

\$ 50 ①

No. **C-323A070**

Date **NOV 18 1980**

Fee \$ **50.00**

ICC Washington, D. C.

NOV 18 12 39 PM '80
TELETYPE
BRANCH

Interstate Commerce Commission
Washington, D.C.

Gentlemen:

Enclosed for recordation under the provisions of 49 USC 11303(a) are the original and ~~three~~ counterparts of an Equipment Lease dated as of November 1, 1980.

A general description of the railroad equipment covered by the enclosed document is set forth in Schedule A attached to this letter and made a part hereof.

The names and addresses of the parties are:

Lessor:	12418 <small>RECORDATION NO. _____ Filed 1425</small>	New England Merchants Leasing Corporation P. O. Box 2332 Boston, Massachusetts 02107
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Lessee:	NOV 18 1980 - 12 45 PM INTERSTATE COMMERCE COMMISSION	Farmland Industries, Inc. 3315 North Oak Trafficway Kansas City, Missouri 64116
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The undersigned is the Lessor mentioned in the enclosed document and has knowledge of the matters set forth therein.

Please return the original and ~~six~~ copies of the Equipment Lease to Robert P. Davis, Esq., Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603.

Also enclosed is a check in the amount of \$50.00 covering the required recording fee.

Very truly yours,

NEW ENGLAND MERCHANTS LEASING CORPORATION

By *[Signature]*
Its President

LESSOR AS AFORESAID

Enclosures

[Handwritten signature: Robert P. Davis]

SCHEDULE A

DESCRIPTION OF EQUIPMENT

<u>Number of Items</u>	<u>Description</u>	<u>Identifying Mark and Numbers (Both Inclusive)</u>
100	100-Ton 4,750 Cubic Foot Covered Hopper Cars manufactured by ACF Industries Incorporated	FLIX 3400 through FLIX 3499, both inclusive

Interstate Commerce Commission
Washington, D.C. 20423

11/18/80

OFFICE OF THE SECRETARY

Robert P. Davis, Esq.
Chapman and Cutler
111 West Monroe St.
Chicago, Illinois 60603

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 **11/18/80** at **12: 45pm**, and assigned re-
recording number(s).

12418, & 12419 Sincerely yours,

Agatha L. Mergenovich
Agatha L. Mergenovich
Secretary

Enclosure(s)

12418
RECORDATION NO. _____ Filed 1425

NOV 18 1980 - 12 45 PM

EQUIPMENT LEASE

INTERSTATE COMMERCE COMMISSION

Dated as of November 1, 1980

Between

NEW ENGLAND MERCHANTS LEASING CORPORATION B-10

LESSOR

And

FARMLAND INDUSTRIES, INC.

LESSEE

(F.I. Lease No. 13)
(100 Covered Hopper Cars)

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Attachments to Equipment Lease:

- Schedule A - Description of Items of Equipment
- Schedule B - Certificate of Acceptance
- Schedule C - Schedule of Casualty Value
- Schedule D - Schedule of Termination Value
- Exhibit 1 - Certificate of Supplemental Cost
- Exhibit 2 - First Lease Supplement

EQUIPMENT LEASE

THIS EQUIPMENT LEASE dated as of November 1, 1980 between NEW ENGLAND MERCHANTS LEASING CORPORATION B-10, a Massachusetts corporation (the "Lessor"), and FARMLAND INDUSTRIES, INC., a Kansas corporation (the "Lessee");

R E C I T A L S:

A. Pursuant to a Purchase Contract Assignment dated as of November 1, 1980, the Lessee has assigned to the Lessor its right to purchase the Equipment referred to below.

B. The Lessee and the Lessor have entered into a Participation Agreement dated as of November 1, 1980 (the "Participation Agreement") with the institutional investors named in Schedule 1 thereto (the "Lenders") and The First National Bank of Kansas City, as security trustee (the "Security Trustee") providing for the financing of the equipment (collectively the "Equipment" and individually an "Item of Equipment") described in Schedule A hereto and made a part hereof. Unless otherwise herein defined, capitalized terms used herein shall have the meanings specified in the Participation Agreement.

SECTION 1. LEASE AND DELIVERY OF EQUIPMENT.

1.1. Intent to Lease and Hire. Upon delivery of each Item of Equipment by ACF Industries Incorporated (the "Manufacturer") to the Lessor, the Lessee shall lease and let and the Lessor shall hire to the Lessee such Item of Equipment for the rental and on and subject to the terms and conditions herein set forth.

1.2. Inspection and Acceptance. The Lessor hereby appoints Lessee as its agent to cause each Item of Equipment to be tendered to the Lessor at the place of delivery set forth in Schedule A or at such other place or places as shall be designated by the Lessee to the Manufacturer. Upon such tender, the Lessee will cause an inspector designated and authorized by the Lessee to inspect the same, and, if such Item of Equipment is found to be in good order and, subject to satisfaction of all other applicable conditions of the Participation Agreement, to accept delivery of such Item of Equipment for its own account under the Lease and for the account of the Lessor under the Assignment. Thereupon the Lessee will execute and deliver to the Lessor and the Manufacturer a Certificate of Acceptance (the "Certificate of Acceptance") in the form attached hereto as Schedule B with respect to such Item of Equipment; provided, however, that the Lessee shall not accept under the Lease and the Lessor shall have no obligation to lease any Item

of Equipment (i) delivered and accepted after December 31, 1980, or (ii) the Lessor's Cost of which when added to the Lessor's Cost of all other Items delivered and accepted for under this Lease shall exceed \$5,500,000. Except as provided herein, the Lessor shall have no independent duty to inspect the Equipment.

1.3. Certificate of Acceptance. The Lessee's execution and delivery of a Certificate of Acceptance with respect to each Item of Equipment pursuant to Section 1.2 hereof shall conclusively establish that, as between the Lessor and the Lessee, but without limiting or otherwise affecting the Lessee's or the Lessor's rights, if any, against the Manufacturer thereof, (i) such Item of Equipment is acceptable to and accepted by the Lessee under this Lease, and that (ii) such Item of Equipment is in good order and condition and without defect or inherent vice in title, condition, design, operation or fitness for use, whether or not discoverable by the Lessee as of the date thereof, and free of all liens, encumbrances and claims of others except the lien of the Security Agreement, conforms to the specifications applicable thereto 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 new railroad equipment of the character of the Equipment as of the date of this Lease. By execution and delivery of such Certificate of Acceptance, the Lessee represents that it has no knowledge of any such defect, other than damages specified in the Certificate of Acceptance delivered to the Manufacturer, which damage the Lessee shall repair (without waiving any rights against the Manufacturer) as soon as practicable.

SECTION 2. RENTALS AND PAYMENT DATES.

2.1. Rent for Equipment. The Lessee agrees to pay the Lessor the following rent for the Equipment:

(a) Interim Rental. Subject to Section 2.5, rent ("Interim Rental") in an amount for each Item of Equipment per day equal to .027156% of Lessor's Cost of such Item for the period from and including the Closing Date in respect of such Item to but not including the Term Lease Commencement Date (as hereinafter defined) payable on the Term Lease Commencement Date.

(b) Fixed Rental. Subject to Sections 2.5, 2.6 and 2.7, for each Item of Equipment, 72 quarterly installments of fixed rental (the "Fixed Rental"), each payable in arrears, each in an amount equal to 2.44404% of Lessor's Cost thereof.

(c) Supplemental Rental. The Lessee agrees to pay on the Closing Date an amount equal to the sum of (1) the excess, if any, of (A) the sum of those expenses

described in Section 2.5 of the Participation Agreement, over (B) 2% of the aggregate Purchase Price of the Items of Equipment delivered and accepted under this Lease, and (2) the excess, if any, of (Y) the sum of those expenses described in Section 2.6 of the Participation Agreement, over (Z) 1/2% of the aggregate Purchase Price of the Items of Equipment delivered and accepted under this Lease. The Lessee further agrees to pay all amounts payable to the Security Trustee for fees and expenses (including reasonable attorneys' fees) incurred in the administration of the Security Agreement which are not included in Transaction Costs and all other amounts (other than Interim Rental and Fixed Rental) payable by the Lessee to the Lessor or others under the terms of this Lease or the other Operative Agreements (all such amounts and the amounts specified in the first sentence of this Section 2.1(c) being hereinafter collectively referred to as "Supplemental Rental"). All Supplemental Rental shall be paid by the Lessee to the Lessor, or to whomsoever shall be entitled thereto promptly as the same shall become due and owing.

2.2. Rent Payment Dates. The installment of Interim Rental referred to in Section 2.1(a) shall be due and payable on January 15, 1981 (the "Term Lease Commencement Date"). The first installment of Fixed Rental for each Item of Equipment shall be due and payable three months following the Term Lease Commencement Date and the balance of said installments shall be payable at three month intervals thereafter with the final such installment payable 18 years following the Term Lease Commencement Date. 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. For purposes of this Lease, the term "business day" means calendar days, excluding Saturdays, Sundays and holidays on which banks in the State of Missouri are authorized or required to close.

2.3. Place and Manner of Rent Payment. The payments to be made by the Lessee under this Lease shall be made as follows:

(a) Each installment of Interim Rental shall be paid to the Lessor by wire transfer to the principal office of the Lessor at the address thereof provided for payments in Section 20.2 hereof; provided that in the event either the Lessor or the Security Trustee shall notify the Lessee in writing that the right to receive payment of such installment shall have been assigned in accordance with Section 16 hereof, the Lessee shall make such payment by wire transfer to the place designated in such notice or as otherwise designated from time to time in writing by such assignee;

(b) The portion of any installment of Fixed Rental resulting from an increase in the amount thereof, if any, which the Lessee shall pay to the Lessor pursuant to any rental adjustment pursuant to Section 2.5 shall

be paid in full to the Lessor by wire transfer to the principal office of the Lessor at the address provided for payments in Section 20.2 hereof;

(c) Each installment of Fixed Rental shall be paid to the Lessor by wire transfer to the principal office of the Lessor at the address thereof provided for payments in Section 20.2 hereof; provided that in the event either the Lessor or the Security Trustee shall notify the Lessee in writing that the right to receive payment of such installment shall have been assigned in accordance with Section 16 hereof, the Lessee shall make such payment by wire transfer to the place designated in such notice or as otherwise designated from time to time in writing by such assignee; and provided further that in the event such notice shall direct the Lessee to divide such installment into not more than two portions, in addition to the portion referred to in Section 2.3(b) hereof, and to pay each portion by wire transfer separately to not more than two parties, the Lessee agrees to do so;

(d) The entire amount of any payment of Casualty Value or Termination Value pursuant to Section 11 hereof shall be paid to the Lessor by wire transfer of immediately available funds (identifying the same as a payment of Casualty Value or Termination Value relating to F.I. Lease No. 13) and transmitted to the Lessor in the manner provided for payments in Section 20.2 hereof; provided that in the event either the Lessor or the Security Trustee shall notify the Lessee in writing that the right to receive payment of such Casualty Value or Termination Value shall have been assigned in accordance with Section 16 hereof, the Lessee shall make such payment by wire transfer in the manner designated in such notice or as otherwise designated from time to time in writing by such assignee;

(e) The amount of any payment owing to the Lessor pursuant to Sections 6, 10.2, 11.1 (with respect to public liability insurance only) and 20.3 hereof or the Tax Indemnification Agreement shall be made directly to the party to receive the same without regard to the assignment of this Lease pursuant to Section 16 hereof;

(f) The amount of any interest due in respect of the late payment of any rentals or other amounts pursuant to Section 19 hereof shall be paid to the party and in the manner herein provided to receive said rental or other amount; and

(g) All payments other than those above specified shall be made by the Lessee directly to the party to

receive the same unless any such payment has previously been made by the Lessor or its assignee, in which case the Lessee shall reimburse the Lessor or its assignee, as the case may be, directly for such payment.

The Lessee agrees that it will make payments due hereunder by wire transfer where specified above at the opening of business of the office of the transferring bank on the due date of such payment in Federal or otherwise immediately available funds to the party to whom such payment is to be made, and where not so specified, such payment shall be made by check of the Lessee drawn on a bank located in the continental United States and mailed to the party to receive the same at the address herein provided or at such other address as the Lessee shall have been previously advised in writing.

2.4. Net Lease. This Lease is a net lease and all payments to be made by the Lessee hereunder will be free of expense to the Lessor and any assignee of the Lessor pursuant to Section 16 hereof (including, without limitation, the Security Trustee and the holders of the Notes) and their respective successors and assigns for collection or other similar charges. The Lessee's obligation to pay all Interim Rental and Fixed Rental and other amounts payable hereunder shall be absolute and unconditional under any and all circumstances and, without limiting the generality of the foregoing, the 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 the Lessee against the Lessor under this Lease or otherwise or against any assignee of the Lessor pursuant to Section 16 hereof; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss or destruction of all or any of the Equipment from whatsoever cause, the taking or requisitioning of the Equipment by condemnation or otherwise, the lawful prohibition of Lessee's use of the Equipment, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or lack of right, power or authority of the 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 rents and other amounts payable by the 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 unless the obligation to pay rent is terminated or otherwise suspended pursuant to the provisions hereof. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Items of Equipment except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor or any assignee pursuant to Section 16 hereof for any reason whatsoever.

2.5. Adjustment of Rental. In the event that (i) the Lessor incurs any Transaction Costs, (ii) the in-service date of any Item of Equipment is after December 31, 1980, or (iii) the Closing Date differs from the date assumed by the Lessor in calculating the Fixed Rental set forth in Section 2.1(b) hereof, or (iv) the schedule for mandatory prepayments of the Notes is amended pursuant to Section 4.4 of the Security Agreement, the Lessor and the Lessee agree that the Fixed Rental, Interim Rental, Casualty Values and Termination Values payable hereunder shall be increased or decreased to such amount or amounts as shall, in the reasonable opinion of the Lessor, cause the Lessor's net after-tax return on investment and the annual cash flows (computed on the same assumptions utilized by the Lessor in originally evaluating this transaction and determining Fixed Rental set forth in Section 2.1(b) hereof) to equal the net after-tax return on investment and annual cash flows that would have been realized by the Lessor if (a) the Lessor had incurred no Transaction Costs, (b) the in-service date of the Equipment had been on or before December 31, 1980, and (c) the Closing Date had been the same as assumed by the Lessor in calculating the Fixed Rental set forth in Section 2.1(b) hereof, and (d) the schedule for mandatory prepayments of the Notes had not been amended pursuant to Section 4.4 of the Security Agreement, provided, that the Interim Rental, the Fixed Rental, the Casualty Values and the Termination Values, as so adjusted, with respect to any Item of Equipment shall comply with paragraphs (1) and (6) of Section 4 of Revenue Procedure 75-21, but shall in no event be reduced below amounts necessary to discharge that portion of the principal of and/or interest on the Notes due and payable on the Term Lease Commencement Date and on each Fixed Rental payment date under this Lease after giving effect to the payment of Interim Rental or Fixed Rental on such date. The Lessor agrees to furnish the Lessee with (1) such information as the Lessee shall reasonably request to enable the Lessee to establish the assumptions utilized by the Lessor in originally evaluating this transaction and to verify any adjustments proposed to be made under this Section 2.5, and (ii) if the schedule for mandatory prepayments of the Notes is amended, a certificate as to the matters set forth in Section 4.4(d) of the Security Agreement.

2.6. Adjustment of Rental Resulting from Prepayment of Notes. So long as 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, if the Lessor shall prepay the Notes in full prior to the maturity thereof out of the proceeds of or in anticipation of any refunding involving the incurring of debt by the Lessor having an interest rate or cost to the Lessor, computed in accordance with generally accepted financial practice, of less than the interest rate of the Notes (said indebtedness being hereinafter referred to as the "New Notes"), then commencing on the rent payment date next succeeding the effective date of such refunding, each installment of Fixed Rental payable hereunder shall be reduced by an amount equal to 50% of the excess of (a) the interest which would have been payable by the Lessor on such rent payment date had the Notes not been refunded over (b) the greater of (i) the actual interest payable by the Lessor on such rent payment date on the New Notes or (ii) the interest which

would be payable by the Lessor on such rent payment date on the New Notes computed on the basis of the interest rate on the New Notes and as if the principal amount payable on each subsequent rent payment date and as if the average life to maturity of the New Notes immediately succeeding such refunding were the same as the principal amount payable on each subsequent rent payment date and the average life to maturity of the Notes immediately preceding such refunding, without regard to whether the principal amount payable on each subsequent rent payment date or the average life to maturity of the New Notes shall in fact be greater or less than the aggregate principal amount payable on each subsequent rent payment date or the average life to maturity of the Notes; provided, however, that if such refunding shall take place on other than a rent payment date, the amount of any such reduction applicable to the first rent payment date immediately succeeding the effective date of such refunding shall be determined by multiplying the reduction which would otherwise be applicable to such rent payment date by a fraction the numerator of which shall be the number of days commencing with the effective date of such refunding and ending on such rent payment date and the denominator of which shall be the number of days commencing with the last preceding rent payment date and ending on such rent payment date; and provided, further, that the Notes shall not be refunded without the consent of the Lessee if the principal amount, the average life to maturity or premiums on prepayment of the New Notes immediately succeeding such refunding shall be greater than the principal amount, the average life to maturity or premiums on prepayment, as the case may be, of the Notes immediately preceding such refunding. Promptly upon completing any refunding which shall result in a reduction of Fixed Rental hereunder, the Lessor shall furnish to the Lessee a schedule setting forth each installment of Fixed Rental giving effect to such reduction, and thereafter the amounts set forth in such schedule shall become the amounts payable hereunder as installments of Fixed Rental. For purposes of this Section 2.6 and for purposes of redetermining and adjusting the percentages of the Lessor's Cost pursuant to Schedules C and D hereto, the New Notes (and any notes issued upon a subsequent refunding thereof) shall be deemed to be the Notes hereunder.

2.7. Adjustment of Rental Resulting from Substitute Financing. In the event any Lender shall fail to make the loan or loans contemplated by the Participation Agreement, the Lessor will, with the assistance and cooperation of the Lessee, endeavor to replace said loans with substitute financing. If the failure to make such loan is caused by a breach or default by the Lessor of any term or condition of the Operative Agreements (as defined in the Participation Agreement), the Lessor shall indemnify the Lessee for any and all damages, costs and expenses occasioned in acquiring substitute financing at increased cost or by retiring any outstanding loans or otherwise sustained by the Lessee, on a net after-tax basis to the Lessee (considering Federal and state income taxes). Calculation of any indemnity amounts for such damages, costs and expenses by the Lessee shall be based upon the same criteria and formula utilized by the Lessee in initially evaluating this Lease. Should any such default or breach by the Lessor not result in damages to the

Lessee but result in less expensive financing for the Lessor, the Lessee shall be entitled to receive the entire benefits resulting therefrom. In order to pass all of such benefits of less expensive financing to the Lessee, the Fixed Rental, Interim Rental, Casualty Values and Termination Values payable under this Lease shall be decreased to such amount or amounts as shall cause the Lessor's net after-tax return on investment and the annual cash flows [computed on the same assumptions utilized by the Lessor in originally evaluating this transaction and determining the Fixed Rental set forth in Section 2.1(b) of this Lease] to equal the net after-tax return on investment and annual cash flows that would have been realized by the Lessor if each Lender had made the loan or loans contemplated by the Participation Agreement. If the failure of any Lender to make the loan contemplated by the Participation Agreement does not result in whole or in part from a default or breach of any term or condition contained in the Operative Agreements by the Lessor or the Lessee and more expensive financing or less expensive financing is secured, the Fixed Rental, Interim Rental, Casualty Values and Termination Values payable under this Lease shall be increased or decreased, as the case may be, to such amount or amounts as shall cause the Lessor's net after-tax return on investment and the annual cash flows [computed on the same assumptions utilized by the Lessor in originally evaluating this transaction and determining the Fixed Rental set forth in Section 2.1(b) of this Lease] to equal the net after-tax return on investment and annual cash flows that would have been realized by the Lessor if each Lender had made the loan or loans contemplated by the Participation Agreement; provided, however, that if the Lessee shall in its sole discretion determine any such increased Fixed Rental, Interim Rental, Casualty Values or Termination Values to be uneconomic, the Lessee may, on the next rent payment date occurring not less than 30 days after the Lessor notifies the Lessee of a proposed increase in such amounts, purchase all of the Lessor's right, title and interest in and to the Equipment for an amount equal to (A) the greater of (i) the Interim or Fixed Rental installment due on such payment date for the Equipment plus any rentals or other sums due on or prior to such date then remaining unpaid plus an amount equal to the Casualty Value for the Equipment set forth in the Schedule of Casualty Value attached hereto as Exhibit C determined as of such rent payment date, or (ii) the fair market value of the Equipment, minus (B) any amounts owed to the Manufacturer for the purchase price of the Equipment. In the event that the Lessee so purchases the Equipment, upon payment of the amount owed therefor to the Lessor, the Lessor shall deliver a bill of sale to the Lessee transferring and assigning to the Lessee all right, title and interest of the Lessor in and to the Equipment and containing a warranty against any liens, claims or encumbrances except liens, claims or encumbrances which the Lessee assumed or is obligated to discharge under the terms of this Lease. If the failure of any Lender to make a loan or loans contemplated by the Participation Agreement is caused by a breach or default by the Lessee of any term or condition of the Operative Agreements, the Lessor shall be entitled to receive the entire benefit, if any, resulting from less expensive financing, without accounting to the Lessee. Anything herein to the contrary notwithstanding, (1)

the Interim Rental, the Fixed Rental, the Casualty Values and the Termination Values shall in no event be reduced below amounts necessary to discharge that portion of the principal of and/or interest on the Notes due and payable on the Term Lease Commencement Date and on each Fixed Rental payment date under this Lease after giving effect to the payment of Interim Rental or Fixed Rental on such date, and (ii) nothing herein shall release any Participant or the Lessee from any damages resulting from any breach or default in the performance of its obligations under any of the Operative Agreements.

2.8. Certificate of Supplemental Cost, Lease Supplement.

For the purpose of confirming any revisions pursuant to Section 2.5 hereof of the Interim Rentals payable on the Term Lease Commencement Date and the Fixed Rentals, Casualty Values and Termination Values payable pursuant to this Lease, not less than five days prior to the Term Lease Commencement Date, the Lessor will deliver to the Lessee a certificate substantially in the form of the Certificate of Supplemental Cost attached hereto as Exhibit 1 setting forth the amount of Lessor's Cost of each Item of Equipment covered by the Lease attributable to the (x) Acquisition Costs, (y) Transaction Costs, and (z) Purchase Price. On or before the Term Lease Commencement Date, the Lessor and the Lessee shall enter into a supplement to this Lease substantially in the form of the Lease Supplement attached hereto as Exhibit 2. Such Lease Supplement shall be dated as of the Term Lease Commencement Date and shall set forth (i) the Interim Rental payable with respect to all Items of Equipment, (ii) the amount of Fixed Rental payable on the first Fixed Rental payment date and each Fixed Rental Payment date thereafter, and (iii) amendments to the schedules of Casualty Value and Termination Value which have been adjusted to provide the Lessor the same net after-tax return on investment and annual cash flows as contemplated by this Lease. Amendments to Casualty Value and Termination Value shall be computed by the Lessor on the same basis as was employed by the Lessor in arriving at the percentages set forth in Schedule C and Schedule D hereto.

Neither the failure of the Lessor to deliver a Certificate of Supplement Cost pursuant to this Section nor the failure of the Lessee and the Lessor to execute and deliver a Lease Supplement shall relieve the Lessee of the obligation to pay rent in accordance with Section 2.1 hereof.

2.9. Rent Constitutes Senior Indebtedness. Lessee agrees that all amounts at any time or from time to time due and payable by the Lessee hereunder for Interim Rental, Fixed Rental and Supplemental Rental and all amounts due and payable by the Lessee as liquidated damages under Section 14.2 hereof shall constitute "Senior Indebtedness" of the Lessee under Section 4.05 of the Indenture dated July 29, 1974, from the Lessee to Commerce Bank of Kansas City, National Association, as Trustee, as now or hereafter amended or supplemented, and all such amounts shall be superior in right of payment to all Capital Investment Certificates or other evidences of indebtedness

of the Lessee heretofore or hereafter issued and outstanding under said Indenture, as heretofore or hereafter amended or supplemented.

SECTION 3. TERM OF THE LEASE.

The term of this Lease as to each Item of Equipment shall begin on the date of the delivery to and acceptance by the Lessee of such Item of Equipment and, subject to the provisions of Sections 11, 14 and 18 hereof, shall terminate 18 years following the Term Lease Commencement Date (the "Primary Term").

SECTION 4. OWNERSHIP AND MARKING OF EQUIPMENT.

4.1. Retention of Title. The Lessor, as between the Lessor and the Lessee, shall and hereby does retain full legal and equitable title to the Equipment notwithstanding the delivery thereof to and possession and use thereof by the Lessee pursuant to the Lease.

4.2. Duty to Number and Mark Equipment. The Lessee will cause each Item of Equipment 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 by a plate or stencil printed in contrasting color upon each side of each Item of Equipment in letters not less than one inch in height as follows:

"Ownership Subject to Security Agreement on file 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 the Lessor to such Item of Equipment, its rights under this Lease and the rights of any assignee under Section 16 hereof. The Lessee will not place any such Item of Equipment 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 or destroyed. The Lessee will not change the road number of any Item of Equipment except with the consent of the 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 the Lessor by the 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, the Lessee will not allow the name of any person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Equipment to be lettered with the names or initials or other insignia customarily used by the

Lessee or its affiliates on railroad equipment used by it of the same or a similar type for convenience of identification of the right of the Lessee to use the Equipment under this Lease.

SECTION 5. DISCLAIMER OF WARRANTIES.

THE LESSOR LEASES THE EQUIPMENT, AS-IS, WHERE-IS, IN WHATEVER CONDITION IT MAY BE, WITHOUT ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, BY THE LESSOR, WHICH EXPRESSLY DISCLAIMS ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO (A) THE FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY OF ANY ITEM OR ITEMS OF EQUIPMENT, (B) THE LESSOR'S TITLE THERETO, (C) THE LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF, (D) THE DESIGN, DURABILITY OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE EQUIPMENT, OR (E) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE. The Lessor hereby appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce, from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have as owner of the Equipment against the Manufacturer, provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights for the sole benefit of Lessor. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Item of Equipment 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 Item of Equipment 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 Item of Equipment. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that all Items of Equipment described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

SECTION 6. LESSEE'S INDEMNITY.

6.1. Scope of Indemnity. The Lessee shall defend, save harmless and indemnify on an after-tax basis the Lessor and any assignee of the Lessor pursuant to Section 16 hereof (including, without limitation, the Security Trustee and each holder of the Notes) and their respective successors and assigns (each such party being hereinafter sometimes referred to individually as "Indemnitee" and collectively as "Indemnites") from and against: any claim,

cause of action, damages, liability, cost or expense (including, without limitation, counsel fees and costs in connection therewith) which may be incurred in any manner by or for the account of any of them (a) relating to any Item of Equipment or any part thereof, including, without limitation, the construction, purchase, delivery, acceptance, rejection, ownership, sale, leasing, return or storage of any Item of Equipment or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects are latent or discoverable by the Lessee or any Indemnitee), (b) by reason or as the result of any act or omission (whether negligent or otherwise) of the Lessee for itself or as agent or attorney-in-fact for the Lessor hereunder, (c) as a result of claims for patent, trademark or copyright infringement with respect to any Item of Equipment or any addition or improvement thereto, (d) as a result of claims for negligence or strict liability in tort with respect to any Item of Equipment or any addition, replacement or improvement thereto or the construction, purchase, delivery, acceptance, rejection, ownership, sale, leasing, return or storage thereof, or (e) by reason of entering into or performing the Operative Agreements (other than the Security Agreement).

The Lessee shall not, however, be required to pay or discharge any claim, cause of action, damages, liability, cost or expense referred to in this Section 6.1 incurred by any Indemnitee (i) which arises out of or is caused by the willful misconduct, breach of contract or gross negligence of such Indemnitee, (ii) which is for any local, state, Federal or foreign taxes, assessments or license fees and any charges, fines, interest or penalties, Federal income taxes or any state income or franchise taxes (except to the extent indemnification is provided under Section 10.2 or the Tax Indemnification Agreement), or (iii) so long as the Lessee, in good faith and by appropriate legal proceedings, is contesting the validity or amount thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor or the security interest granted to the Security Trustee under and pursuant to the Security Agreement. Further, nothing under this Section shall be deemed to create any right of subrogation against the Lessee on the part of any insurer or to otherwise benefit any person other than those Indemnitees specifically mentioned in this Section. The indemnities and assumptions of liabilities set forth in this Section 6.1 do not guarantee to any party at any time a residual value in the Equipment nor do they guarantee the payment of the Notes or any interest accrued thereon.

6.2. Continuation of Indemnities and Assumptions. The indemnities and assumptions of liability in this Section 6 contained shall continue in full force and effect notwithstanding the termination of this Lease, or the termination of the term hereof in respect of any one or more Items of Equipment, whether by expiration of time, by operation of law or otherwise; provided, however, that such indemnities and assumptions of liability shall not apply in respect of any matters referred to in clauses (a), (b), (d) or (e) of Section 6.1 hereof, occurring after the termination of this Lease, except for any such matters occurring after the termination arising in

connection with the Lessee's assembling, delivering or transporting of the Equipment as provided in Section 13 or 15, as the case may be. Upon receipt by any Indemnitee of notice of any claim, cause of action, or liability hereby indemnified against, such Indemnitee shall promptly notify the Lessee of such claim, cause of action or liability, and the Lessee shall be entitled to control (but with counsel reasonably satisfactory to Lessor), and shall assume full responsibility for, the defense of such claim, cause of action or liability.

SECTION 7. RULES, LAWS AND REGULATIONS.

The 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) (the "Interchange Rules") with respect to the use and maintenance of each Item of Equipment subject to this Lease. In case any equipment or appliance is required to be altered, added, replaced or modified on any Item of Equipment in order to comply with such laws, regulations, requirements and rules ("Required Alteration"), the Lessee agrees to make such Required Alterations at its own expense. In the event such Required Alteration is readily removable without causing material damage to the Equipment, any such Required Alteration shall be and remain the property of Lessee. To the extent such Required Alteration is not readily removable without causing material damage to the Equipment, the same shall immediately be and become the property of Lessor and subject to the terms of this Lease. The Lessee agrees that, within 30 days after the close of any calendar quarter in which the Lessee has made any Required Alterations, the Lessee will give written notice thereof to the Lessor describing, in reasonable detail, the Required Alterations and specifying the cost thereof with respect to each Item of Equipment and the date or dates when made.

SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.

The Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Lessee shall, at its own cost and expense, maintain and keep the Equipment in good operating order, and in the same condition and repair as when originally delivered to the Lessee, ordinary wear and tear excepted, suitable for use in interchange in accordance with the Interchange Rules. Lessee shall, at its own cost and expense, at all times maintain and keep the Equipment in a manner that is suitable for the commodities transported by the Equipment, utilizing the same standards with respect to such suitability as are required to be applied by the Lessee to similar equipment owned or leased by it. Any parts installed or replacements made by

the Lessee upon any Item of Equipment pursuant to its obligation to maintain and keep the Equipment in good order, condition and repair under this Section 8 ("Replacement") shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Lessor. The Lessee may, without the prior written consent of the Lessor, affix or install any accessory, equipment or device on any Item of Equipment, or make any improvement or addition thereto other than a Required Alteration or Replacement ("Improvement"); provided that, in the case of nonremovable Improvements (1) the value of the Item of Equipment is not reduced thereby, (2) such Improvements will not cause the Item of Equipment to become limited use property, or materially alter or reduce its general usefulness, (3) such Improvements will not increase the productivity or capacity of the Item of Equipment in excess of 25%, and (4) the cumulative deflated cost (as defined in Revenue Procedure 79-48) of such nonseverable nongovernmentally required Improvements does not exceed 10% of Lessor's Cost of the Equipment and, in the case of readily removable Improvements, such Improvement is readily removable without causing material damage to the Item of Equipment or impairing the value, utility or condition of such Item of Equipment which such Item of Equipment would have had if such Improvement had not been so affixed or installed. Title to such removable Improvement shall remain with the Lessee and may be removed at any time by the Lessee prior to Lessor's exercise of its option to purchase such Improvement as set forth in the next sentence. The Lessor shall have the right, at its option exercisable upon written notice given to the Lessee not more than 90 days and not less than 30 days prior to the expiration or termination of this Lease, to purchase any such removable Improvement affixed or installed on the Equipment and owned by the Lessee at the time of Lessor's exercise of such option for a cash price equal to the fair market value thereof and, if the Lessor does not exercise such option, the Lessee shall remove such Improvement at its own expense without causing material damage to such Item of Equipment prior to the return of the Item of Equipment to the Lessor hereunder. Except as required or permitted by the provisions of Sections 7 and 8 hereof, the Lessee shall not modify any Item of Equipment without the prior written authority and approval of the Lessor and any assignee pursuant to Section 16 hereof which shall not be unreasonably withheld.

SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee shall pay or satisfy and discharge any and all claims against, through or under the Lessee and its successors or assigns which, if unpaid, might constitute or become a lien or a charge upon any Item of Equipment, and any liens or charges which may be levied against or imposed upon any Item of Equipment as a result of the failure of the Lessee to perform or observe any of its covenants or agreements under this Lease and any other liens or charges which arise by virtue of claims against, through or under any other person but the Lessee shall not be required to pay or discharge pursuant to this Section 9 (1) any such claims so long as it shall, in good faith and by appropriate legal proceedings contest

the validity or amount thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor or the security interest or other rights of any assignee under Section 16 hereof in and to the Equipment, or (ii) any liens arising from claims against the Lessor for United States Federal income taxes and any state income or franchise taxes, or (iii) any other liens, charges or encumbrances which the Lessor is obligated to discharge pursuant to Section 8 of the Participation Agreement, provided that the Lessee, without waiving any rights it may have against the Lessor, shall stay or discharge any such lien, charge or encumbrance during any period that the Lessor shall deny responsibility therefor under the Operative Agreements, or (iv) the security interest granted to the Security Trustee under and pursuant to the Security Agreement. The indemnities and assumptions of liability set forth in this Section 9 do not guarantee to any party at any time a residual value in the Equipment, nor do they guarantee the payment of the Notes or any interest accrued thereon. The Lessee's obligations under this Section 9 shall survive the termination of this Lease with respect to matters arising prior to such termination.

SECTION 10. FILING; PAYMENT OF FOREIGN, STATE AND LOCAL TAXES.

10.1. Filing. Prior to the delivery and acceptance of the first Item of Equipment hereunder, the Lessee will cause this Lease and the Security Agreement to be duly filed, registered or recorded with the Interstate Commerce Commission in accordance with Section 11303(a) of the Interstate Commerce Act and in such other places within or without the United States as the Lessor or the Security Trustee may reasonably request and will furnish the Lessor and the Security Trustee proof thereof. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will refile, reregister or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Security Trustee, for the purpose of protecting the Lessor's title to, or the Security Trustee's security interest in, any Item of Equipment to the satisfaction of the Lessor's or the Security Trustee's counsel or for the purpose of carrying out the intention of this Lease, and in connection with any such action, will deliver to the Lessor and the Security Trustee proof of such filings and an opinion of the Lessee's counsel reasonably satisfactory to the Lessor and the Security Trustee that such action has been properly taken. Upon request of the Lessee, the Lessor will from time to time execute and deliver to the Lessee such supplement hereto as shall be necessary to properly describe the Equipment subject to this Lease. The Lessee will pay all costs, charges and expenses incident to any such filing, refiling, recording and rerecording or depositing and redepositing of any such instruments or incident to the taking of such action.

10.2. Payment of State and Local Taxes. All payments to be made by the Lessee under this Lease to the Lessor will be free of expense to the Lessor with respect to any Impositions as hereinafter defined. The Lessee agrees to pay, on demand, any and all Impositions

and shall save harmless and indemnify on an after-tax basis the Lessor from and against such Impositions. As used in this Section 10.2, "Impositions" shall mean the amount of any local, state or Federal taxes, assessments or license fees and any charges, fines, interest or penalties in connection therewith which are imposed on or measured by this Lease or the receipt of sums pursuant hereto or any sale, rental, ownership, use, payment, shipment, delivery or transfer of title in respect of the Equipment under the terms hereof; provided that Impositions shall not include: (i) United States Federal tax on net income and items of tax preference; (ii) all state and local taxes imposed on or measured by net income and franchise or similar taxes or gross income taxes in lieu of net income or franchise taxes, except those taxes imposed by taxing authorities other than the Commonwealth of Massachusetts or local taxing authorities located therein, that would not have been imposed but for the use of any Item of Equipment within that state or local taxing authority and which do not reduce a tax imposed against the Lessor by the Commonwealth of Massachusetts or local taxing authorities located therein; (iii) any sales or use taxes imposed upon the voluntary transfer or disposition of all or any part of the Equipment, or all or any part of the Equity Interest, it being understood that any such transfer or disposition provided for in the Operative Agreements (other than a transfer required by Section 18 hereof) or any transfer or disposition which occurs after an Event of Default or event which, with the passage of time or giving of notice or both, could become an Event of Default, has occurred and is continuing, shall be deemed not to be a voluntary transfer or disposition; and (iv) any local, state or Federal taxes, assessments or license fees, and any charges, fines, interest or penalties in connection therewith which are imposed solely as a result of the wilful misconduct or gross negligence of the Lessor or an unwillingness of the Lessor to take reasonable action or to furnish reasonable cooperation which would prevent the Lessee from fulfilling its obligations under this Section. The Lessee will also pay promptly all Impositions and will keep at all times all and every part of such Item of Equipment free and clear of all Impositions which might in any way affect the interest of the Lessor therein or result in a lien upon any such Item of Equipment; provided, however, that the Lessee shall be under no obligation to pay any Impositions so long as it is contesting in good faith and by appropriate legal proceedings such Impositions and the nonpayment thereof does not, in the reasonable opinion of the Lessor, adversely affect the interest of the Lessor hereunder or under the Security Agreement. If any Impositions shall have been charged or levied against the Lessor directly and paid by the Lessor after the Lessor shall have given written notice thereof to the Lessee and the same shall have remained unpaid for a period of ten business days thereafter, the Lessee shall reimburse the Lessor on presentation of invoice therefor. Prior to making such payment, the Lessor shall promptly notify the Lessee of the Impositions charged or levied, and the Lessee shall have the opportunity to contest in good faith and by appropriate legal proceedings such Impositions, at its sole expense. If the Lessor shall obtain a refund of, or subsequent tax benefit from, all or any part of any Imposition paid by the Lessee hereunder, the Lessor shall pay the Lessee the amount of such refund

or subsequent tax benefit, together with an amount equal to the net reduction, if any, in the Lessor's tax liability attributable to the making of such payment to the Lessee. If, in addition to such refund of an Imposition, the Lessor shall receive interest thereon, an amount equal thereto shall be paid by the Lessor to the Lessee.

In the event any reports with respect to Impositions are required to be made on the basis of individual Items of Equipment, the Lessee will either prepare and file such reports in such manner as to show as required the interests of the Lessor in such Items of Equipment or, if it shall not be permitted to file the same, it will notify the Lessor of such reporting requirements, prepare such reports in such manner as shall be satisfactory to the Lessor and deliver the same to the Lessor within a reasonable period prior to the date the same is to be filed.

In the event that, during the continuance of this Lease, any Imposition accrues or becomes payable or is levied or assessed (or is attributable to the period of time during which this Lease is in existence) which the Lessee is or will be obligated to pay or reimburse, pursuant to this Section 10.2, such liability shall continue, notwithstanding the expiration of this Lease, until all such Impositions are paid or reimbursed by the Lessee.

SECTION 11. INSURANCE; PAYMENT FOR CASUALTY OCCURRENCE.

11.1. Insurance. The Lessee will at all times after delivery and acceptance of each Item of Equipment, at its own expense, keep or cause to be kept each such Item insured, by a reputable insurance company or companies against loss by such risks as are customarily insured against by persons owning property of a similar character and engaged in a business similar to that engaged in by the Lessee; provided that the Lessee shall not be required to provide such coverage to a greater extent than it from time to time insures property of a similar character which it owns or leases. Any insurance policy shall provide that the Lessor and the Security Trustee and its assigns shall be loss payees, that losses shall be adjusted with the Lessee and that the proceeds thereof shall be payable to the Lessor, the Lessee and the Security Trustee and its assigns as their interests shall appear. The Lessee further agrees that it will throughout the term of this Lease maintain general public liability insurance with respect to the Equipment against damage because of bodily injury, including death, or damage to property of others, such insurance to afford protection to the limit of not less than \$25,000,000 combined single limit in respect of bodily injury, death and damage to property of others. Any such insurance described above may have applicable thereto deductible provisions of not more than \$3,000,000 per occurrence, except that any such coverage may have higher deductible provisions applicable thereto which are not higher than deductible provisions applicable to insurance coverage maintained by the Lessee for similar such properties which it owns or leases and not higher than deductible provisions maintained by similarly situated companies for similar

properties. The Lessee agrees to effect all insurance provided for in this Section 11.1 with good and responsible companies which are not reasonably objected to by the Lessor, the Security Trustee or their respective successors or assigns. All such liability policies shall provide that the Lessor and the Security Trustee shall be additional insureds as their interests may appear. All casualty and liability policies shall provide that the same shall not be cancelled or terminated without at least 30 days' prior written notice to each assured and loss payee named therein, and shall provide for at least 30 days' prior written notice to each assured and loss payee named therein of the date on which such policies shall terminate by lapse of time. No such policy shall contain a provision (i) under which the Lessee is a co-insurer (unless, in the case of casualty insurance, the policies which the lessee maintains with respect to similar properties which it owns or leases have a corresponding co-insurance provision), or (ii) relieving the insurer thereunder of liability for any loss by reason of existence of other policies of insurance covering the Equipment against the peril involved, whether collectible or not, or by reason of the breach or violation by the Lessee of any warranties, declarations or conditions contained in such policies. Any such insurance may be carried under blanket policies maintained by the Lessee so long as such policies otherwise comply with the provisions of this Section 11.1. If general public liability insurance shall be carried under any blanket policy which is subject to aggregate annual claim limitations, the Lessee shall keep the assureds advised from time to time of the amount of any such limitations. As to Lessor all policies of liability insurance maintained hereunder shall be primary and not contributory with any other policies maintained by Lessor.

The loss, if any, under any casualty insurance covering the Equipment required to be carried by this Section 11.1 shall be adjusted with the insurance companies by the Lessee, or otherwise collected, including the filing of proceedings deemed advisable by the Lessee, subject to the approval of the Lessor and the Security Trustee and assigns if the loss exceeds \$500,000.

Not later than the First Delivery Date referred to in the Participation Agreement and annually thereafter the Lessee agrees to provide to the Lessor and the Security Trustee proof of maintenance of the insurance required by this Section 11.1. The Lessee shall also provide such parties, or their respective successors or assigns, further evidence of such insurance not less than 30 days prior to cancellation of previously evidenced insurance.

11.2. Duty of Lessee to Notify Lessor. In the event that any Item of Equipment shall be or become lost, stolen, destroyed, or, in the opinion of the Lessee, irreparably damaged during the term of this Lease or thereafter while such Item of Equipment is in the possession of the Lessee pursuant to Section 13 or 15 hereof, or 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 equals or exceeds the then

remaining term of this Lease (any such occurrence being hereinafter called a "Casualty Occurrence"), the Lessee shall promptly and fully (after it has knowledge of such Casualty Occurrence) inform the Lessor and any assignee of the Lessor pursuant to Section 16 hereof (including, without limitation, the Security Trustee and the holders of the Notes) in regard thereto and shall pay the Casualty Value (as defined in Exhibit C hereof) of such Item determined in accordance with the terms of Section 11.3 hereof.

11.3. Sum Payable for Casualty Loss. The Lessee, on the next succeeding rent payment date following its notice of a Casualty Occurrence with respect to any Item or Items of Equipment, shall pay to the Lessor the Interim or Fixed Rental installment due on such payment date for such Item of Equipment plus any rentals or other sums due on or prior to such date then remaining unpaid plus an amount equal to (y) the sum of (i) the Casualty Value in respect of such Item set forth in the Schedule of Casualty Value attached hereto as Exhibit C determined as of the rent payment date next succeeding the date of the Casualty Occurrence and (ii) interest on such Casualty Value at the rate of 14% per annum from the rent payment date as of which such Casualty Value was determined to the date of payment of such Casualty Value, less (z) the sum of (i) all payments of Fixed Rental with respect to such Item due and paid after the rent payment date as of which such Casualty Value was determined and (ii) interest on each such payment of rent at the rate of 14% per annum from the date paid to the date of payment of such Casualty Value.

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 Item or Items of Equipment which have suffered a Casualty Occurrence the obligation to pay rent for such Item or Items of Equipment accruing subsequent to the Casualty Value payment date shall terminate, but the Lessee shall continue to pay rent for all other Items of Equipment.

11.5. Disposition of Equipment. The Lessee shall, as agent for the Lessor, dispose of such Item or Items of Equipment 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 separate Item of Equipment which suffers a Casualty Occurrence, so long as 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, the Lessee may retain all amounts arising from any such disposition plus any insurance proceeds and damages received by the Lessee by reason of such Casualty Occurrence up to (in the aggregate) the Casualty Value attributable thereto and shall remit the excess, if any, to the Lessor. In disposing of such Item of Equipment, the Lessee shall take such action as the Lessor shall reasonably request to terminate any contingent liability which the Lessor might have arising after such disposition from or connected with such Item of Equipment.

11.6. Risk of Loss. The 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 Item of Equipment from and after the date hereof and continuing until payment of the Casualty Value and all rental installments and other sums due on and prior to the date of payment of such Casualty Value in respect of such Item of Equipment has been made, such Item or the salvage thereof has been disposed of by the Lessee and the title to such Item or the salvage thereof and all risk of loss and liabilities incident to ownership have been transferred to the purchaser of such Item or the salvage thereof.

11.7. Eminent Domain. In the event that during the term of this Lease the use of any Item of Equipment 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 equal or exceed the term of this Lease, the Lessee's obligation to pay all installments of rental and other sums shall continue for the duration of such requisitioning or taking. So long as no Event of Default, or event which with the lapse of time or giving of notice, or both, shall have occurred and be continuing, the 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.

11.8. Recovery of and Prosecution of Claims. If no Event of Default or event which, with the passage of time or giving of notice, or both, could become an Event of Default has occurred and is continuing, the Lessor hereby authorizes and empowers the Lessee as agent for the Lessor to negotiate, accept, reject, file and prosecute any claims, including what otherwise would be the Lessor's claim, for any award or compensation (including casualty insurance proceeds) on account of any loss, damage, destruction, confiscation, requisition or taking of any Item of Equipment and to collect and retain the proceeds thereof to the extent permitted by this Section 11. So long as no Event of Default or event which with the passage of time or giving of notice, or both, could become an Event of Default has occurred and is continuing, the Lessee shall be entitled to receive and retain all proceeds of any loss or damage (including casualty insurance proceeds) which is not a Casualty Occurrence.

11.9. Termination of Obsolete or Surplus Equipment. (a) Unless an Event of Default or other event which, with notice, demand and/or lapse of time, would constitute an Event of Default shall have occurred and be continuing hereunder, the Lessee shall have the following options to terminate this Lease with respect to Items of Equipment which have not suffered a Casualty Occurrence:

(1) The Lessee shall have the right to terminate this Lease with respect to all (but not less than all) the Equipment then subject hereto on the fortieth Fixed Rent payment date or any Fixed Rent payment date

after if the Board of Directors of the Lessee shall have made a good faith determination that the Equipment has become obsolete or otherwise uneconomical for use in the Lessee's operations; and

(11) The Lessee shall have the right to terminate this Lease with respect to any Item of Equipment then subject hereto on the twentieth Fixed Rent payment date or any Fixed Rent payment date thereafter if the Board of Directors of the Lessee shall have made a good faith determination that such item has become surplus to the needs of the Lessee.

The Lessee will give the Lessor, the Security Trustee and the holders of the Notes or their respective successors and assigns at least 180 days' prior written notice (the "Termination Notice") of its exercise of any right to terminate the Lease pursuant to this Section. The Termination Notice shall be signed by the President or the financial Vice President of the Lessee, shall specify the clause of this Section 11.9(a) pursuant to which such termination is to be made, shall certify to all facts upon which such right is conditioned, shall specify the Fixed Rental payment date (the "Termination Date") upon which such termination is to occur, shall specify the affected Items of Equipment and the Lessee's computation of the Termination Value (determined pursuant to Schedule D hereto) thereof, and shall be accompanied by a copy of the resolution of the Board of Directors of the Lessee making any determination which is a condition to the exercise of such right, certified by the Secretary or any Assistant Secretary of the Lessee.

(b) During the period from the giving of such notice until such Termination Date the Lessor, and the Lessee on behalf of the Lessor, shall use reasonable efforts to obtain bids for the cash sale of the Equipment. The Lessor and the Lessee shall certify to each other in writing the amount and the terms of each bid received by them and addresses of the parties submitting such bids. On such Termination Date the Lessor shall without recourse, representation or warranty, sell the Equipment to the highest cash bidder (not the Lessee or a person or entity affiliated with the Lessee) who shall have submitted such bid prior to such date. Upon such sale the Lessee shall pay to the Lessor, without asserting any set off, counterclaim or other defense whatsoever, all rent and other sums then due and payable hereunder, plus an amount equal to (1)(A) the Termination Value (determined pursuant to Schedule D hereto) plus (B) the actual expenses incurred by the Lessor in making the sale, including without limitation storage, insurance, advertising, brokerage and attorneys' fees and expenses, transfer and sales taxes incurred in connection with such sale, less (2) the proceeds of such sale to the extent that the proceeds of such sale do not exceed the total amount paid by Lessee pursuant to Section 11.9(b)(1). The Lessor may waive the payment of Termination Value by the Lessee on or prior to the Termination Date; in which event the Lessee shall have no obligation to pay any amount to Lessor pursuant to Section 11.9(b)(1), provided the Lessor shall have deposited an amount equal to such Termination Value with the Security Trustee on or prior to such date.

(c) If 60 days prior to the Termination Date neither the Lessor nor the Lessee shall have received any bid for the cash sale of the Equipment, the Lessee shall have the right (i) to notify the Lessor, not less than 45 days prior to the Termination Date, that the Lessee will continue to lease the Equipment with the same effect as if the Lessee had not given notice of termination with respect thereto or (ii) to pay to the Lessor, on such Termination Date, the Termination Value of the Equipment plus the rental payment due on such Termination Date, and upon such payment the Lessee shall have no further right with respect to the Equipment.

(d) Notwithstanding the foregoing, if the Termination Value exceeds the amount of any bid, the Lessee may at its option upon written notice given to the Lessor not less than 45 days prior to such Termination Date, elect to rescind the Lessee's notice of termination, whereupon this Lease shall not terminate but shall continue in full force and effect as though no such notice of termination had been given by the Lessee.

(e) In the event the Lessee shall, in a timely fashion, have either exercised its right to continue to lease the Equipment pursuant to subsection 11.9(c) hereof, or elected to rescind the Lessee's notice of termination pursuant to subsection 11.9(d) hereof, the Lessee shall reimburse the Lessor for all expenses which have been incurred in reliance upon any notice of termination by the Lessee.

(f) If an Event of Default or other event which with the passage of time or giving of notice, or both, shall have occurred and is continuing, and if, absent such Event of Default or other event, the Lessee would otherwise be entitled to receive and retain for its own account any funds pursuant to the provisions of this Section 11, such funds shall be applied first, to the payment of any unpaid rent, and second, to the compensation of the Lessor, the holders of the Notes and the Security Trustee to their satisfaction for any and all damages, losses or expenses suffered or incurred by the Lessor, the holders of the Notes and the Security Trustee as a direct or indirect consequence of such Event of Default or other event, and any balance remaining thereafter which would otherwise be payable to the Lessee if no such Event of Default or other event shall have occurred, shall be paid to and retained by the Lessee for its own account.

SECTION 12. ANNUAL REPORTS.

12.1. Duty of Lessee to Furnish. On or before the first May 1 after the Term Lease Commencement Date and each May 1 thereafter, the Lessee will furnish to the Lessor and any assignee of the Lessor pursuant to Section 16 hereof (including, without limitation, the Security Trustee and the holders of the Notes) an accurate statement, as of the preceding December 31 (a) showing the amount, description and numbers of the Items of Equipment then leased

hereunder, the amount, description and numbers of all Items of Equipment that may have 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), and such other information regarding the condition or repair of the Equipment as the Lessor may reasonably request, and (b) stating that, in the case of all 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. Lessor's Inspection Rights. The Lessor and any assignee of the Lessor pursuant to Section 16 hereof (including, without limitation, the Security Trustee and the holders of the Notes) each shall have the right, at their respective sole cost and expense, by their respective authorized representative, to inspect the Equipment and the Lessee's records with respect thereto, at such time as shall be reasonably necessary to confirm thereto the existence and proper maintenance of the Equipment during the continuance of this Lease.

SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM.

Upon the expiration of the term of this Lease with respect to any Item of Equipment (unless the use of such Item is then subject to any requisition or taking by any governmental authority), the Lessee will, at its own cost and expense, at the request of the Lessor:

(a) Forthwith commence to place such Equipment (which shall be in the condition required under Section 8) on such reasonable storage tracks of a nationally recognized and reputable storer of railroad equipment within 500 miles from Kansas City, Missouri, as the Lessor may designate or, in the absence of such designation, as the Lessee may select, with advice to the Lessor, provided that the Lessee shall not be required to store more than 50 Items at any one location; and

(b) Arrange for the Lessor to store each Item of Equipment in such place without charge for insurance, rent or storage until the earlier of (i) 90 days after such Item has been placed in storage, or (ii) the date such Item has been sold, leased or otherwise disposed of by the Lessor and during such period of storage the Lessee shall arrange for the Equipment to be stored in accordance with railroad industry standards for like or similar equipment and shall continue to maintain all insurance required by Section 11.1 hereof.

Upon the expiration of the term of this Lease with respect to any Item of Equipment (unless the use of such Item is then subject to any requisition or taking by any governmental authority), such Item

of Equipment shall remain subject to all of the terms of this Lease (other than the provisions with respect to Fixed Rentals) until such Item is placed on storage tracks pursuant to Section 13(a). The Lessor shall provide the Lessee with prompt written notice of the date on which each Item has been sold, leased or disposed of by the Lessor. Any Improvements which the Lessor shall not have purchased pursuant to Section 8 hereof, shall be removed by the Lessee at its expense prior to the return of such Item. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Item, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. The assembling, delivery and storage of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so assemble, deliver, store and transport the Equipment. All amounts received from third parties in respect of the Equipment after the date of expiration of this Lease, shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor; provided, however, that amounts for Mileage, as defined in Section 17.4 hereof, shall belong to the Lessee, and if received by the Lessor shall be paid over to the Lessee. In the event any Item of Equipment is not assembled, delivered and stored as hereinabove provided within 90 days after the expiration of this Lease, the Lessee shall pay to the Lessor for each day thereafter, until such Item is so delivered and stored, an amount equal to the Fair Market Rental Value (determined in the manner provided in Section 18 hereof) of such Item for each such day less the amount, if any, received by the Lessor (either directly or from the Lessee) for such day for such Item pursuant to the preceding sentence.

SECTION 14. DEFAULT.

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

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

(b) The Lessee shall make or permit any assignment or transfer of this Lease, or of possession of the Equipment, or any portion thereof not permitted by this Lease;

(c) Default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained

herein or in the Participation Agreement and such default shall continue for 30 days after written notice from the Lessor to the Lessee, specifying the default and demanding the same to be remedied;

(d) Any material representation or warranty made by the Lessee herein or in the Participation Agreement or the Assignment or in any written statement or certificate furnished to the Lessor, the Security Trustee or the holders of the Notes pursuant to or in connection with this Lease, the Participation Agreement or the Assignment is untrue in any material respect as of the date of issuance or making thereof;

(e) The Lessee shall become insolvent or bankrupt or shall admit in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a custodian, trustee or receiver for the Lessee or for a major part of its property;

(f) A custodian, trustee or receiver is appointed for the Lessee or for the major part of its property and is not discharged within 60 days after such appointment; or

(g) Any proceedings shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder, under any bankruptcy or insolvency law or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder), and, if commenced against the Lessee, are consented or are not dismissed within 60 days after such proceedings shall have been commenced.

14.2. Remedies. If any Event of Default has occurred and is continuing, the Lessor or, in the event this Lease shall be assigned to an assignee pursuant to Section 16 hereof, such assignee, at its option, may:

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

(b) By notice in writing to the Lessee, terminate this Lease, whereupon all right of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but

the Lessee shall remain liable as hereinafter provided, and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be located and take possession of all or any of the Items of Equipment and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use such Items for any purpose whatever, but the Lessor shall nevertheless have a right to recover from the Lessee any and all amounts which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee (i) as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify:

(x) a sum with respect to each Item of Equipment which represents the excess of the present worth, at the time of such termination, of all rentals for such Item 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 Item for such period computed by discounting from the end of such term to the date of such termination rentals which are reasonably obtainable for the use of such Item during such period, each such present worth to be computed in each case on a basis of an 8% per annum discount, compounded quarterly from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, or (y) an amount equal to the excess, if any, of the Casualty Value of such Item of Equipment as of the rent payment date on or immediately preceding the date of termination over the amount of the Fair Market Value thereof at such time; provided, however, that in the event the Lessor shall have sold any Item of Equipment, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this part (i) with respect thereto may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor, on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value of such Item of Equipment 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 rental, in addition thereto, including reasonable attorneys' fees, which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease other than for the payment of rental.

For purposes of this Section 14.2, the Fair Rental Value and Fair Market Value for any Item of Equipment shall be determined in the manner provided for appraisal arrangements specified in Section 18.1 hereof; provided that any sale in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the Fair Market Value of such Item and any rental in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the Fair Rental Value of such Item; and provided, further, if Lessor is not able to obtain possession of any Item of Equipment pursuant to this Section 14.2(b) or if Lessee fails to deliver possession of any Item of Equipment pursuant to Section 15.1, the Fair Market Value and Fair Rental Value of such Item for all purposes of this Section 14.2 shall, at the option of Lessor, be zero, and upon payment by the Lessee of any amounts payable to the Lessor with respect to such Item pursuant to this Section 14.2 and which were calculated by using such zero valuation, the Lessor shall deliver to the Lessee a bill of sale transferring and assigning to the Lessee all right, title and interest of the Lessor in and to such Item and containing a warranty against liens or claims of persons claiming by, through or under the Lessor except liens and claims which the Lessee assumed or is obligated to discharge under the terms of this Lease.

14.3. Cumulative Remedies. The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law.

14.4. Lessor's Failure to Exercise Rights. The failure of the 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. The Lessee also agrees to furnish to the Lessor, the Security Trustee and the holders of the Notes, promptly upon any responsible officer becoming aware of any condition which constituted or constitutes an Event of Default under this Lease 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 the Lessee in this Lease contained, any corporate officer of the 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 the Lessor or any assignee of the Lessor pursuant to Section 16 hereof shall terminate this Lease or make any request for return of any Item of Equipment pursuant to Section 14 hereof, the Lessee shall (except in the case of any Item of Equipment the use of which is then subject to any requisition or taking by any governmental authority) forthwith deliver possession of the Equipment to the Lessor in the condition required under Section 8 hereof. For the purpose of delivering possession of any Item of Equipment to the Lessor as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

(a) Forthwith place such Equipment on such reasonable storage tracks within 500 miles from Kansas City, Missouri as the Lessor may designate or, in the absence of such designation, as the Lessee may select with advice to the Lessor; and

(b) Arrange for the Lessor to store such Equipment in such reasonable storage place without charge for insurance, rent or storage until such Equipment has been sold, leased or otherwise disposed of by the Lessor and during such period of storage the Lessee shall continue to maintain all insurance required by Section 11.1 hereof.

All amounts earned in respect of the Equipment after the date of termination of this Lease pursuant to Section 14 hereof, but not exceeding the rental, per diem, or other similar charge for equipment received therefor, shall belong to the Lessor or in the event this Lease has been assigned pursuant to Section 16 hereof, to such assignee, and, if received by the Lessee, shall be promptly turned over to the Lessor, or in the case of such assignment, to such assignee. In the event any Item of Equipment is not assembled, delivered and stored as hereinabove provided within 30 days after the termination of this Lease, the Lessee shall, in addition, pay to the Lessor or, in the case of such assignment, to such assignee for each day thereafter an amount equal to the amount, if any, by which the higher of (i) an amount equal to .027156% of the Lessor's Cost of such Item of Equipment, or (ii) the Fair Market Rental Value (determined in the manner provided in Section 18.1 hereof) for such Item of Equipment for each such day exceeds the amount, if any, received by the Lessor or such assignee (either directly or from the Lessee) for such day for such Item pursuant to the preceding sentence.

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

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

SECTION 16. ASSIGNMENTS BY LESSOR.

This Lease and all rent and all other sums due or to become due hereunder may be assigned in whole or in part by the Lessor to the Security Trustee or its successors and assigns without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. Upon notice to the Lessee of any such assignment, the rent and other sums payable by the Lessee which are the subject matter of the assignment shall be paid to or upon the written order of the assignee. Without limiting the foregoing, the Lessee further acknowledges and agrees that (i) the rights of any such assignee in and to the sums payable by the Lessee under any provision of this Lease shall not be subject to any abatement whatsoever and shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever whether by reason of failure of or defect in the Lessor's title, or any interruption from whatsoever cause in the use, operation or possession of the Equipment or any part thereof, or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that, except in the event of a wrongful act on the part of such assignee, the Lessee shall be unconditionally and absolutely obligated to pay such assignee all of the rents and other sums which are the subject matter of the assignment, (ii) said assignee shall, if an Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of said assignee) which by the terms of this Lease are permitted or provided to be exercised by the Lessor (except those rights, privileges and remedies relating to amounts payable to the Lessor pursuant to Sections 6, 10.2, 11.1 [with respect to public liability insurance] and 20.3 hereof and the Tax Indemnification Agreement which shall remain enforceable by the Lessor), but if no Event of Default or event which with the lapse of time or giving of notice, or both, would constitute an Event of Default, shall have occurred and be continuing, said assignee and the Lessor may exercise their rights, privileges and remedies stated in this Lease to be provided for their respective benefits, and (iii) all obligations of the Lessor to the Lessee under this Lease shall be and remain enforceable by the Lessee against, and only against, the Lessor.

It is understood and agreed that the right, title and interest of any such assignee in, to and under this Lease and the rents and other sums due and to become due hereunder shall by the express terms granting and conveying the same be subject to the interest of the Lessee in and to the Equipment.

SECTION 17. ASSIGNMENTS BY LESSEE; USE AND POSSESSION; MILEAGE.

17.1. Lessee's Rights to the Equipment. So long as 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, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease, but, without the prior written consent of the Lessor, the Lessee shall not assign, transfer or encumber its leasehold interest under this Lease in any of the Equipment. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Equipment, 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 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, the Lessee shall be entitled to the possession of the Equipment and to the use thereof upon the lines of railroad owned or operated by any railroad company or companies incorporated in the United States of America (or any state thereof or District of Columbia) or over which such railroad company or companies have trackage rights or rights for operation of their trains, and upon connecting and other carriers in the usual interchange of traffic, but only upon and subject to all of the terms and conditions of this Lease. Notwithstanding the foregoing, the Lessee covenants, represents and warrants that any use or location of the Equipment outside the United States during any calendar year by any person or entity shall be de minimus. The Lessee may sublease any Item of Equipment provided that (i) the term of such sublease shall not exceed one year or extend beyond the term of the Lease without the prior written consent of the Lessor and any assignee pursuant to Section 16 hereof (including the Security Trustee or its successors and assigns) and (ii) the sublessee is neither a Canadian nor a Mexican railroad. Any assignment or sublease entered into by the Lessee hereunder, or any use of the Equipment by any other person or entity, shall not relieve the Lessee of any liability or obligations hereunder, all of which shall be and remain those of a principal and not a surety.

17.3. Merger, Consolidation or Acquisition of Lessee. Nothing in this Section 17 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any corporation (which shall have duly assumed the obligations hereunder of the Lessee) into or with which the Lessee shall have become

merged or consolidated or which shall have acquired the property of Lessee as an entirety or substantially as an entirety; provided that such corporation shall be organized under the laws of the United States of America or any jurisdiction thereof.

17.4. Mileage Allowance. It is contemplated that the Lessee shall receive insofar as applicable law and regulations allow, all mileage allowance rentals and/or other compensation (hereinafter referred to as "Mileage") payable by carriers by reason of the use of the Items of Equipment, and if for any reason the Lessor shall receive any Mileage then (unless an Event of Default or event which, with the passage of time or the giving of notice, or both, would constitute such an Event of Default shall have occurred and be continuing, in which event such Mileage or portion thereof shall be retained by Lessor until such Event of Default or event which, with the passage of time or the giving of notice, or both, would constitute such an Event of Default shall no longer be continuing) the Lessor shall remit such Mileage to the Lessee promptly after the Lessee shall furnish to the Lessor, at the Lessee's sole expense, either a ruling of the Interstate Commerce Commission to the effect that the remittance thereof to the Lessee will not constitute a rebate within the meaning of 49 U.S.C. Section 11902, as amended, or an opinion of counsel to the same effect.

SECTION 18. OPTIONS TO RENEW AND DUTY TO FIRST OFFER.

18.1. Determination of Fair Market Value and Fair Market Rental Value. Not more than 360 days nor less than 180 days prior to the expiration of the Primary Term or any renewal term of this Lease, the Lessee may notify the Lessor in writing that the Lessee desires a determination of the Fair Market Value of the Items of Equipment then subject to this Lease as of the end of such term and/or the Fair Market Rental Value of such Items for a permitted renewal term specified in such notice, and the Fair Market Value of such Items as of the end of the renewal term specified. Thereafter, the Lessor and the Lessee shall consult for the purpose of determining such Fair Market Values and Fair Market Rental Value, and any values agreed upon in writing shall constitute such Fair Market Values and Fair Market Rental Value for the purposes of this Lease. If the Lessor and the Lessee fail to agree upon such values within 30 days after the Lessee's notice pursuant to the first sentence of this Section 18.1, the Lessee may request that such values be determined by the Appraisal Procedure (as hereinafter defined). Such Fair Market Values and such Fair Market Rental 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-user or lessee (other than a lessee currently in possession or a used equipment or scrap dealer) and an informed and willing seller or lessor under no compulsion to sell or lease. Any such determination shall be made (a) on an "as-is" "where-is" basis, (b) as respects Fair Market Rental Value, on the basis of a lease having terms and conditions (other than the lease term and fixed rental) similar to the terms and conditions of this Lease, and (c)

assuming the removal of all Improvements by the Lessee pursuant to the provisions of Section 8 hereof. The Lessee's request for a determination of Fair Market Values and Fair Market Rental Value shall not obligate the Lessee to exercise any of the options provided in this Section 18. All costs and expenses of the first two Appraisal Procedures pursuant to this Section 18 which the Lessee acts upon by exercising its option to renew or purchase shall be borne equally by the Lessor and Lessee, and the Lessee shall pay all costs and expenses of all such Appraisal Procedures thereafter.

"Appraisal Procedure" shall mean the following procedure for determining the Fair Market Values or the Fair Market Rental Value, as the case may be, of the Items of Equipment then subject to this Lease: If the Lessee shall have given written notice to the Lessor requesting determination of such value by the Appraisal Procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 15 days after such notice is given, each party shall appoint an independent appraiser within 20 days after such notice is given, and the two appraisers so appointed shall within 30 days after such notice is given, appoint a third independent appraiser. If no such third appraiser is appointed within 30 days after such notice is given, either party may apply to any court having jurisdiction to make such appointment, and both parties shall be bound by any appointment made by such court. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Values or Fair Market Rental Value, or each, of the Items of Equipment then subject to this Lease within 30 days after his or their appointment. If the parties shall have appointed a single appraiser, his determination of value shall be final. If three appraisers shall be appointed, the values determined by the three appraisers shall be averaged, the determination which differs most from such average shall be excluded, the remaining two determinations shall be averaged and such average shall be final.

18.2. Renewal Options. Provided that no Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute an Event of Default, shall have occurred and be continuing, the Lessee shall have the option to extend the term of this Lease for one or more additional terms ("Renewal Terms") as follows:

(a) The Lessee shall have the option to renew and extend this Lease as to all the Items of Equipment for one or more Renewal Terms of four years each, commencing on the expiration of the Primary Term or, as the case may be, the next preceding Renewal Term, upon and subject to the terms and conditions herein contained for the Primary Term of this Lease; provided that each such Renewal Term shall be for a period of not less than four years or any integral multiple thereof and the aggregate period covered by all such Renewal Terms shall not exceed twenty years; provided further, that the quarterly Fixed

Rentals payable during any Renewal Term shall be an amount equal to the Fair Market Rental Value of such Items of Equipment. The Lessee shall give the Lessor written notice of any such election not less than 90 days nor more than 360 days prior to the commencement of such Renewal Term.

(b) The Casualty Value and Termination Value of each Item of Equipment as of the commencement of each Renewal Term shall be the Fair Market Value of such Item of Equipment as of the end of the Primary Term or the next preceding Renewal Term, as the case may be, and on each rent payment date during such Renewal Term shall decline or increase, as the case may be, on a straight-line basis to a value for the final rent payment date for such Renewal Term equal to the Fair Market Value of such Item as of the end of such Renewal Term.

18.3. Duty to First Offer. Provided that no Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute an Event of Default, shall have occurred and be continuing, the Lessee shall have the following options to purchase:

(a) If the Lessee shall elect not to renew the Lease pursuant to Section 18.2 hereof and if the Lessor shall elect to sell all or any portion of the Equipment within one year following the termination of the Lease, then Lessor shall notify the Lessee in writing not less than 30 days prior to the date of the proposed sale. Within 30 days after Lessor's notice, the Lessee may notify the Lessor of its election to purchase the Equipment to be sold by the Lessor at a price equal to the Fair Market Value of such Items of Equipment. Payment of the option price shall be made upon the date of termination of this Lease at a place designated in writing to the Lessee by the Lessor in immediately available funds against delivery of a bill of sale transferring and assigning to the Lessee all right, title and interest of the Lessor in and to the Equipment and containing a warranty against liens or claims of persons claiming by, through or under the Lessor except liens and claims which the Lessee assumed or is obligated to discharge under the terms of this Lease. The Lessor shall not be required to make any representation or warranty as to the condition of the Equipment or any other matters and such transfer shall be otherwise without recourse to the Lessor.

(b) Notwithstanding any election of the Lessee to purchase as provided in this Section 18.3, the provisions of Section 11 hereof shall continue in full force and effect until the date of purchase and

the passage of ownership of the Items of Equipment purchased by the Lessee upon such date unless the purchase price has been agreed upon by the parties pursuant to Section 18.1 hereof, in which event the amount payable under Section 11 hereof shall be the greater of the amount otherwise payable under said Section 11 or such purchase price.

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

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

Anything to the contrary herein contained notwithstanding any nonpayment of rent due hereunder, or amounts expended by the Lessor on behalf of the Lessee, shall result in the additional obligation on the part of the Lessee to pay also an amount equal to 15% per annum (or the lawful rate, whichever is less) on the overdue rentals and amounts expended for the period of time during which they are overdue or expended and not repaid.

SECTION 20. MISCELLANEOUS.

20.1. Limitations of Liability. It is expressly understood and agreed by and between the Lessor and the Lessee and their respective successors and assigns that this Lease is executed by the Lessee and the Lessor in their corporate capacity and that nothing herein contained shall be construed as creating any liability on any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of the Lessee or the Lessor to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Lessee and the Lessor and by each and every person now or hereafter claiming by, through or under the Lessee and the Lessor.

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

If to the Lessor: New England Merchants Leasing
Corporation B-10
P.O. Box 2332
Boston, Massachusetts 02107
Attention: Vice President--
Administration

Payments to the Lessor hereunder
to be made as follows:

·By bank wire transfer of Federal or
other immediately available funds
(identifying each payment as to Interim
Rental, Fixed Rental, Casualty Value
or Termination Value in respect of
F.I. Lease No. 13 and requesting
notification upon receipt of funds)
to:

New England Merchants National Bank
28 State Street
Boston, Massachusetts 02109

for credit to New England Merchants
Leasing Corporation B-10's account
no. 2010-5334

If to the Security Trustee: The First National Bank of Kansas City
Tenth and Baltimore
Kansas City, Missouri 64141
Attention: Corporate Section - Trust
Division

If to the Lessee: Farmland Industries, Inc.
3315 North Oak Trafficway
Kansas City, Missouri 64116
Attention: Financial Vice President

If to the holder of any Note: At its address for notices set forth
in the Register maintained by the
Security Trustee

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

20.3. Right of Lessor to Perform. If the Lessee shall
fail to comply with any of its covenants herein contained, either
the Lessor or, in the case of an assignment by the Lessor pursuant
to Section 16 hereof, the assignee thereunder (including, without
limitation, the Security Trustee and the holders of the Notes) 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. Any payment so made by any such party and all cost and
expense (including, without limitation, reasonable attorneys' fees
and expenses) incurred in connection therewith shall be payable by
the Lessee to the party making the same upon demand as additional
rent hereunder, with interest at the rate specified in Section 19
hereof.

20.4. Execution in Counterparts. This Lease, and any lease supplemental hereto, may be executed in several counterparts, each of which so executed shall be deemed to be an original and in each case such counterparts shall constitute but one and the same instrument.

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

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

20.7. 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 provision in any other jurisdiction.

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

[CORPORATE SEAL]

NEW ENGLAND MERCHANTS LEASING
CORPORATION B-10

ATTEST:


Assistant Clerk

By 
President

[CORPORATE SEAL]

FARMLAND INDUSTRIES, INC.

ATTEST:


Its Assistant Clerk

By 
Its

COMMONWEALTH OF MASSACHUSETTS)
) SS
COUNTY OF SUFFOLK)

On this *14th* day of November, 1980, before me, *Philip S. Steinstein,* personally appeared *E.F. McCulloch, Jr.*, to me personally known, who being by me duly sworn, says that he is the President of NEW ENGLAND MERCHANTS LEASING CORPORATION B-10, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, 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.

[NOTARIAL SEAL]

Philip S. Steinstein

Notary Public

My commission expires: *August 7, 1981*

STATE OF MISSOURI)
) SS
COUNTY OF CLAY)

On this *17* day of November, 1980, before me, *Donald G. Rose,* personally appeared *W. Gordon Leitch,* to me personally known, who being by me duly sworn, says that he is the *Corporate Vice President* of FARMLAND INDUSTRIES, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, 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.

[NOTARIAL SEAL]

Donald G. Rose

Notary Public

My commission expires:

DONALD G. ROSE
Notary Public - State of Missouri
Commissioned in Clay County
My Commission Expires April 3, 1982

DESCRIPTION OF ITEMS OF EQUIPMENT

Manufacturer of Equipment: ACF Industries Incorporated

Description and Mark and
Number of Items of
Equipment: 100 100-Ton Covered Hopper Cars,
Marked and Numbered FLIX 3400
to FLIX 3499, both inclusive

Purchase Price of
Equipment: \$38,550 (subject to escalations
and changes in price due to
modifications of specification)
per Item plus sales taxes and
freight charges, if any, and the
price of improvements to and
materials (and any sales taxes
and storage and freight charges
applicable thereto) incorporated
in any Item of Equipment upon
the request of the Lessee or
the Lessor

Place of Delivery: Russel, Kentucky

Outside Acceptance Date: December 31, 1980

(F.I. Lease No. 13)

SCHEDULE A
(to Equipment Lease)

CERTIFICATE OF ACCEPTANCE UNDER EQUIPMENT LEASE

TO: NEW ENGLAND MERCHANTS LEASING CORPORATION B-10
(the "Lessor")

ACF INDUSTRIES INCORPORATED (the "Manufacturer")

I, a duly appointed and authorized representative of the Lessor and FARMLAND INDUSTRIES, INC. (the "Lessee") under the Equipment Lease dated as of November 1, 1980 between the Lessor and the Lessee, do hereby certify that the following items have been inspected, received and approved and delivery thereof accepted under the Purchase Agreement with the Manufacturer (on behalf of the Lessor) and under the Lease (on behalf of the Lessee):

TYPE OF EQUIPMENT: 100-Ton Covered Hopper Cars,
manufactured by the Manufacturer

PLACE ACCEPTED:

DATE ACCEPTED:

NUMBER OF UNITS:

MARKED AND NUMBERED:

I do further certify to the Lessor that the foregoing Items of Equipment are in good order and condition, and appear to conform to the specifications applicable thereto, that there does not appear to be, and the Lessee has no knowledge of, any defect in any of the foregoing Items of Equipment with respect to design, manufacture, condition or in any other respect, and that each Item has been labeled by means of a plate or a stencil printed in contrasting colors upon each side of the Item in letters not less than one inch in height as follows:

"Ownership Subject to Security Agreement on
File with the Interstate Commerce Commission."

The execution of this Certificate will in no way relieve or decrease the responsibility of the Manufacturer for any warranties it has made with respect to the Equipment.

Dated: _____, 1980

Authorized Representative of the
Lessor and the Lessee

(F.I. Lease No. 13)

SCHEDULE B
(to Equipment Lease)

SCHEDULE OF CASUALTY VALUE

As used in this Lease, the Casualty Value of each Item of Equipment on any rental payment date during the Primary Term shall be an amount equal to the percentage of the Lessor's Cost of such Item set forth opposite such rental payment date in the following schedule; provided, however, that in the event (i) the Lessee has made payments pursuant to Section 2 or 3 of the Tax Indemnification Agreement to reflect a Loss of Investment Credit or Loss of Depreciation Deduction (as such terms are defined in the Tax Indemnification Agreement) or (ii) the amount of Casualty Value of the Item payable by the Lessee set opposite the applicable rental payment date includes an amount in respect of recapture of investment tax credit (reduced by any disallowance or recapture of investment tax credit claimed by the Lessor in respect of the Item under Section 38 of the Code for which the Lessee has made or is required to make any payments pursuant to Section 2 of the Tax Indemnification Agreement) in excess of the amount of investment tax credit actually recaptured by the Lessor (herein referred to as an "Excess Amount"), then such percentage of the Lessor's Cost shall be redetermined and adjusted in a manner which, after taking into account any such payments (and any offsetting benefits paid to the Lessee pursuant to Section 7 of the Tax Indemnification Agreement) or any such Excess Amount, as the case may be, will provide the Lessor the same after-tax rate of return which was contemplated in fixing such percentage of Lessor's Cost, it being understood that no such redetermination or adjustment shall reduce the amount payable on any date for Casualty Value to an amount less than the aggregate principal amount of the Notes allocable to the Item unpaid on such date, together with the interest thereon which is accrued and unpaid on such date, after giving effect to the payment of Fixed Rental on such date.

<u>Rental Payment Date on which Casualty Value is Determined</u>	<u>Percentage of Lessor's Cost Payable as Casualty Value</u>
On or prior to Term Lease Commencement Date	104.860266%
1	105.707338%
2	106.429815%
3	107.083281%
4	107.685787%
5	108.239282%
6	108.703318%
7	109.111578%

(F.I. Lease No. 13)

Rental Payment Date
on which Casualty
Value is Determined

Percentage of
Lessor's Cost Payable
as Casualty Value

8	109.472519%
9	109.787112%
10	110.019674%
11	110.198807%
12	103.510592%
13	103.597663%
14	103.608907%
15	103.568773%
16	103.483110%
17	103.352957%
18	103.153532%
19	102.905041%
20	95.791450%
21	95.455459%
22	95.057161%
23	94.612404%
24	94.124860%
25	93.595648%
26	93.011552%
27	92.383918%
28	84.894473%
29	84.186027%
30	83.430630%
31	82.634974%
32	81.800444%
33	80.928281%
34	80.017672%
35	79.070494%
36	78.087156%
37	77.064528%
38	76.012520%
39	74.927076%
40	73.808262%
41	72.647319%
42	71.466971%
43	70.258948%
44	69.021271%
45	67.754546%
46	66.477637%
47	65.177370%
48	63.850123%
49	62.496630%
50	61.140617%
51	59.764137%
52	58.362145%
53	56.934574%
54	55.508156%
55	54.061425%

Rental Payment Date
on which Casualty
Value is Determined

Percentage of
Lessor's Cost Payable
as Casualty Value

56	52.588157%
57	51.088338%
58	49.592613%
59	48.076474%
60	46.532854%
61	44.928314%
62	43.313217%
63	41.661119%
64	39.964947%
65	38.223783%
66	36.471090%
67	34.679240%
68	32.840537%
69	30.954056%
70	29.053130%
71	27.110050%
72	25.000000%

SCHEDULE OF TERMINATION VALUE

As used in this Lease, the Termination Value for an Item of Equipment on or after the twentieth Fixed Rental payment date during the Primary Term shall be an amount equal to the sum of (i) any premium payable pursuant to Section 4.2(b) of the Security Agreement upon the prepayment of the Notes in connection with such payment of Termination Value, plus (ii) the percentage of the Lessor's Cost of such Item set forth opposite such rental payment date in the following schedule; provided, however, that in the event (i) the Lessee has made payments pursuant to Section 2 or 3 of the Tax Indemnification Agreement to reflect a Loss of Investment Credit or Loss of Depreciation Deduction (as such terms are defined in the Tax Indemnification Agreement) or (ii) the amount of Termination Value of the Item payable by the Lessee set opposite the applicable rental payment date includes an amount in respect of recapture of investment tax credit (reduced by any disallowance or recapture of investment tax credit claimed by the Lessor in respect of the Item under Section 38 of the Code for which the Lessee has made or is required to make any payments pursuant to Section 2 of the Tax Indemnification Agreement) in excess of the amount of investment tax credit actually recaptured by the Lessor (herein referred to as an "Excess Amount"), then such percentage of the Lessor's Cost shall be redetermined and adjusted in a manner which, after taking into account any such payments (and any offsetting benefits paid to the Lessee pursuant to Section 7 of the Tax Indemnification Agreement) or any such Excess Amount, as the case may be, will provide the Lessor the same after-tax rate of return which was contemplated in fixing such percentage of Lessor's Cost, it being understood that no such redetermination or adjustment shall reduce the amount payable on any date for Termination Value to an amount less than the aggregate principal amount of the Notes allocable to the Item unpaid on such date, together with the interest thereon which is accrued and unpaid on such date and any premium payable in connection with the prepayment on such date, after giving effect to the payment of Fixed Rental on such date.

<u>Rental Payment Date on which Termination Value is Determined</u>	<u>Percentage of Lessor's Cost Payable as Termination Value</u>
20	92.833288%
21	92.464511%
22	92.033785%
23	91.556674%
24	91.036783%
25	90.475205%

(F.I. Lease No. 13)

SCHEDULE D
(to Equipment Lease)

Rental Payment Date
on which Termination
Value is Determined

Percentage of
Lessor's Cost Payable
as Termination Value

26	89.858959%
27	89.199174%
28	81.677526%
29	80.936790%
30	80.149160%
31	79.321183%
32	78.454190%
33	77.549397%
34	76.606030%
35	75.625890%
36	74.609363%
37	73.553290%
38	72.467665%
39	71.348343%
40	70.195372%
41	69.000032%
42	67.785131%
43	66.543725%
44	65.271421%
45	63.969543%
46	62.656749%
47	61.319972%
48	59.955607%
49	58.564345%
50	57.169628%
51	55.753651%
52	54.311381%
53	52.842721%
54	51.374076%
55	49.884159%
56	48.366769%
57	46.821846%
58	45.279666%
59	43.715920%
60	42.123568%
61	40.469586%
62	38.804849%
63	37.103241%
64	35.357779%
65	33.567549%
66	31.765493%
67	29.924395%
68	28.036678%
69	26.101379%
70	24.151378%
71	22.159402%
72	20.000002%

CERTIFICATE OF SUPPLEMENTAL COST

Reference is made to the Equipment Lease dated as of November 1, 1980 (the "Lease") between the undersigned, NEW ENGLAND MERCHANTS LEASING CORPORATION B-10 (the "Lessor") and Farmland Industries, Inc. (the "Lessee"). The capitalized terms used herein shall have the meanings specified in the Lease unless otherwise defined herein.

This Certificate is delivered to the Lessee pursuant to Section 2.8 of the Lease and is further delivered to the Security Trustee for the benefit of the holders of the Notes as an inducement for their consent to the supplementing of the Lease as hereinafter set forth.

The Lessor hereby certifies that:

1. The total Acquisition Costs and Transaction Costs of the Equipment were \$ _____ and \$ _____, respectively.
2. The Closing Date and each component of Lessor's Cost of each Item of Equipment is as set forth in Schedule A hereto.

The Lessor hereby certifies that in order to cause its net after-tax return on investment and annual cash flows which it would have realized if all of the assumptions utilized by the Lessor in originally evaluating the transaction and determining the Fixed Rental set forth in Section 2.1(b) of the Lease had occurred, (a) the Interim Rental Factors set forth in Section 2.1(a) are to be increased [decreased] to _____%, (b) the Fixed Rental factor set forth in Section 2.1(b) of the Lease is to be increased [decreased] to _____%, and (c) the Schedules of Casualty Values and Termination Values attached hereto as Schedule C and Schedule D, respectively, are to be substituted for Schedule C and Schedule D of the Lease. Such amounts [do not] reflect an adjustment needed to comply with paragraphs (1) and (6) of Section 4 of Revenue Procedure 75-21 and are sufficient to discharge that portion of the principal of and/or interest on the Notes due and payable on the Term Lease Commencement Date (after giving effect to the payment of Fixed Rental on such date) and on each Fixed Rental payment date under the Lease.

IN WITNESS WHEREOF, the Lessor has caused this Certificate of Supplemental Cost to be executed by a duly authorized officer.

Dated: _____, 1980

NEW ENGLAND MERCHANTS LEASING
CORPORATION B-10

By _____
Its _____

(F.I. Lease No. 13)

EXHIBIT 1
(to Equipment Lease)

SCHEDULE A
TO
CERTIFICATE OF SUPPLEMENTAL COST

COVERED HOPPER CARS LEASED TO FARMLAND INDUSTRIES, INC.
BY NEW ENGLAND MERCHANTS LEASING CORPORATION B-10
AS LESSOR UNDER F.I. LEASE NO. 13

<u>Car Number</u>	<u>Closing Date</u>	<u>Purchase Price</u>	<u>Acquisition Costs</u>	<u>Transaction Costs</u>	<u>Lessor's Cost</u>
FLIX _____		\$ _____	\$ _____	\$ _____	\$ _____
		_____	_____	_____	_____
TOTAL		\$ _____	\$ _____	\$ _____	\$ _____

FIRST LEASE SUPPLEMENT

This FIRST LEASE SUPPLEMENT dated as of _____, 1980 is between NEW ENGLAND MERCHANTS LEASING CORPORATION B-10 (the "Lessor"), and FARMLAND INDUSTRIES, INC., a Kansas corporation (the "Lessee").

RECITALS:

A. The Lessor and the Lessee have entered into an Equipment Lease dated as of November 1, 1980 (the "Lease"). The capitalized terms used in this supplement are used with the meanings specified in the Lease, unless otherwise defined herein.

B. The Lease was filed on _____, 1980 with the Interstate Commerce Commission and assigned recordation no. _____.

C. The Lessor has granted a security interest in the Lease to the Security Trustee under the Security Agreement.

D. The Security Agreement was filed with the Interstate Commerce Commission on _____, 1980 and assigned recordation no. _____.

E. The Lessor and the Lessee now wish to supplement the Lease pursuant to Section 2.8 thereof.

NOW, THEREFORE, in order to establish the Interim Rental, Fixed Rentals, Casualty Values and Termination Values of the Equipment, the parties hereto agree as follows:

1. The Interim Rental payable under Section 2.1(a) of the Lease with respect to all Items of Equipment on the Term Lease Commencement Date shall be \$_____.

2. The amount of Fixed Rental payable on the first Fixed Rental payment date and each Fixed Rental payment date thereafter shall be _____% of the Lessor's Cost of all Items of Equipment from time to time subject to the Lease.

3. The schedules of Casualty Values and Termination Values attached hereto as Schedule C and Schedule D, respectively, shall be substituted for Schedule C and Schedule D of the Lease, respectively.

4. The Closing Date and each component of Lessor's Cost of each Item of Equipment is as set forth in Schedule A hereto.

(F.I. Lease No. 13)

EXHIBIT 2
(to Equipment Lease)

5. Except as amended hereby, all of the provisions of the Lease are hereby incorporated by reference in this First Lease Supplement, on and as of the date hereof, to the same extent as if fully set forth herein.

6. This First Lease Supplement is being delivered in the State of Missouri and shall in all respects be governed by, and construed in accordance with, the laws of the State of Missouri; provided, however, that the parties shall be entitled to all rights conferred by any applicable Federal statute, rule or regulation.

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

[CORPORATE SEAL]

NEW ENGLAND MERCHANTS LEASING
CORPORATION B-10

ATTEST:

By _____
Its _____

Its _____

[CORPORATE SEAL]

FARMLAND INDUSTRIES, INC.

ATTEST:

By _____
Its _____

Its _____

COMMONWEALTH OF MASSACHUSETTS)
)
COUNTY OF SUFFOLK) SS

On this ____ day of _____, 1981, before me, _____, personally appeared _____, to me personally known, who being by me duly sworn, says that he is the _____ of NEW ENGLAND MERCHANTS LEASING CORPORATION B-10, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, 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.

[NOTARIAL SEAL]

Notary Public

My commission expires:

STATE OF MISSOURI)
)
COUNTY OF CLAY) SS

On this ____ day of _____, 1981, before me, _____, personally appeared _____, to me personally known, who being by me duly sworn, says that he is the _____ of FARMLAND INDUSTRIES, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, 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.

[NOTARIAL SEAL]

Notary Public

My commission expires:

SCHEDULE A
TO
FIRST LEASE SUPPLEMENT

COVERED HOPPER CARS LEASED TO FARMLAND INDUSTRIES, INC.
BY NEW ENGLAND MERCHANTS LEASING CORPORATION B-10
AS LESSOR UNDER F.I. LEASE NO. 13

<u>Car Number</u>	<u>Closing Date</u>	<u>Purchase Price</u>	<u>Acquisition Costs</u>	<u>Transaction Costs</u>	<u>Lessor's Cost</u>
FLIX _____		\$ _____	\$ _____	\$ _____	\$ _____
		_____	_____	_____	_____
TOTAL		\$ _____	\$ _____	\$ _____	\$ _____