83.1963	85.8551	86.3718	86.6363	86.8974
2/1/83	81.3551	84.3770	85.2944	85.9066	86.4358
8/1/83	79.2839	82.6794	84.0081	84.9733	85.7760
2/1/84	76.9491	80.7278	82.4762	83.7981	84.8784
8/1/84	74.3812	78.5555	80.7339	82.4188	83.7822
2/1/85	71.5510	76.1321	78.7493	80.8011	82.4522
8/1/85	68.4943	73.4947	76.5609	78.9862	80.9306
2/1/86	65.1880	70.6190	74.1424	76.9453	79.1874
8/1/86	61.6601	67.5331	71.5242	74.7120	77.2582
2/1/87	57.8933	64.2179	68.6848	72.2626	75.1203
8/1/87	53.9099	60.6954	65.6489	69.6252	72.8164
2/1/88	49.6983	56.9515	62.4000	66.8116	70.3675
8/1/88	45.2780	53.0066	58.9606	63.8241	67.7685
2/1/89	40.6437	48.8521	55.3198	60.6537	65.0103
8/1/89	35.8107	44.5047	51.4963	57.2903	62.0832
2/1/90	30.7803	39.9618	47.4847	53.7252	58.9768
8/1/90	25.5633	35.2359	43.2999	49.9980	55.6801
2/1/91	20.0000	30.3312	38.9425	46.1074	52.1818
8/1/91	20.0000	25.2560	34.4234	42.0677	48.5371
2/1/92	20.0000	20.0000	29.7490	37.8835	44.7558
8/1/92	20.0000	20.0000	24.9280	33.5649	40.8504
2/1/93	20.0000	20.0000	20.0000	29.1234	36.8300
8/1/93	20.0000	20.0000	20.0000	24.5883	32.7288
2/1/94	20.0000	20.0000	20.0000	20.0000	28.5506
8/1/94	20.0000	20.0000	20.0000	20.0000	24.3083
2/1/95, and thereafter	20.0000	20.0000	20.0000	20.0000	20.0000

The percentages set forth in this Schedule C have been computed without regard to recapture of the Investment Credit (as defined in the Tax Indemnity Agreement). Consequently, the Casualty Value of any Unit suffering a Casualty Occurrence on or before the third, fifth or seventh anniversary of the date of delivery and acceptance of such Unit shall be increased by the applicable percentage of the Reconstruction Cost set forth below:

Anniversary of Delivery and Acceptance	Percentage of Reconstruction Cost				
	Category 10	Category 11	Category 12	Category 13	Category 14
Third	15.6058	14.0519	14.6769	15.4442	15.9692
Fifth	10.4038	9.3679	9.7846	10.2962	10.6462
Seventh	5.2019	4.6840	4.8923	5.1481	5.3231