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17033

RECORDATION NO. _____ FILED 1425

SEP 27 1990 -12 30 PM

INTERSTATE COMMERCE COMMISSION

September 27, 1990

Secretary
Interstate Commerce Commission
Room 2303
12th Street & Constitution Avenue, N.W.
Washington, D.C. 20423
Attn: Ms. Mildred Lee
Recordation Unit

Dear Ms. Lee:

On behalf of CSX Transportation, enclosed for filing and recording under 49 U.S.C. § 11303(a) and the regulations promulgated thereunder, are an original and one counterpart of each of the following three documents, all of which relate to the following rail equipment:

490 Thrall Fully Enclosed Bi-Level Autoracks, Rack Numbers B4736-B5225; 289 Thrall Fully Enclosed Tri-Level Autoracks, Rack Numbers T7040-T7328; 50 Thrall Fully Enclosed Tri-Level Autoracks, Rack Numbers T7579-T7628.

Document # 1: Lease Agreement dated as of September 15, 1990 between Wilmington Trust Company as Owner Trustee and Lessor and CSX Transportation, Inc. as Lessee.

Document # 2: Indenture, Mortgage and Security Agreement dated as of September 15, 1990 between Wilmington Trust Company as Owner Trustee and Mercantile-Safe Deposit and Trust Company as Indenture Trustee.

Document # 3: Lease and Indenture Supplement No. 1 dated as of September 15, 1990 between Wilmington Trust Company as Lessor/Owner Trustee, CSX Transportation, Inc. as Lessee and Mercantile-Safe Deposit and Trust Company as Indenture Trustee.

The names and addresses of the parties are as follows:

Lessee

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

Lessor/Owner Trustee

Wilmington Trust Company
Rodney Square North
Wilmington, Delaware 19890

Indenture Trustee

Mercantile-Safe Deposit and Trust Company
Two Hopkins Plaza
Baltimore, Maryland 21203

It is our understanding based on consultation with personnel in the Recordation Unit that the Lease will be recorded as the primary document and that both the Indenture, Mortgage and Security Agreement and the Lease and Indenture Supplement will be recorded as secondary documents A and B under the primary document number. ~~We further understand that the fee for recording the primary document and one secondary document is $15.00 and the fee for the second secondary document is $15.00, for a total fee of $30.00 which is paid herewith.~~ $45.00 Lee

Please file and record the documents described above and index them under the parties' names in accordance with your normal procedures. Also, please stamp the extra counterparts with your recordation number and return them to the delivering messenger along with the fee receipt. When the documents have been filed and recorded, please send the letter from the ICC acknowledging the filing to the undersigned.

Very truly yours,

Sharon C. Casey

Sharon C. Casey
Attorney for CSX
Transportation, Inc.

Enclosures

SCC:smn
1400B

DUPLICATE COUNTERPART

17033

RECORDATION NO. _____ FILED 1425

SEP 27 1990 -12 30 PM

INTERSTATE COMMERCE COMMISSION

LEASE AGREEMENT

Dated as of September 5, 1990

between

WILMINGTON TRUST COMPANY,
as Owner Trustee,
as Lessor

and

CSX TRANSPORTATION, INC.,
as Lessee

---

490 Thrall Fully Enclosed Bi-Level Auto Racks
339 Thrall Fully Enclosed Tri-Level Auto Racks

[CSX Trust 1990/FH-1]

CERTAIN RIGHTS, TITLE AND INTEREST IN AND TO THIS LEASE AGREEMENT AND TO THE RAIL EQUIPMENT COVERED HEREBY OF WILMINGTON TRUST COMPANY, AS OWNER TRUSTEE, HAVE BEEN ASSIGNED TO AND ARE SUBJECT TO A LIEN AND SECURITY INTEREST IN FAVOR OF MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, AS INDENTURE TRUSTEE UNDER AN INDENTURE, MORTGAGE AND SECURITY AGREEMENT DATED AS OF SEPTEMBER 5, 1990. TO THE EXTENT, IF ANY, THAT THIS LEASE AGREEMENT CONSTITUTES CHATTEL PAPER (AS SUCH TERM IS DEFINED IN THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN ANY APPLICABLE JURISDICTION), NO SECURITY INTEREST IN THIS LEASE AGREEMENT MAY BE CREATED THROUGH THE TRANSFER OR POSSESSION OF ANY COUNTERPART OTHER THAN THE ORIGINAL COUNTERPART THAT CONTAINS THE RECEIPT THEREFOR EXECUTED BY MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, AS INDENTURE TRUSTEE, ON OR IMMEDIATELY FOLLOWING THE SIGNATURE PAGE THEREOF.

FILED WITH THE INTERSTATE COMMERCE COMMISSION
PURSUANT TO 49 U.S.C. § 11303
ON SEPTEMBER __, 1990 AT _____ _.M.,
RECORDATION NUMBER _____.

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(Not Part of Agreement)

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LEASE AGREEMENT dated as of September 5, 1990 between WILMINGTON TRUST COMPANY, a banking corporation organized under the laws of the State of Delaware, not in its individual capacity but solely as trustee under the Trust Agreement (as defined in Schedule X hereto) (the "Lessor"), and CSX TRANSPORTATION, INC., a Virginia corporation (the "Lessee").

The Lessor and the Lessee agree as follows:

SECTION 1. Definitions. The following terms shall have the following meanings for all purposes of this Lease:

(a) unless otherwise expressly provided, all references herein to Sections or other subdivisions refer to the corresponding Sections and other subdivisions of this Lease;

(b) the terms "hereof," "herein," "hereby," "hereto," "hereunder," "hereinafter" and "herewith" refer to this Lease; and

(c) all terms used herein which are defined in or by reference in Schedule X hereto (including all terms defined by reference therein to other instruments or to Sections and other subdivisions of this Lease) shall have the respective meanings stated or referred to in said Schedule X.

SECTION 2. Purchase and Lease; Renewal Terms; Return; Purchase Options.

(a) Purchase and Lease. Effective on the Closing Date, if the conditions set forth in Section 5 of the Participation Agreement have been satisfied or waived, (i) the Lessor shall purchase from the Seller the Rail Equipment described in the Bill of Sale and shall be deemed to have accepted delivery of such Rail Equipment from the Seller, (ii) the Lessee shall be deemed to have accepted delivery of such Rail Equipment hereunder, (iii) the Lessor shall lease such Rail Equipment to the Lessee and the Lessee shall lease such Rail Equipment from the Lessor under this Lease for the Rent and Lease Term hereinafter in this Lease stipulated (subject to the exercise by the Lessee of its renewal option or options as provided herein for one or more Renewal Terms and upon the terms and conditions herein set forth) and (iv) the Lessor and the Lessee shall conclusively evidence that such Rail Equipment have been made subject to this Lease by executing and delivering a Lease and Indenture Supplement substantially in the form attached as Exhibit A hereto covering the Rail Equipment so purchased and leased.

(b) Renewal Terms. Provided that no Economic Default or Event of Default shall have occurred and then be continuing, the Lessee shall be entitled to renew this Lease on the last day of the Basic Term or any Renewal Term then in effect, pursuant to the following terms and conditions with respect to either (x) all of the Units within any Category of Rail Equipment then being leased under this Lease, or (y) not less than 25% and not more than 75%, randomly selected, of the original number of Units within such Category on the Closing Date, for one or more Renewal Terms commencing on the first day following the end of the Basic Term or any Renewal Term for which a renewal has been effected (each a "Renewal Term Commencement Date"):

(i) Appraisal Determination. The Lessee may (A) by notice to the Owner Trustee at any time at least 270 days (but not more than 540 days) prior to the Renewal Term Commencement Date for the first proposed Fixed Rate Renewal hereunder, request that a determination be made under subclause (iii)(D) of this paragraph (b) and (B) by notice to the Owner Trustee at any time at least 270 days (but not more than 540 days) prior to the Renewal Term Commencement Date for any proposed Fair Market Renewal hereunder, request that a determination be made under subclause (iv)(C) of this paragraph (b). No such request pursuant to this clause (i) for a determination shall be deemed an election by the Lessee of a renewal pursuant to the provisions of this paragraph (b).

(ii) Notice. In the event that the Lessee elects to renew this Lease, the Lessee shall provide the Owner Trustee with a written notice irrevocably electing such renewal at least 180 days prior to the Renewal Term Commencement Date on which such elected renewal is to take effect. Such notice shall specify (A) the desired Renewal Term, which in the case of a Fixed Rate Renewal shall be determined in accordance with subclause (iii)(A) of this paragraph (b) and in the case of a Fair Market Renewal shall be determined in accordance with subclause (iv)(A) of this paragraph (b); (B) whether a renewal is being elected as a Fixed Rate Renewal pursuant to clause (iii) of this paragraph (b); and (C) the number of Units within each Category of Rail Equipment to be leased during such Renewal Term.

(iii) Fixed Rate Renewal. Each renewal pursuant to this clause (iii) shall be referred to as a "Fixed Rate Renewal" and shall be made pursuant to the following terms and conditions:

(A) The period of any Fixed Rate Renewal (each a "Fixed Rate Renewal Term") for each Category of Rail

Equipment shall be the period commencing on the Renewal Term Commencement Date for which a Fixed Rate Renewal is being requested and ending on the last day of the Fixed Rate Renewal Term specified by the Lessee in the notice delivered pursuant to clause (ii) of this paragraph (b), which Fixed Rate Renewal Term shall be in increments of one or more whole years (except that the last of such increments may be a fraction of a year to the extent so required by the limitation specified in the proviso of this subclause (iii) (A)); provided, however, that no Fixed Rate Renewal Term shall extend beyond the earliest of the following dates (the "Maximum Fixed Rate Renewal Date" and the period from the Renewal Period Commencement Date for any proposed Fixed Rate Renewal hereunder to the Maximum Fixed Rate Renewal Date is herein called the "Maximum Fixed Rate Renewal Term"): (1) the last date on which the period from the Closing Date to such date would be equal to 80% of the estimated economic useful life of such Rail Equipment, measured from the Closing Date (the determination of such useful life to be made pursuant to subclause (D) below), and (2) the last day on which the estimated residual value of such Rail Equipment would be 20% of the Lessor's Cost therefor, the determination of such date to be made pursuant to subclause (D) below), without taking into account inflation or deflation subsequent to the Closing Date. Any election of a Fixed Rate Renewal shall constitute a representation of the Lessee to the Owner Participant that any Rail Equipment not inspected in connection with the Appraisal referred to in subclause (i) above was in substantially the same condition, insofar as useful life and residual value are involved, as the Rail Equipment that were so inspected.

(B) Basic Rent for any Rail Equipment being leased during a Fixed Rate Renewal Term shall be payable on each Payment Date during such Fixed Rate Renewal Term and shall be equal to 50% of the average of the actual Basic Rent payments payable in respect of such Rail Equipment on each Payment Date during the Basic Term; provided, however, in the event that due to any limitation imposed by the proviso set forth in the foregoing subclause (A) any Fixed Rate Renewal Term expires other than on a Payment Date, then the last payment of Basic Rent for such Fixed Rate Renewal Term shall be payable on the last date of such Fixed Rate Renewal Period and shall be prorated on the basis of the proportion of (x) the actual number of days from and excluding the Payment Date immediately

preceding the last day of such Fixed Rate Renewal Term to and including such last day, to (y) 180 days. The Stipulated Loss Value for any Rail Equipment for all Fixed Rate Renewals shall be calculated once on or before the beginning of any Fixed Rate Renewal and shall (x) on the Renewal Term Commencement Date for any Fixed Rate Renewal be equal to the Fair Market Sale Value of such Rail Equipment (as determined pursuant to subclause (D) below) as of such Renewal Term Commencement Date and (y) thereafter be reduced on a straight-line basis from the initial Stipulated Loss Value so determined pursuant to clause (x) hereof to 20% of Lessor's Cost therefor at the Maximum Fixed Rate Renewal Date.

(C) Notwithstanding any provision hereof, (x) the Lessee shall have the right to elect not more than one Fixed Rate Renewal for any Category of Rail Equipment (and any renewal thereafter shall be a Fair Market Renewal), (y) such Fixed Rate Renewal Term shall not exceed three years and (z) no Fixed Rate Renewals for such Rail Equipment shall be permitted unless the Fixed Rate Renewal Term therefor immediately follows the Basic Term.

(D) In connection with any actual or prospective Fixed Rate Renewal for any Rail Equipment to be leased during such a Renewal Term, a determination shall be made (pursuant to the Appraisal Procedure) of (x) the then estimated economic useful life of such Rail Equipment measured from the Closing Date, (y) the last date on which the estimated residual value (without regard to inflation or deflation subsequent to the Closing Date) of such Rail Equipment is projected to be greater than or equal to 20% of Lessor's Cost therefor and (z) the Fair Market Sale Value of such Rail Equipment as of the Renewal Term Commencement Date for such Fixed Rate Renewal Term. Such determination (which shall be made within the time periods required pursuant to the Appraisal Procedure and prior to the Renewal Term Commencement Date for any Fixed Rate Renewal) shall be made as of the Renewal Term Commencement Date for such Fixed Rate Renewal.

(iv) Fair Market Renewal. Each renewal pursuant to this clause (iv) shall be referred to as a "Fair Market Renewal" and shall be made pursuant to the following terms and conditions:

(A) The period of each Fair Market Renewal (each, a "Fair Market Renewal Term") for any Rail Equipment being leased during such Renewal Term shall be the period commencing on the Renewal Term Commencement Date for which a Fair Market Renewal is being requested and ending on the last day of the Renewal Term specified by the Lessee in the notice delivered pursuant to clause (ii) of this paragraph (b), which period shall be in increments of not less than one, and not more than three, whole years.

(B) Basic Rent for any Rail Equipment being leased during each Fair Market Renewal Term shall be the Fair Market Rent in respect of the such Rail Equipment being leased for such period (as determined pursuant to the provisions of subclause (C) of this clause (iv)), payable in arrears on each Payment Date during such Fair Market Renewal Term and on the last day of such Fair Market Renewal Term. During each Fair Market Renewal Term, the Stipulated Loss Value for the Rail Equipment being leased during such Renewal Term shall (x) on the Renewal Period Commencement Date for such Fair Market Renewal Term, be equal to the Fair Market Sale Value of such Rail Equipment as of such Renewal Term Commencement Date (as determined with respect to such Fair Market Renewal Term pursuant to subclause (C) below) and (y) during the remainder of such Fair Market Renewal Term, be reduced on a straight-line basis from the Stipulated Loss Value so determined as of the relevant Renewal Term Commencement Date to the estimated Fair Market Sale Value of such Rail Equipment as of the last day of such Fair Market Renewal Term (as determined with respect to such Fair Market Renewal Term pursuant to subclause (C) below).

(C) In connection with each actual or prospective Fair Market Renewal for any Rail Equipment to be leased during a Fair Market Renewal Term, a determination shall be made (pursuant to the Appraisal Procedure) of (x) the Fair Market Sale Value of such Rail Equipment as of the relevant Renewal Term Commencement Date and as of the last day of such Fair Market Renewal Term, and (y) the Fair Market Rent of such Rail Equipment. Such determination (which shall be made within the time periods required pursuant to the Appraisal Procedure) shall be made as of the Renewal Term Commencement Date for the relevant Fair Market Renewal for such Rail Equipment and shall be completed before the Renewal Term Commencement Date for such Fair Market Renewal.

(D) Notwithstanding any provision hereof, the Lessee shall have the right to elect not more than one Fair Market Renewal for any Category of Rail Equipment.

(v) Additional Restrictions. Notwithstanding any provision of this paragraph (b) to the contrary:

(A) as to each Category of Rail Equipment the Lessee may exercise either a Fixed Rate Renewal or a Fair Market Renewal (each a "Renewal Option"), but not both, with respect to each Renewal Term or portion thereof applicable to any Unit within such Category of Rail Equipment; and

(B) unless the Lessee exercises a Renewal Option as to all of the Units within a Category of Rail Equipment then being leased under this Lease, the Lessee may only exercise such Renewal Option to the extent that at least 25% of the original number of Units within such Category on the Closing Date remain subject to this Lease, after giving effect to the exercise of such Renewal Option.

(vi) General. All provisions of this Lease shall be applicable during each Renewal Term, except that the Basic Rent and Stipulated Loss Values payable under this Lease during each Renewal Term shall be those specified in this paragraph (b).

(c) Redelivery. The Lessee shall assemble and deliver possession of the Rail Equipment in accordance with the terms of this Lease, at the Lessee's own cost and expense, in such numbers and to such location or locations on the Lessee's lines or to such interconnection point or points on Lessee's lines within the continental United States, which locations shall be reasonably acceptable to the Lessee (taking into account the capacity of such lines and points and the possible disruption to the Lessee's operations as a result of such return) (the "Redelivery Locations") (i) subject to Section 2(g) hereof, on the date of the expiration of the Basic Term or any applicable Renewal Term, as the Lessor shall designate in writing to the Lessee not less than 90 days prior to the expiration of the Basic Term or any applicable Renewal Term or (ii) at the termination of the applicable storage period or at such earlier time as the Lessee may specify (or as soon thereafter as is practicable), as the Lessor may designate prior to the expiration of such storage period, provided that the Lessee shall not be obligated to move any Rail Equipment more than once at the request of the Lessor. Any Rail Equipment delivered to such Redelivery Location (or into storage, as the Lessor may have requested as provided below) shall be deemed to be redelivered hereunder (and, subject to

the next succeeding paragraph, Basic Rent with respect to such redelivered Rail Equipment shall cease to accrue with respect thereto) on the later to occur of (i) the expiration of the Basic Term or any applicable Renewal Term and (ii) the date on which at least 10% of the number of Units within the applicable Category of Rail Equipment then subject to this Lease (or such lesser number of Units as Lessor may have requested to be delivered to such Redelivery Location or into storage) shall have been delivered to any one such Redelivery Location or into storage. The Lessee will, at the request of Lessor, store any Rail Equipment free of charge and at the Lessee's expense and risk (including, without limitation, any rentals due for flatcars on which an Autorack being so stored is attached or affixed) on storage tracks selected and owned by the Lessee for a 45-day period commencing as to each Unit on the later to occur of (i) the date of the delivery of such Unit to such storage tracks and (ii) the placing in storage of an aggregate of at least 10% of the number of Units within the applicable Category of Rail Equipment then subject to this Lease (or such lesser number of Units as Lessor may have requested to be stored) pursuant to any one such request of the Lessor. In addition, the Lessor shall have the right to store such Rail Equipment redelivered to it on storage tracks owned by the Lessee for an additional period of 90 days after the expiration of the free storage period referred to in the preceding sentence; provided, that the Lessee may charge the Lessor an amount based on the then normal rates charged by the Lessee to third parties for storage of auto racks of the same or similar type on its tracks, and such additional storage shall be at the Lessor's expense and risk (including, without limitation, any rentals due for flatcars on which an Autorack being so stored is attached or affixed). The Lessee agrees to notify the Lessor when an aggregate of 10% of the number of Units within such Category of Rail Equipment then subject to this Lease (or such lesser number of Units as the Lessor may have requested to be delivered to such Redelivery Location or placed in storage, as the case may be) shall have been delivered to any one such Redelivery Location or placed in such storage (in each case, a "Rail Equipment Return Notice"), and, in the case of storage, the 45-day period referenced in the second preceding sentence shall be deemed to commence with respect to such Rail Equipment on the date of such Rail Equipment Return Notice.

The Lessor may request that the Lessee, and the Lessee will at its own cost and expense, remove any Autoracks which are redelivered under this Section 2(c) from any flatcars on which such Autoracks are attached or affixed; provided, however, that (i) the Lessee shall only be required to perform such removal services in such numbers and at such Redelivery Location(s) as the Lessee may reasonably designate with appropriate personnel and facilities for performing such

removal, provided that the Lessee shall promptly redeliver any Autoracks so removed to the Lessor at any Redelivery Location(s) (up to a maximum of three, in the aggregate) as the Lessor may designate; (ii) during the period of time necessary for such removal (which shall not exceed the 45-day free storage period referenced in the preceeding paragraph), all related expense and risk (including, without limitation, any rentals due for flatcars on which an Autorack being so removed is attached or affixed) shall be for the account of the Lessee; (iii) an Autorack shall be deemed to have been redelivered under this Section 2(c) for all other purposes, notwithstanding that such removal has not been completed; and (iv) neither Section 2(d) nor Section 5 shall apply to any Autorack which has been removed pursuant to a request of the Lessor under this paragraph, except in respect of Liens.

Alternatively, the Lessor may request that the Lessee, and the Lessee will, assign all its rights and obligations with respect to each flatcar leased from Trailer Train under the Car Contract on which an Autorack is attached or affixed at the time of the redelivery thereof to the Lessor; provided, that the Lessee shall not be obligated to assign such rights and obligations unless (i) the Lessor has received the prior written consent from Trailer Train (if such consent is then required by the Car Contract) with respect to such assignment, and (ii) the Lessor has assumed all obligations of the Lessee under the Car Contract with respect to each such flatcar (to the extent of the rights being assigned) and the Lessee has thereupon been released from such obligations.

If the Lessor or its agent shall inspect any Rail Equipment pursuant to Section 2(d) and shall conclude in good faith that such Rail Equipment is not in the condition required by Section 2(d), the Lessee, at its expense and risk, shall within 30 days thereafter make such repairs and perform such work as shall be necessary to place such Rail Equipment in the condition required by Section 2(d). The Lessee will provide the Lessor with notice when such Rail Equipment has been repaired so as to be in the condition required by Section 2(d) and is ready to be reinspected by the Lessor or its agent, and the Lessor or its agent shall have 10 days from such date to inspect such Rail Equipment and inform the Lessee if such Rail Equipment is still not in the condition required by Section 2(d) (in which case the provisions of this paragraph shall continue to control). The Lessee agrees to pay the daily equivalent of Basic Rent (calculated on the basis of the average of the actual Basic Rent payments payable in respect of the Rail Equipment on each Payment Date during the Basic Term or the applicable Renewal Term, as the case may be) on any Rail Equipment not redelivered in the condition required by Section 2(d), from and including the last day on which the Lessee paid

Basic Rent with respect to such Rail Equipment to but excluding the date the Lessee gives the notice described in the next preceding sentence.

(d) Return Condition. At the time of any return, the Rail Equipment so being returned shall be free and clear of all Liens (except any Owner Encumbrances and Permitted Encumbrances, it being understood that the Lessee will promptly and diligently cause any such Permitted Encumbrances to be discharged and, at the Lessor's request, the Lessee shall bond or provide such other form of security for payment and discharge of such Permitted Encumbrances as the Lessor may reasonably request) and shall be in the condition required by Section 2(c) and 5 hereof. Each Unit redelivered hereunder shall be (i) in a condition suitable for the general purpose for which it was originally intended, (ii) in a condition comparable to that of auto racks of a similar type and age and in compliance with the then prevailing applicable rules of the Association of American Railroads and the Federal Railway Administration or any successor entities, (iii) in a condition consistent with the requirements of Applicable Law and (iv) suitable for unrestricted interchange by a Class I Railroad, whether as owner or as user. In addition, each Unit redelivered pursuant to Section 2(c) shall be in the condition required by Section 5 hereof. The Lessor or its agent may inspect any Rail Equipment redelivered hereunder to determine whether such Rail Equipment is in the condition required by this Section 2(d) at any time prior to the earlier of (x) 30 days after the date of the Rail Equipment Return Notice in respect of such Rail Equipment and (y) 10 days after such Rail Equipment shall have been returned to Lessor at the Redelivery Location pursuant to Section 2(c), or at such other time as may be specified in Section 2(c). At such inspection, independent inspectors or surveyors representing both the Lessee and the Lessor, or an independent inspector or surveyor satisfactory to both sides, shall be present and shall determine and state the agreed repairs or work necessary to place such Rail Equipment on the date of return in the condition required by this Section 2(d). The Lessee and the Lessor shall bear the cost of their respective independent inspectors or surveyors, unless the Rail Equipment is not in the condition required by Section 2(c) and 5 hereof, in which case the Lessee shall also bear the reasonable cost of the Lessor's inspector or surveyor.

(e) Early Purchase Option. Provided that no Economic Event of Default or Economic Default shall have occurred and be continuing, on March 26, 2004, the Lessee shall be entitled, upon not less than 180 days' irrevocable prior written notice to the Lessor and the Indenture Trustee, to purchase either (A) all of the Units within any Category of Rail Equipment then being leased under this Lease, or (B) not less than 25% and not

more than 75%, randomly selected, of the original number of Units within such Category on the Closing Date, for a purchase price equal to (x) if such Rail Equipment is to be purchased free and clear of the Lien of the Indenture, the Projected Fair Market Sales Value - EBO of such Rail Equipment plus the Premium, if any, on the Notes being redeemed on such date (as determined in accordance with the proviso to this sentence) plus any Supplemental Rent then due or (y) if such purchase constitutes an Assumption Event, the Projected Fair Market Sales Value - EBO of such Rail Equipment plus any Supplemental Rent then due less an amount equal to the product of (i) the aggregate principal amount of the Notes Outstanding on such date and (ii) a fraction the numerator of which is the aggregate Lessor's Cost for such Rail Equipment and the denominator of which is the aggregate Lessor's Cost for all of the Rail Equipment then subject to this Lease; provided that in the event such Rail Equipment is to be purchased free and clear of the Lien of the Indenture, the Lessee shall first, on behalf of the Lessor, give the Indenture Trustee, no later than February 24, 2004, an irrevocable notice of redemption with respect to that aggregate principal amount of the Notes Outstanding to be redeemed pursuant to Section 401(d) of the Indenture in connection with such purchase, and shall directly pay the Indenture Trustee the redemption price required to redeem such aggregate principal amount of Notes calculated in accordance with the Indenture and then pay to the Lessor any remaining amount of the purchase price. In connection with the exercise of the purchase option under this Section 2(e), the Lessor shall transfer all its right, title and interest in and to such Rail Equipment to the Lessee without recourse or warranty on the part of the Lessor except that the Lessor shall warrant to the Lessee that such Rail Equipment is free and clear of all Owner Encumbrances and, at the expense of the Lessee, shall execute and deliver such documents as shall be reasonably necessary or appropriate to consummate such sale and, in the case of a purchase which is an Assumption Event, such documents as are required by Section 403 of the Indenture. Notwithstanding any provision of this Section 2(e) to the contrary, unless the Lessee exercises its purchase option hereunder as to all of the Units within a Category of Rail Equipment then being leased under this Lease, the Lessee may only exercise such purchase option to the extent that at least 25% of the original number of Units within such Category on the Closing Date remain subject to this Lease, after giving effect to the exercise of such purchase option.

(f) Purchase at Expiration of Lease Term. Provided that no Economic Event of Default or Economic Default shall have occurred and be continuing, the Lessee shall be entitled at the expiration of the Lease Term with respect to the Rail Equipment to purchase pursuant to the following terms and

conditions either (x) all of the Units within any Category of Rail Equipment then being leased under this Lease, or (y) not less than 25% and not more than 75% of the original number of Units within such Category on the Closing Date, as follows:

(i) The Lessee may, by notice to the Lessor at any time not less than 270 days (but not more than 540 days) prior to the expiration of the Lease Term with respect to the Rail Equipment to be purchased, request that a determination be made under clause (iv) of this paragraph (f) of the Fair Market Sale Value of such Rail Equipment. No such request for a determination pursuant to this clause (i) shall be deemed an election by the Lessee for a purchase pursuant to the provisions of this paragraph (f).

(ii) In the event that the Lessee elects to purchase such Rail Equipment, which election may be made regardless of whether or not the Lessee has requested a determination pursuant to clause (i) of this paragraph (f), the Lessee shall provide the Lessor with a notice irrevocably making such election at least 180 days prior to the expiration of the Lease Term with respect to such Rail Equipment.

(iii) The Lessee shall pay to the Lessor, on the expiration of the Lease Term with respect to such Rail Equipment, an amount equal to the Fair Market Sale Value for such Rail Equipment, and upon such payment and the payment by the Lessee of all Rent payable on or before such expiration date with respect to such Rail Equipment (including, without limitation, the Basic Rent becoming due and payable on such expiration date), the Lessor shall transfer all its right, title and interest in and to such Rail Equipment to the Lessee, without any representation, recourse or warranty on the part of the Lessor except that the Lessor shall warrant to the Lessee that such Rail Equipment is free and clear of all Owner Encumbrances; provided, that in lieu of the Fair Market Sale Value thereof, the Lessee may at its option, and whether or not it has requested a determination pursuant to clause (i) of this paragraph (f), elect to pay the Projected Fair Market Sales Value - FPO of such Rail Equipment, together with any other Rent payable under this clause (iii), as the purchase price of such Rail Equipment pursuant to this clause(iii); provided, further, that the Units subject to purchase at Projected Fair Market SAles Value - FPO shall be randomly selected.

(iv) In connection with an actual or prospective purchase by the Lessee of any Rail Equipment pursuant to this Section 2(f), any determination of the Fair Market Sale Value of such Rail Equipment shall be made pursuant to

the Appraisal Procedure. Any such determination (which shall be made within the time periods required by the Appraisal Procedure) shall be made as of, and completed prior to, the expiration of the Lease Term with respect to such Rail Equipment.

(v) Notwithstanding any provision of this Section 2(f) to the contrary, unless the Lessee exercises its purchase option hereunder as to all of the Units within a Category of Rail Equipment then being leased under this Lease, the Lessee may only exercise such purchase option to the extent that at least 25% of the original number of Units within such Category on the Closing Date remain subject to this Lease, after giving effect to the exercise of such purchase option.

(g) Extension of Lease Term. Upon the expiration of the Basic Term and all applicable Renewal Terms, the Lease Term for any Rail Equipment shall be extended for any period necessary for the return of such Rail Equipment to the location designated by the Lessor pursuant to Section 2(c); provided, that no such extension shall exceed 90 days. The Lessee agrees to pay the daily equivalent of Basic Rent (calculated on the basis of the average of the actual Basic Rent payments payable in respect of the Rail Equipment on each Payment Date during the Basic Term or the applicable Renewal Term, as the case may be) on each Unit redelivered subsequent to the expiration of the Basic Term or such Renewal Term and as to which the Lessor or its agent shall not have determined that such Rail Equipment was redelivered in violation of the requirements of Section 2(d), from and including the final Payment Date to but excluding the date of redelivery hereunder.

SECTION 3. Disclaimer of Warranties.

(a) No Representation or Warranty. THE LESSEE ACKNOWLEDGES THAT (i) THE RAIL EQUIPMENT IS OF DESIGN AND MANUFACTURE SELECTED BY THE LESSEE, (ii) THE RAIL EQUIPMENT IS SUITABLE FOR THE LESSEE'S PURPOSES AND (iii) NEITHER THE LESSOR NOR ANY LOAN PARTICIPANT IS A MANUFACTURER OR DEALER IN SUCH PROPERTY. THE LESSEE ACKNOWLEDGES THAT NONE OF THE OWNER PARTICIPANT, THE LESSOR NOR ANY LOAN PARTICIPANT MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE DESIGN, OPERATION OR CONDITION OF THE RAIL EQUIPMENT OR AS TO THE TITLE, VALUE, CONDITION, DESIGN OR MERCHANTABILITY OF THE RAIL EQUIPMENT, OR AS TO THE FITNESS OF THE RAIL EQUIPMENT FOR ANY PARTICULAR USE OR PURPOSE, OR, EXCEPT AS SET FORTH IN SECTION 3(b), ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE RAIL EQUIPMENT AND UNDER NO CIRCUMSTANCES WHATSOEVER SHALL WTC OR THE LESSOR BE LIABLE OR RESPONSIBLE TO THE LESSEE FOR ANY CONSEQUENTIAL DAMAGES.

(b) Title. Notwithstanding the provisions of the foregoing paragraph (a), the Lessor represents and warrants that on the Closing Date it will have whatever title to the Rail Equipment as has been conveyed to it on such date by the Seller, subject to no Owner Encumbrances.

SECTION 4. Use and Operation of Rail Equipment. During the Lease Term, so long as no Event of Default has occurred and is continuing, the Lessee has the exclusive right to possession, control and full use of the Rail Equipment leased hereunder and may use such Rail Equipment in any lawful trade or commerce; provided, however, that the Lessee shall use each Unit only in the manner for which it was designed and intended and that such Rail Equipment shall not be used or operated in any manner contrary to any Applicable Law; and provided, further, that the Lessee shall not use any Rail Equipment in any jurisdiction other than the United States of America, Canada or Mexico without the prior written consent of the Lessor in its sole discretion.

SECTION 5. Maintenance. The Lessee, at its own expense and risk shall throughout the Lease Term maintain, and repair so as to keep, the Rail Equipment in good operating condition, ordinary wear and tear excepted, at least in accordance with the standards of maintenance, if any, for similar auto racks operating on the lines of Class I Railroads and in the manner and in the same condition as Lessee would, in the prudent management of its own business, maintain and repair similar equipment owned or leased by it and its Affiliates at such time so that such Rail Equipment will remain (i) in as good operating condition as when delivered hereunder on the Closing Date (ordinary wear and tear excepted), (ii) in compliance with any and all Applicable Law, (iii) eligible under all manufacturer's warranties and (iv) suitable for unrestricted interchange by a Class I Railroad, whether as owner or as user. The Lessee agrees that it will not discriminate against any Rail Equipment (as compared to other similar equipment owned or leased by Lessee) with respect to its use, operation or maintenance in contemplation of the expiration or termination of this Lease. Notwithstanding the foregoing, the Lessee, in its discretion, may withdraw from transportation service any Rail Equipment for any reason at and for any time, during which time the Lessee shall not be required to maintain or repair such Rail Equipment; provided, however, that (x) the Lessee shall remain responsible for the preservation, safekeeping, use, operation and safe storage of such Rail Equipment, (y) the Lessee's actions with respect to such Rail Equipment shall not impair the value, utility, useful life or residual value that such Rail Equipment would have had, had it been kept in service and maintained in accordance with this Section 5 and (z) the foregoing shall not affect the

Lessee's obligation to return such Rail Equipment in the condition specified in Section 2(d).

SECTION 6. Inspection. The Lessor, the Owner Participant and the Indenture Trustee, or their authorized representatives, may at any time, upon reasonable notice and at their own risk and expense, inspect the Rail Equipment and applicable maintenance and use records relating thereto, and the Lessee shall make the foregoing available to the Lessor, but neither the Lessor, the Owner Participant nor the Indenture Trustee shall have any duty to do so; provided, however, that any such inspection shall in no way interfere with any repairs or maintenance or the use and operation of the Rail Equipment; and provided further, that in exercising such right of inspection, (i) the Lessor shall not unreasonably interfere with the Lessee's normal business operations and (ii) the Lessor shall hold the Lessee harmless from any claims resulting from injury, loss or death sustained by the Lessor's representatives on the Lessee's premises during any such inspection except to the extent that any such injury, loss or death occurs as a direct result of the Lessee's negligence or willful misconduct.

SECTION 7. Improvements.

(a) Improvements. The Lessee shall make such Improvements to the Rail Equipment as shall be required in order to comply with Section 5. In addition, the Lessee may make such other Improvements to the Rail Equipment as the Lessee may deem desirable, but only to the extent that such Improvements do not diminish the Rail Equipment's commercial value, productive capacity, utility or remaining useful life.

(b) Title; Removal of Severable Improvements. Title to each Nonseverable Improvement and to each Governmentally Mandated Severable Improvement shall, without further act, vest in the Lessor. Title to each Severable Improvement (other than any Governmentally Mandated Severable Improvements) shall, without further act, vest or remain, as the case may be, in the Lessee, and the Lessee at its own expense and risk shall have the right to remove any Severable Improvement to which the Lessee has title from the Rail Equipment at any time during or at the expiration of the Lease Term. Any Severable Improvement not so removed shall become the property of the Lessor. The Lessor shall have the right to purchase any Severable Improvements from the Lessee upon the expiration of the Lease Term, in consideration of the payment to the Lessee of the Fair Market Sales Value thereof (as determined pursuant to the Appraisal Procedure).

(c) Removal of Property; Replacements. The Lessee may, in the ordinary course of maintenance or repair of any Rail Equipment, remove any item of property constituting a part of such Rail Equipment, and unless the removal of such item is required by Section 5, the Lessee shall replace such item as promptly as possible by an item of property that is free and clear of all Liens (other than Permitted Encumbrances) and subject to the Lien of the Indenture and in as good operating condition as, and with a value, utility and useful life at least equal to, the item of property being replaced. Any item of property removed from such Rail Equipment as provided in the preceding sentence shall remain the property of the Lessor until replaced in accordance with the terms of said sentence, but shall then, without further act, become the property of the Lessee. Any such replacement property shall, without further act, become the property of the Lessor and be deemed part of such Rail Equipment for all purposes hereof, subject to the Lien of the Indenture.

(d) Identification Marks. The Lessee will exercise its best efforts (i) to cause, as soon as practicable after a given Unit becomes subject to the terms of this Lease, such Rail Equipment to be kept numbered with the identifying number as set forth in Schedule 1 to the Lease and Indenture Supplement executed and delivered on the Closing Date and (ii) to keep and maintain, as soon as practicable after such Rail Equipment becomes subject to the terms of this Lease, plainly, distinctly, permanently and conspicuously marked on both sides of such Rail Equipment in letters not less than one inch in height, the words "Subject to a security agreement filed with the Interstate Commerce Commission" or other appropriate words designated by the Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by Applicable Law in order to protect the title of the Lessor and the rights of the Lessor and the Indenture Trustee under the Operative Documents. The Lessee will not place any such Rail 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 word or words which may be removed, defaced, obliterated or destroyed. The Lessee will not permit the identifying number of any Rail Equipment to be changed unless and until a Lease amendment or statement of new identifying numbers to be substituted therefor shall have been furnished to the Lessor and the Indenture Trustee and duly filed, recorded or deposited in all public offices where this Lease and the Indenture shall have been filed, recorded and deposited. The Lessee shall have the right at its expense to display indicia of operation of any Rail Equipment by the Lessee or any Affiliate of the Lessee and identify such Rail Equipment with such name as the Lessee may elect; provided, however, that the Lessee will not otherwise

allow the name of any Person to be placed on any Rail Equipment as a designation that might be interpreted as a claim of ownership.

(e) Limited Use Property. Notwithstanding any provision of this Section 7 to the contrary, the Lessee shall make no modification, alteration, change, substitution or other improvement to any Rail Equipment, or any part thereof, that would cause such Rail Equipment to become "limited use property" within the meaning of Rev. Proc. 76-30.

(f) Attachment of Autoracks to Flatcars. The Lessee will cause each Autorack to be and remain attached or affixed to a flatcar leased from Trailer Train Company, a Delaware corporation ("Trailer Train"), under a Car Contract with Trailer Train (the "Car Contract"), and shall furnish to the Lessor a list of the unit number of each such flatcar and the corresponding Autorack number. If for any reason the Car Contract shall be in default or shall terminate as to any flatcar to which an Autorack is attached or affixed, the Lessee will promptly notify the Lessor of such default or termination and on or before the Section 7(f) Date, the Lessee shall either (i) cause such Autorack to be removed from such flatcar and to be attached or affixed to another flatcar which is either leased to (under another lease which is not in default) or owned by the Lessee free and clear of all Liens other than Permitted Encumbrances and other than Liens arising under an agreement of the character referred to in the immediately succeeding paragraph of this Section 7(f) and shall furnish to the Lessor a list of the unit number of each such flatcar and the corresponding Autorack number, or (ii) pay to the Lessor, or to the Persons entitled thereto, the amount specified in the third paragraph of this Section 7(f).

In the event the Lessee complies with clause (i) of the immediately preceding paragraph of this Section 7(f) with respect to any Autorack, and pursuant thereto, such Autorack is to be attached or affixed to a leased flatcar other than the flatcar to which such Autorack was attached at the commencement of the Lease Term, the Lessee will furnish to the Lessor, as soon as practicable but in any event not later than 30 days after such Autorack is so attached or affixed, a written agreement of the lessor of such flatcar, of like substance to the written agreements with respect to such Autorack furnished by Trailer Train prior to or at the commencement of the Lease Term, and the Lessee agrees to use its best efforts to furnish to the Lessor, as soon as practicable but in any event not later than 30 days after such Autorack is so attached or affixed, copies of all financing documents relating to any such flatcar which is not leased from Trailer Train. In the event that any Autorack shall fail to be attached to a flatcar in

accordance with the provisions of the first sentence of this paragraph (other than by reason of maintenance being performed in accordance with Section 5 hereof) and such failure shall continue for 90 days, or in the event that the written agreement or financing documents referred to in the first sentence of this paragraph with respect to any Autorack shall not be furnished for any reason prior to the time provided in said sentence, or in the event that the financing documents furnished by the Lessee do not establish to the satisfaction of the Lessor that any Autorack shall not constitute an accession to the flatcar and that such Autorack shall not become subject to any security interest or other interest of any party to such financing, then, in any such case, the Lessee shall comply with clause (ii) of the immediately preceding paragraph of this Section 7(f) with respect to such Autorack (and for such purposes, the Section 7(f) Date shall be the Payment Date next succeeding the event giving rise to such required compliance).

In the event the Lessee complies with clause (ii) of the first paragraph of this Section 7(f) with respect to any Autorack, the Lessee shall pay to the Lessor or to the Persons entitled thereto an amount equal to the sum of:

(A) the higher of the (x) the Fair Market Sales Value of such Autorack and (y) Stipulated Loss Value for such Autorack, determined as of the Payment Date on which the Section 7(f) Date occurs, plus

(B) all other Supplemental Rent due and owing on the Section 7(f) Date, plus

(C) the Basic Rent (if and to the extent Basic Rent is then being paid in arrears) due and payable on such Payment Date pursuant to Section 9(a) and (b) hereof;

In the event the Lessee exercises the option specified in clause (ii) of the first paragraph of this Section 7(f), upon payment in full of all amounts payable pursuant to such clause, the Lessor and the Lessee shall take such actions, and shall have such rights and obligations, with respect to the Autorack(s) as to which such option is being exercised, as are specified with respect to Rail Equipment which has suffered an Event of Loss pursuant to the second paragraph of Section 11(b), and for all purposes of the Operative Documents such Autorack(s) shall be deemed to have suffered an Event of Loss.

So long as any Autoracks are leased hereunder, the Lessee will perform its obligations under, and will exercise any and all rights or options to renew the term of, and will not cancel or otherwise terminate, the Car Contract or any other lease or leases covering the flatcars to which such Autoracks are attached.

SECTION 8. Liens.

(a) Liens. None of the Lessee and any sublessee nor any other Person shall directly or indirectly have any right, power or authority to, and none of the Lessee, any sublessee or any other Person shall, create, assume, incur or permit to exist any Lien on or with respect to any Rail Equipment, other than Permitted Encumbrances or Owner Encumbrances. The Lessee shall notify the Lessor promptly of the imposition of any such Lien and shall promptly cause the same to be discharged, dismissed or removed, and in any event within 30 days after the Lessee first knows of the existence of any Lien; provided, that notwithstanding the foregoing, the Lessee shall have the right to contest any such Lien in good faith by appropriate proceedings, diligently prosecuted or appealed, so long as such Lien does not involve any material danger of the sale, forfeiture or loss of such Rail Equipment.

(b) Release of Liens. The Lessee agrees that it will at its own cost and expense promptly take such action as may be necessary duly to discharge any Liens that are not Permitted Encumbrances or Owner Encumbrances. In the event that any Rail Equipment shall be attached, levied upon or taken into custody, or detained or sequestered, by virtue of any proceeding in any court or tribunal, or by any governmental or other authority on account of any such Lien, the Lessee shall cause such Rail Equipment to be released and all such Liens to be promptly discharged (except to the extent that the same shall be contested by the Lessee in good faith by appropriate proceedings, so long as such Lien does not involve any material risk of a sale, forfeiture or loss of such Rail Equipment and shall not affect the continued use of such Rail Equipment). The Lessee shall protect, save and keep harmless the Owner Participant, the Lessor, the Indenture Estate, the Indenture Trustee and the Holders from time to time of the Notes and their respective successors and assigns from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature that may be imposed on, incurred by or asserted at any time (whether before, during or after the Lease Term) against the Owner Participant, the Lessor, the Indenture Trustee or any Holder in any way relating to or arising out of any such Liens that are not Permitted Encumbrances or Owner Encumbrances, but under no circumstances whatsoever shall the Lessee be liable for or responsible to the Owner Participant, the Lessor, the Indenture Estate, the Indenture Trustee or any Holder for any consequential damages.

SECTION 9. Rent.

(a) [intentionally omitted]

(b) Basic Rent. Subject to any adjustments required by paragraphs (e) and (f) of this Section 9 and by the immediately following sentence, the Lessee hereby agrees to pay to the Lessor (i) on each Payment Date during the Basic Term, Basic Rent for each Unit payable in semi-annual installments, each in an amount equal to the product of the Lessor's Cost for such Unit multiplied by the percentage listed in Schedule 2 to the Lease and Indenture Supplement opposite the relevant Payment Date, (ii) for any Renewal Term pursuant to paragraph (b) of Section 2 of this Lease, Basic Rent, payable on such dates and in such amounts as provided in such paragraph (b) and (iii) for any extension of the Lease Term contemplated by the last paragraph of Section 2(c) or by Section 2(g), Basic Rent, payable on the date such Unit shall be delivered by the Lessee to the Lessor pursuant to Section 2(c), in an amount for each day of such extension equal to 1/180th of the average of the Basic Rent paid on each Payment Date in the Basic Term or the applicable Renewal Term, as the case may be, prior to such extension. It is understood that all payments (other than Excepted Property) to be made by the Lessee under this Lease will become subject to the Lien of the Indenture and to all the rights of the Indenture Trustee thereunder.

(c) Supplemental Rent. In addition to its obligation to pay Basic Rent hereunder, the Lessee shall pay to the Lessor or such other Person entitled thereto any and all Supplemental Rent (whether provided for herein or in any other Operative Document) as and when the same shall become due and owing, including, without limitation, the following:

(i) The Lessee agrees to pay to the Lessor (or to such other Person entitled thereto, in the case of any Supplemental Rent not paid when due), on demand, as Supplemental Rent, to the extent permitted by applicable law, interest at a rate per annum equal to the Overdue Rate on any part of any installment of Basic Rent or Supplemental Rent not paid when due for any period for which the same shall be overdue.

(ii) If an Indemnity Loan is made pursuant to Section 8 of the Tax Indemnification Agreement, then the Lessee shall pay Supplemental Rent in amounts equal to the interest payable by the Owner Participant with respect to such Indemnity Loan, at the time the same shall become due.

(iii) The Lessee agrees that any Premium payable with respect to the Notes upon the payment by the Lessee of the

Projected Sales Value - EBO, Stipulated Loss Value or Termination Value pursuant to this Lease, or upon a refinancing of the Notes pursuant to Section 20 of the Participation Agreement, shall be payable, by the Lessee on behalf of the Lessor in accordance with the terms of the Indenture, as Supplemental Rent.

(iv) The Lessee agrees that any payments required under the Tax Indemnification Agreement (other than pursuant to Section 7(a)(i) thereof) or Section 13 of the Participation Agreement shall be deemed payable as Supplemental Rent hereunder.

(d) Manner of Payment; Unconditional Payment. All Rent (except all amounts of Supplemental Rent, indemnities and other payments of any kind which are payable directly to the Owner Participant, or which are payable directly to the Lessor for the sole benefit of the Owner Participant or WTC) shall be paid by the Lessee to the Lessor at its office at Rodney Square North, Wilmington, DE 19890, Attention: Corporate Trust Administration, or as the Lessor may otherwise direct from time to time in writing; provided that, so long as the Indenture shall not have been discharged pursuant to Section 501 thereof, Lessor hereby directs, and the Lessee agrees, that all payments of Rent and all other amounts payable hereunder (other than Excepted Property, which shall be paid to the Person entitled thereto) shall be paid directly to the Indenture Trustee at its office at 2 Hopkins Plaza, Baltimore, MD 21201, Attention: Corporate Trust Department, or as the Indenture Trustee may otherwise direct in writing. Except as otherwise provided in paragraph (h) of this Section 9, all Basic Rent and Supplemental Rent shall be payable in immediately available funds at the place where payment is required to be made on or before 11:00 A.M. (Baltimore City time) on the day when each such payment shall be due. Except as specifically provided in this Lease, the Lessee's obligation to pay Basic Rent and Supplemental Rent payable hereunder shall be absolute and unconditional under any and all circumstances and shall not be affected by any circumstances of any character, including, without limitation, (i) any setoff, counterclaim, recoupment, defense or other right which the Lessee may have against the Lessor, the Indenture Trustee, any Participant or anyone else for any reason whatsoever, including, without limitation, any default by the Lessor or any party to the Participation Agreement or any agreement referred to therein in their respective obligations hereunder or thereunder, (ii) any unavailability of any Rail Equipment, after its delivery and acceptance by the Lessee hereunder, for any reason, including, without limitation, any lack or invalidity of title or any other defect in the title, condition, design, operation or fitness for use of any Rail Equipment, (iii) any failure or

delay on the part of the Lessor, the Indenture Trustee or any Participant or any other Person, whether with or without fault on its part, in performing or complying with any of the terms or covenants hereunder or any of the other Operative Documents, (iv) any loss or destruction of, or damage to, any Rail Equipment or interruption or cessation in the use or possession thereof by the Lessee for any reason whatsoever and of whatever duration, (v) any insolvency, bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding by or against the Lessor, the Indenture Trustee, the Lessee or any Participant, (vi) any breach of any representation or warranty of, or any act or omission of, the Lessor, the Indenture Trustee or any Participant, (vii) any claims as a result of any other business dealings by the Lessor, the Indenture Trustee, any Participant or the Lessee, (viii) the requisitioning, seizure or other taking of title to or use of any Rail Equipment by any government or governmental authority or otherwise whether or not by reason of any act or omission of the Lessor or the Lessee or the Indenture Trustee, or any other deprivation or limitation of use of any Rail Equipment in any respect or for any length of time, whether or not resulting from accident and whether or not without fault on the part of the Lessee, (ix) the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, (x) the lack of right, power or authority of the Lessor to enter into this Lease, (xi) any ineligibility of such Rail Equipment for any particular use, whether due to any failure of the Lessor, the Lessee or any other Person to comply with any law or governmental regulation or otherwise, (xii) any event of force majeure or any frustration, (xiii) any legal requirement or (xv) any other cause, circumstance or happening, whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding. The Lessee hereby waives, to the extent permitted by applicable law, 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 this Lease except in accordance with the express terms hereof. If for any reason whatsoever this Lease shall be terminated in whole or in part by operation of law or otherwise except as specifically provided herein, the Lessee nonetheless agrees to pay to the Lessor an amount equal to each Basic Rent payment at the time such payment would have become due and payable in accordance with the terms hereof had this Lease not been terminated in whole or in part. Except to the extent of any payment in excess of that required to be made hereunder, each payment of Basic Rent and Supplemental Rent made by the Lessee shall be final, and the Lessee will not seek to recover all or any part of such payment from the Indenture Trustee, any Holder of a Note, the Lessor or any Participant for any reason whatsoever.

(e) Adjustments for Loss of Tax Benefits. In the event that a Loss of Tax Benefits occurs (for which the Owner Participant receives indemnification under the Tax Indemnification Agreement), then the Stipulated Loss Value percentages and the Termination Value percentages shall be adjusted by the Owner Participant to maintain its Net Return; provided, that upon any adjustment hereunder of the Stipulated Loss Value percentages, the Projected Fair Market Sales Value - EBO shall also be adjusted (using the same assumptions and methods utilized by the Owner Participant on the Closing Date) so as to preserve the spread, or numerical differential, of the Projected Fair Market Sales Value - EBO percentage over the corresponding, adjusted Stipulated Loss Value percentage; and provided, further, the Projected Fair Market Sales Value - EBO shall in no event be reduced (under this Section 9(e) or otherwise) to less than the estimated fair sales value of a Unit on March 26, 2004, as set forth in the Appraisal on the Closing Date.

(f) Other Adjustments. The Basic Rent percentages set forth in Schedule 2 to the Lease and Indenture Supplement and the Stipulated Loss Value percentages and Termination Value percentages set forth in Schedules 3 and 4 to the Lease and Indenture Supplement delivered in accordance with the terms hereof and of the Participation Agreement, shall be adjusted upward or downward if:

(i) delivery and acceptance of any Rail Equipment shall not occur on the date and in the amounts (both as to the number of Units within each Category of Rail Equipment to be delivered on such date and the Lessor's Cost thereof) set forth in Schedule 3 to the Participation Agreement as in effect on the date of execution thereof;

(ii) the Basic Term Commencement Date shall be other than that set forth in the Operative Documents;

(iii) Transaction Costs are other than 0.9% of the aggregate Lessor's Cost for the Rail Equipment;

(iv) the Notes are refinanced pursuant to Section 20 of the Participation Agreement (which adjustment shall reflect, inter alia, the amount of any Costs relating to such refinancing which are paid by the Owner Participant); or

(v) the Lessee makes an election under Section 7(a)(i) of the Tax Indemnification Agreement;

which adjustments shall be calculated for all periods from and after the Closing Date, promptly after the occurrence of the event giving rise thereto, shall be effective as of such date

(except that any adjustment to the Stipulated Loss Value percentages and the Termination Value percentages shall be effective as of the Closing Date and that any adjustment pursuant to Section 9(f)(iv) shall be effective as of the date of refinancing) and shall be such as to maintain the Owner Participant's Net Return (after giving effect to the factors taken into account in such adjustments and after subtraction of all Federal taxes on the amount of such adjustment) but which shall, subject to such maintenance, minimize the net present value (computed utilizing a discount rate equal to 10%) of Basic Rent payments. No such adjustments shall result in an increase in the Commitment of the Owner Participant. Upon any adjustment hereunder of the Stipulated Loss Value percentages, the Projected Fair Market Sales Value - EBO shall also be adjusted (using the same assumptions and methods utilized by the Owner Participant on the Closing Date) so as to preserve the spread, or numerical differential, of the Projected Fair Market Sales Value - EBO percentage over the corresponding, adjusted Stipulated Loss Value percentage; provided, that the Projected Fair Market Sales Value - EBO shall in no event be reduced (under this Section 9(f) or otherwise) to less than the estimated fair sales value of a Unit on March 26, 2004, as set forth in the Appraisal on the Closing Date.

Each adjustment made pursuant to this paragraph (f) shall satisfy the requirements of (i) in the case of adjustments pursuant to Sections 9(f)(iv) and (v), to the extent practicable, Section 467 of the Code as in effect at the time of such recalculation or adjustment (on a prospective basis), (ii) in the case of adjustments pursuant to Section 9(f)(i), (ii) and (iii), to the extent practicable, Section 467 of the Code as in effect on the Closing Date (on a prospective basis, but the provisions of this clause (ii) shall not adversely affect any right of the Owner Participant to indemnification in respect of the application of Section 467 of the Code as a result of such event under the Tax Indemnification Agreement), and (iii) in all cases (and utilizing the Appraisal delivered on the Closing Date), on a prospective basis, Rev. Procs. 75-21 and 75-28 as in effect on the Closing Date, and F.A.S.B. Statement No. 13 for treatment in respect of the Owner Participant as a leveraged lease; provided that any requirement identified in this paragraph shall not apply if and to the extent the same was not satisfied as of the Closing Date.

(g) Determination of Adjustments. Any adjustment pursuant to Section 9(e) or 9(f) shall initially be computed by the Owner Participant, which shall employ a computer optimization program which results in Basic Rent similar to those in effect on the Closing Date. The results of such computation by the Owner Participant shall promptly be

delivered to the Lessee. Within 10 Business Days after the receipt of the results of an adjustment, the Lessee may request that the Verifying Accountant verify, after consultation with the Owner Participant and the Lessee, the accuracy of such adjustment in accordance with Section 9(e) or 9(f), and the Owner Participant and the Lessee hereby agree to provide the Verifying Accountant with all information and materials as shall be reasonably necessary or desirable in connection therewith. If the Verifying Accountant confirms that such adjustment is in accordance with Section 9(e) or 9(f), it shall so certify to the Lessee, and such certification shall be final, binding and conclusive on the Lessee, the Owner Participant and the Lessor. If the Verifying Accountant concludes that such recalculation or adjustment is not in accordance with Section 9(e) or (f), it shall so certify to the Lessee and the Owner Participant, and the Owner Participant shall again compute the required adjustment. Such further adjustment shall again be subject to the provisions of this Section 9(g). The final determination of any recalculation or adjustment hereunder shall be set forth in an amendment to this Lease, executed and delivered by the Lessor and the Lessee and consented to by the Owner Participant; provided, however, that failure to execute and deliver such amendment shall not affect the validity and effectiveness of any such recalculation or adjustment. The reasonable fees of the Verifying Accountant in verifying an adjustment pursuant to this Section 9(g) shall be paid by the Lessee within ten days after demand, except that the Lessor and the Owner Participant shall pay such fees, costs and expenses if such recalculation or adjustment is required to be recomputed because of an error of the Owner Participant resulting in a net present value (calculated at a discount rate equal to 10%) of the recalculated or adjusted Basic Rent that is 10 or more basis points higher than the net present value (at such discount rate) of the Basic Rent as determined by the Verifying Accountant.

(h) Interim Amount. If and to the extent that the Lessor shall not have remitted funds to the Indenture Trustee in an amount equal to the Interim Amount on the date such funds are due pursuant to Section 10(h) of the Participation Agreement, the Lessee shall, to such extent, pay as Rent to the Lessor the unpaid portion of the Interim Amount payable on such date. The Lessor shall give the Lessee at least two Business Days' prior written notice if funds equal to the Interim Amount will not be paid on the Basic Term Commencement Date; provided, however, that no failure by the Lessor to deliver any such notice shall limit or relieve the Lessee's absolute and unconditional obligation to pay Rent under this Lease. For purposes of this Section 9(h), the sum of (x) any Interim Amount paid by the Lessee pursuant to this Section 9(h) plus (y) accrued interest on the unreimbursed portion thereof at a

rate equal to the Overdue Rate from, but excluding, the date such amount is paid to and including the date it is reimbursed, by the Owner Participant or pursuant to the following sentence, shall be referred to as the "Reimbursement Amount." The Lessee shall be entitled to offset, without duplication and without limitation of any other right the Lessee may have against any other Person, against any Rent (other than any Rent constituting Excepted Property payable solely to WTC and other than as limited by the penultimate sentence of this Section 9(h)) due from the Lessee to the Lessor or the Owner Participant under the Operative Documents, until the Lessee has been fully reimbursed for the Reimbursement Amount, whether by cash payments, offsets as herein provided or any combination thereof. The Lessee may, pursuant to the proviso contained in paragraph Second of Section 1001(b) of the Indenture, specify to the Indenture Trustee the Reimbursement Amount, if any, to be returned to the Lessee from funds otherwise distributable to the Owner Trustee thereunder. No such offset or aggregate combined effect of separate offsets shall reduce the amount of any installment of Basic Rent (or any amount of Supplemental Rent then due to the extent such Supplemental Rent constitutes Premium on the Notes) to an amount insufficient to pay in full the payments then required to be made on account of the principal of and interest and Premium, if any, on the Notes then Outstanding. Any payment of the Interim Amount made by the Lessee shall be deemed to be a prepayment of Basic Rent made in the order in which installments of such Basic Rent become due.

(i) Sufficiency of Rent. Notwithstanding any provision to the contrary contained in this Lease or in any other Operative Document, (i) the amount of each Basic Rent payment payable hereunder shall be at least sufficient to pay, on each Payment Date, any amounts then required to be paid by the Lessor on account of (including mandatory redemption of) the principal of and interest on the on such date and (ii) the amount of Stipulated Loss Value or Termination Value payable hereunder (together with the amount of Basic Rent, and Premium, if any, due hereunder on each respective Payment Date for which Stipulated Loss Value or Termination Value is being calculated), before and after giving effect to any adjustments of the percentages relating thereto provided for in this Lease, shall be at least sufficient to pay or redeem in full, as and when due in accordance with the terms thereof, the principal of and all accrued interest on the from time to time outstanding. Any Premium payable with respect to the shall be payable as Supplemental Rent, and the amount of each Supplemental Rent payment payable hereunder shall, if there shall then be Premium or interest calculated at the Overdue Rate payable on or with respect to the , in any event be at least sufficient to pay, in accordance with the Indenture, all such amounts of Premium and all interest calculated at the Overdue Rate then payable on or with respect to the Notes.

SECTION 10. Insurance. (a) The Lessee shall at all times after the Closing Date, at its own expense, carry and maintain or cause to be carried and maintained with respect to the Rail Equipment subject to this Lease such insurance, with such deductibles, in such amounts, against such risks, with such insurance companies and subject to such self-insurance, in each case as is consistent with Class I Railroad industry practice, and in any event, in such amounts and against such risks as are comparable to the insurance, if any, maintained by the Lessee with respect to similar auto racks owned or leased by the Lessee.

(b) The proceeds of any insurance for damage to any Rail Equipment not constituting an Event of Loss shall be applied in payment for the repair of such damage to the extent required to maintain such Rail Equipment in accordance with Section 5, if such repair shall not have already been paid for by the Lessee, or, if already paid by the Lessee, to reimburse the Lessee for its payment of such repair, and any balance remaining after compliance with said Section 5 shall, provided no Economic Event of Default or Economic Default shall have occurred and be continuing, be paid over to, or retained by, the Lessee.

(c) The Lessee agrees that it will not do any act or voluntarily suffer or permit any act to be done whereby any insurance required to be maintained hereunder shall or may be suspended or impaired and will not suffer or permit any Rail Equipment to be used in a manner not permitted under the insurance policies, if any, maintained hereunder without first covering such Rail Equipment for such use.

(d) Any Participant, the Indenture Trustee or the Owner Trustee may at its own expense provide insurance on or with respect to the Rail Equipment or the operation thereof unless such insurance would conflict with or otherwise limit any insurance maintained by the Lessee (whether or not pursuant to this Section 10); provided, however, that any insurance so maintained by the Indenture Trustee, the Owner Trustee or any Participant shall provide by its terms that the insurer shall have no rights of subrogation against the Lessee with respect to claims thereunder.

(e) If requested by the Lessor, the Lessee will arrange to be delivered to the Lessor and the Indenture Trustee copies of all applicable provisions of any such insurance carried on the Rail Equipment. The Lessor may, but not more than once in any twelve-month period, request from the Lessee, and the Lessee shall promptly thereafter furnish to the Lessor and the Indenture Trustee, an Officer's Certificate setting forth all insurance maintained by the Lessee pursuant to this

Section 10 and describing such policies, if any, including the amounts of coverage, any deductible amounts, the names of the insurance providers and a general description of each such policy's terms.

(f) If the Notes shall be rated below investment grade by Standard & Poor's Corporation or Moody's Investors Service, Inc. (or, in the event that the Notes are not rated by either such organization, if the senior secured debt of the Lessee shall be rated below investment grade by either such organization), then upon the request of the Lessor, the Lessee shall cause the Owner Participant, the Owner Trustee and the Indenture Trustee to each be named as an additional insured under the insurance, if any, maintained by the Lessee pursuant to this Section 10; provided, however, that any such designation as an additional insured need no longer be maintained at such time as the Notes or the Lessee's senior subordinated debt, as the case may be, are no longer rated below investment grade by either such rating organization.

SECTION 11. Loss, Requisition or Seizure.

(a) Requisition. A taking of any Rail Equipment for use by any governmental entity shall not terminate this Lease with respect to such Rail Equipment, but the Lessee shall remain liable for all its obligations hereunder and under the other Operative Documents with respect to such Rail Equipment, including, without limitation, its liability for payment of Rent, unless and until such taking becomes an Event of Loss hereunder, at which time the provisions of Section 11(b) shall apply. So long as such taking shall not have become an Event of Loss hereunder, all payments received by the Lessor or the Lessee for use of such Rail Equipment as a result of such taking during the Lease Term shall be paid over to, or retained by, the Lessee except if an Economic Event of Default or Economic Default shall have occurred and be continuing in which event such payments shall be payable to the Lessor, or to whomever shall be entitled to receive the same subject to an accounting between the Lessor and the Lessee at the termination of this Lease. Provided no Economic Event of Default or Economic Default shall have occurred and be continuing, after an Event of Loss with respect to any Rail Equipment, all payments received by the Lessor or the Lessee for use of such Rail Equipment under this paragraph (a) shall be paid over to, or retained by, the Lessee; otherwise all such payments shall be retained by or paid over to the Lessor or to whomever shall be entitled to receive the same.

(b) Event of Loss. The Lessor may, but not more than once in any twelve-month period, request from the Lessee, and the Lessee shall promptly thereafter furnish to the Lessor and

the Indenture Trustee, an Officer's Certificate identifying each Event of Loss of which the Responsible Officer delivering such certificate has actual knowledge. Subject to the provisions of paragraph (c) below, on each Payment Date (but no later than 90 days after the final Payment Date or no later than 90 days after the redelivery of the Rail Equipment whose Lease Term has been extended pursuant to Section 2(g)), the Lessee shall pay to the Lessor, or to whomever shall be entitled to receive the same, (x) the Stipulated Loss Value for any Rail Equipment in respect of which a Responsible Officer of the Lessee shall then have actual knowledge of the occurrence of an Event of Loss for which Stipulated Loss Value has not theretofore been paid, computed as of such Payment Date (or in the case of an Event of Loss with respect to any Rail Equipment for which Stipulated Loss Value has not theretofore been paid or in the event of an extension of the Lease Term pursuant to Section 2(g), computed as of the final Payment Date), plus (y) if the date the payment of Stipulated Loss Value shall be due shall be other than a Payment Date, an amount equal to interest at the Overdue Rate computed for the period from, and including, the final Payment Date to, but excluding, the date such Stipulated Loss Value shall be paid, plus (z) the Basic Rent payable on such Payment Date (if and to the extent Basic Rent is then being paid in arrears) and all other unpaid Rent for such Rail Equipment accrued to the date such payment of Stipulated Loss Value shall be due. After the payment in full of such Stipulated Loss Value and such other amounts, the Lessee's obligation to pay further Basic Rent with respect to such Rail Equipment shall terminate.

All payments (including, without limitation, condemnation awards and insurance proceeds) received by the Lessor or the Lessee from any governmental authority, insurance company or otherwise as compensation for an Event of Loss with respect to any Rail Equipment shall be applied in reduction of the Lessee's obligation to pay the Stipulated Loss Value of such Rail Equipment, if not already paid by the Lessee, or if already paid by the Lessee, shall be applied to reimburse the Lessee for its payment of Stipulated Loss Value, and the excess, if any, of such payments over such Stipulated Loss Value shall be retained by the Lessee; provided, that in the case of any condemnation awards, such excess, if any, shall be paid over to, and retained by, the Lessee and the Lessor, as their interests may appear. In the event that the Lessee shall make payment as provided above, including payment by application of compensation or insurance proceeds and shall pay all other Rent then owing under this Lease with respect to any Rail Equipment subject to an Event of Loss, this Lease shall terminate with respect to such Rail Equipment and the Lessee or its designee (i) shall be subrogated to all rights that the Lessor shall have with respect to such Rail Equipment, (ii)

shall, subject to the Lessee's obtaining any governmental consents required, receive assignments and bills of sale from the Lessor (in such form as the Lessee or such designee shall require) of any or all such rights, together with all the Lessor's right, title and interest in and to such Rail Equipment, free and clear of any Owner Encumbrances, but otherwise without any representation, recourse or warranty of any character on the part of the Lessor, and (iii) shall have the right to abandon such Rail Equipment to underwriters on behalf of the Lessor as well as itself. In such case, the Lessor shall, at the Lessee's expense, execute or cause to be executed such documents and take such other action as the Lessor shall require to effect the surrender to the insurance underwriters of such Rail Equipment. The Lease Term shall terminate with respect to such Rail Equipment upon payment of Stipulated Loss Value and all Rent therefor then owing.

(c) Replacement. Provided no Economic Event of Default or Economic Default shall have occurred and be continuing, in lieu of payment of all or a portion of the Stipulated Loss Value for any Rail Equipment due and owing as provided in subsection (b) above, the Lessee may, on or prior to the date on which such Stipulated Loss Value would have otherwise been due, convey or cause to be conveyed to Lessor, as replacement for any such Rail Equipment with respect to which an Event of Loss occurred, title to Replacement Rail Equipment free and clear of all Liens other than Permitted Encumbrances and having a value, utility and remaining useful life at least equal to, and being in as good operating condition as, such Rail Equipment with respect to which an Event of Loss occurred assuming such Rail Equipment was in the condition and repair required by the terms hereof immediately prior to the occurrence of such Event of Loss. Prior to or at the time of any such conveyance, the Lessee, at its own expense, will furnish the Lessor with (i) a seller bill of sale, in form and substance satisfactory to Lessor, with respect to such Replacement Rail Equipment and (ii) a written opinion of Independent counsel selected by the Lessee and reasonably acceptable to the Lessor to the effect that the Lessor, and the Indenture Trustee as the assignee of the Owner Trustee's rights under the Lease, are entitled to the benefits of Section 1168 of the Federal Bankruptcy Code with respect to such Replacement Rail Equipment; provided, however, that the opinion described in the immediately preceding clause (ii) shall only be required if and to the extent that the Lessee has elected pursuant to this Section 11(c) to replace more than 10%, in the aggregate, of the original number of Units within a Category of Rail Equipment on the Closing Date. Upon full compliance by the Lessee with the terms of this Section 11(c), the Lessor will transfer to the Lessee, without recourse or warranty (except as to the Owner Encumbrances) and subject to a

disclaimer satisfactory to the Lessor of all liabilities, including tort and negligence with respect to such replaced Rail Equipment, all of the Lessor's right, title and interest, if any, in and to such replaced Rail Equipment with respect to which an Event of Loss occurred. For all purposes hereof, such Replacement Rail Equipment shall, after such conveyance, be deemed part of the property leased hereunder and shall be deemed "Rail Equipment" as defined herein. No Event of Loss with respect to any Rail Equipment under the circumstances contemplated by the terms of this Section 11(c) shall result in any reduction in Basic Rent.

(d) Tax Indemnification. If, within 30 days after any conveyance of title to Replacement Rail Equipment pursuant to Section 11(c), the Owner Participant provides the Lessee with a written opinion of independent tax counsel selected by the Owner Participant and reasonably acceptable to the Lessee to the effect that there will be a not insubstantial risk of adverse tax consequences to the Owner Participant resulting from such replacement, then the Lessee shall reimburse the Owner Participant for the reasonable fees and expenses of such tax counsel and shall indemnify the Owner Participant against such identified adverse tax consequences, to the extent that the Owner Participant would not have incurred such consequences but for such replacement; provided, however, the parties agree that in the absence of a change in applicable laws, regulations, revenue rulings, revenue procedures or judicial precedents enacted, adopted or decided after the Closing Date, such a replacement will not result in a risk of the Owner Participant not being considered the owner of the Rail Equipment for Federal or other income tax purposes.

SECTION 12. Termination for Obsolescence.
(a) Notwithstanding any provision herein contained to the contrary, so long as no Event of Default or Economic Default shall have occurred and be continuing, in the event that a Responsible Officer of the Lessee shall in his reasonable judgment make a determination that certain of the Rail Equipment shall have become economically obsolete or surplus to the Lessee's requirements and shall have delivered to the Lessor and the Indenture Trustee an Officer's Certificate to such effect (and which Officer's Certificate shall expressly state that such determination was made without regard to then prevailing interest rates), the Lessee shall have the right at its option, on at least 180 days' prior irrevocable written notice to the Lessor and the Indenture Trustee, to terminate this Lease with respect to not less than 20% of the Units within any Category of Rail Equipment then being leased under this Lease, randomly selected, on any Payment Date (for the purpose of this Section 12(a) called the "Termination Date") specified in such notice; provided, however, that the Lessee

agrees, on behalf of the Lessor, to give an irrevocable notice of redemption to the Indenture Trustee with respect to that portion of the Notes Outstanding to be redeemed pursuant to Section 401(b) of the Indenture in connection with such termination; and provided, further, that (a) the Termination Date shall occur on or after the fifth anniversary of the Basic Term Commencement Date for such Rail Equipment, (b) on the Termination Date such Rail Equipment shall be in the same condition and at the same location as if being returned pursuant to Sections 2(c) and 2(d) free and clear of all Liens (except as permitted by Section 2(d)), and (c) such Termination Date shall occur on a Payment Date at least 60 days after the Lessee, on behalf of the Lessor, gives the notice to the Indenture Trustee referred to in the first proviso to this sentence to redeem an aggregate principal amount of Notes Outstanding equal to the product of (i) the aggregate principal amount of Notes Outstanding on such date after application by the Indenture Trustee of Basic Rent (if and to the extent Basic Rent is then being paid in arrears) to the payment due on such date and (ii) a fraction the numerator of which is the Lessor's Cost for the Rail Equipment so being designated as obsolete or surplus and the denominator of which is the aggregate Lessor's Cost for all of the Rail Equipment then subject to the Indenture.

(b) During the period from the giving of such notice until the Termination Date, the Lessee, as agent for the Lessor, shall use its best efforts to obtain bids for the purchase of such Rail Equipment, and the Lessee shall certify to the Lessor the amount of each bid and the name and address of the party submitting such bid. The Lessor shall have the right to solicit bids, and the Lessee shall evaluate any such bids in good faith and extend to any bona fide potential purchasers identified by the Lessor the same right of inspection with respect to such Rail Equipment as it extends to other potential purchasers. On the Termination Date (or such later date as the Lessor and the Lessee may mutually agree) the Lessor shall sell such Rail Equipment for cash to the bidder who shall have submitted the highest bid prior to the Termination Date; provided, however, that the purchaser of such Rail Equipment shall be a Person other than the Lessee, any Affiliate of the Lessee or any successor or assign of the Lessee or any Person acting on behalf of any of them. The sales price (net of any costs and expenses incurred directly by the Lessor or the Owner Participant) realized at such sale shall be paid to the Lessor or to whoever shall be entitled to receive the same, and, in addition, on the Termination Date the Lessee shall pay to the Lessor, or to whoever shall be entitled to receive the same, the amount, if any, by which (i) the Termination Value for such Rail Equipment, computed as of such Payment Date, exceeds (ii) the sales price of such Rail

Equipment net of costs and expenses referred to above (or, if such sale does not occur on or prior to the Termination Date, the Lessee shall pay on the Termination Date to the Lessor, or to whoever shall be entitled to receive the same, the Termination Value specified in clause (i) above; provided, however, that any sale proceeds (net of the costs and expenses referred to above) received by the Lessor after the Termination Date shall be applied, first, to reimburse the Lessee for the amount specified in clause (i) above and, second, the balance (if any) shall be paid to the Lessor). In addition, the Lessee shall pay to the Lessor or to whoever shall be entitled to receive the same, the amount of the Basic Rent (if and to the extent Basic Rent is then being paid in arrears) payable on such Payment Date plus all other Rent then due with respect to such Rail Equipment. In the event of termination of this Lease as to any Rail Equipment pursuant to this Section 12 and the receipt by the Lessor, or by whoever shall be entitled to receive the same, of all amounts above described as payable, the obligation of the Lessee to pay Basic Rent in respect of such Rail Equipment on each Payment Date shall terminate. The Lessor shall be under no duty to solicit bids, to inquire into the efforts of the Lessee to obtain bids or otherwise to take any action or incur any cost or expense in connection with any sale pursuant to this Section 12, other than to transfer or to cause to be transferred to the purchaser named in the highest bid certified by the Lessee to the Lessor as above provided all the Lessor's right, title and interest in and to such Rail Equipment. Any sale pursuant to this Section 12 shall be free and clear of the Lessee's rights to such Rail Equipment, and any Owner Encumbrances, but otherwise shall be made without any representation, recourse or warranty whatsoever on the part of the Lessor except that the Lessor shall warrant to the purchaser that such Rail Equipment are free and clear of all Owner Encumbrances.

(c) The foregoing provisions of Section 12(b) to the contrary notwithstanding, the Lessor may, by irrevocable notice in writing given to the Lessee and the Indenture Trustee on or prior to the Termination Date, elect to retain such Rail Equipment, in which event the Lessor shall (i) pay, or provide for the payment to the Indenture Trustee in the manner provided in Section 404 of the Indenture, of an aggregate principal amount of the Notes Outstanding equal to the product of (A) the aggregate principal amount of Notes Outstanding on such date after the application by the Indenture Trustee of Basic Rent (if and to the extent Basic Rent is then being paid in arrears) to the payment due on such date and (B) a fraction the numerator of which is the aggregate Lessor's Cost for such Rail Equipment so being designated as obsolete or surplus and the denominator of which is the aggregate Lessor's Cost for all of the Rail Equipment then subject to this Lease, together with

accrued interest (if and to the extent Basic Rent is then being paid in arrears) thereon to the Termination Date, and (ii) deliver to the Lessee a release of all obligations of the Lessee to pay Basic Rent with respect to such Rail Equipment on any and all Payment Dates accruing on (if Basic Rent has been paid in advance) and after (but not on, if Basic Rent is then being paid in arrears, or before) the Termination Date, as well as of the obligation of the Lessee to pay the Termination Value in respect thereof.

SECTION 13. Assignment and Sublease.

(a) Assignment. If no Event of Default or Economic Default has occurred and is continuing, the Lessee may with the prior written consent of the Lessor and the Indenture Trustee (so long as the Indenture shall not have been discharged in accordance with its terms), which consent of the Lessor and the Indenture Trustee (and, in the case of Section 703(b) of the Indenture, the Holders) shall not be unreasonably withheld (it being understood that the creditworthiness of the assignee and any lending limits or other then prevailing credit exposure restrictions of the Owner Participant with respect to such assignee shall be relevant in determining the reasonableness of any withholding of consent hereunder), assign all of its rights and obligations under this Lease and the other Operative Documents to any Person which is a Class I Railroad; provided, however, that no such consent of the Lessor or the Indenture Trustee shall be required in the case of an assignment to an Affiliate of the Lessee if the Lessee remains liable for all its obligations under this Lease and the other Operative Documents to which it is a party to the same extent as if such assignment to such Affiliate had not been made; and provided, further, that (i) such assignment shall be effected by documentation reasonably satisfactory to the Lessor and the Indenture Trustee pursuant to which the assignee assumes all of the Lessee's obligations hereunder and under the other Operative Documents including, without limitation, the Lessee's obligations under Section 5 hereof and (ii) such assignment would not adversely affect the availability to the Indenture Trustee of benefits under Section 1168 of the Federal Bankruptcy Code with respect to the Rail Equipment and an Opinion of Counsel to such effect shall have been delivered to the Indenture Trustee and the Lessor. The Lessee agrees to give the Lessor timely notice following any assignment of this Lease to an Affiliate. Upon such assignment, the Lessee shall (except as otherwise provided in the first proviso to the first sentence of this Section 13(a)) be released from its obligations hereunder, and, if requested by the Lessee, the Lessor, at the expense of the Lessee, shall execute and deliver such documents as may be necessary or appropriate to effectuate and confirm such release.

(b) Sublease. The Lessee shall have the right, so long as no Economic Default or Event of Default shall have occurred and be continuing, to enter into a sublease for any Rail Equipment for use within the United States, Mexico and Canada; provided, however, that (i) each such sublease shall be expressly subject and subordinate to the terms of this Lease and the Lessee shall remain liable for all its obligations under this Lease and the other Operative Documents to which it is a party to the same extent as if such sublease were not in effect; (ii) such sublease will expressly prohibit any further sub-subleasing, except to an Affiliate of the Lessee; (iii) such sublease shall contain default provisions comparable to those set forth in paragraphs (e) and (f) of Section 14; and (iv) the sublessee under such sublease shall not then be the subject of a petition filed under the bankruptcy laws or other insolvency laws now or hereafter in effect in the United States or other relevant jurisdiction. No such sublease shall relieve the Lessee of its obligations hereunder which shall be and remain those of a principal and not a surety. The Lessee agrees to give the Lessor timely notice following any sublease of any Rail Equipment to a non-Affiliate for a term in excess of six months. For purposes of this Section 13(b), normal interchange, "run-through" and pooling arrangements in the ordinary course of business shall not be considered to constitute subleases, nor shall any arrangements which do not require a change in the markings or serial, road or other identifying numbers of the affected Rail Equipment.

(c) Indenture. The Lessee hereby specifically consents to the mortgage, pledge and assignments effected or to be effected by the Indenture. The Lessee agrees to deliver any further consents and acknowledgments with respect to any such mortgage, pledge or assignments as the Lessor or the Indenture Trustee may request.

(d) Assignment by Lessor. The Lessor agrees that it will not assign or transfer its right, title and interest in and to this Lease or any Rail Equipment, except as contemplated by the Indenture and except that the Lessor may prior to the end of the Basic Term or any Renewal Term, as the case may be, agree to sell or otherwise dispose of such Rail Equipment effective at or after the end of the Basic Term or such Renewal Term, as the case may be, provided that any such agreement is stated expressly to be subject and subordinate to the Indenture, unless the Indenture is no longer in effect, and to the rights of the Lessee hereunder. Prior to executing any such assignment of its rights hereunder, the Lessor shall notify the Lessee and the Indenture Trustee thereof.

SECTION 14. Events of Default. Each of the following events shall constitute an "Event of Default" (whether any such

event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) the Lessee shall fail to make any payment of Basic Rent or Supplemental Rent (to the extent such Supplemental Rent constitutes payment of Stipulated Loss Value, Termination Value or Projected Fair Market Sales Value - EBO) on the date the same shall become due and such failure shall be continuing at the end of the 10th day after such payment shall become due; or

(b) the Lessee shall fail to make any payment of Rent other than Basic Rent or Supplemental Rent which constitutes payment of Stipulated Loss Value, Termination Value or Projected Fair Market Sales Value - EBO before the end of the 10th Business Day after the Lessee (and, if such demand is being made by the Indenture Trustee, the Lessor) shall have received written demand for such payment from the Lessor or the Indenture Trustee; or

(c) the Lessee shall fail to perform or observe in a material respect any covenant, condition or agreement to be performed or observed by it hereunder (other than those referred to in paragraphs (a) or (b) of this Section 14) or under any other Operative Document to which it is a party (except for the Tax Indemnification Agreement) and the Lessee shall not have diligently commenced to cure such failure (in the case of a cure that cannot be effected by the payment of money and where such failure will not result in criminal penalties or material civil penalties for the Lessor or the Owner Participant and is not likely to have a material adverse effect on the aggregate value of the Rail Equipment then being leased hereunder) or shall not have cured such failure (in the case of a cure that can be effected by the payment of money or which is likely to have a material adverse effect on the aggregate value of the Rail Equipment then being leased hereunder) on or prior to the 30th day after the Lessee (and, if such notice is being given by the Indenture Trustee, the Lessor) shall have received notice of such failure from the Lessor or from the Indenture Trustee; provided, however, that the failure by Lessee to cure such failure (in the case of a cure that cannot be effected by the payment of money) within 180 days after receiving such notice shall constitute an immediate Event of Default, unless the Lessor is satisfied (in its reasonable judgment) that such failure is capable of cure within a reasonable additional period of time; or

(d) any representation or warranty made by the Lessee herein or in any Operative Document (other than the Tax Indemnification Agreement) or any document or certificate furnished by it to the Lessor, the Indenture Trustee or the Owner Participant shall prove at any time to be incorrect as of the date made in any material respect; or

(e) the Lessee shall file a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization in a proceeding under any applicable bankruptcy or insolvency law (as now or hereafter in effect) or an answer admitting the material allegations of a petition filed against the Lessee in any such proceeding, or the Lessee shall by voluntary petition, answer or consent, seek relief under the provisions of any now existing or future bankruptcy, insolvency or other similar law providing for the liquidation, reorganization or winding-up of corporations, or providing for an agreement, composition, extension or adjustment with its creditors; or

(f) a receiver, trustee, liquidator or custodian of the Lessee or of a substantial part of its property shall be appointed by court order and such order shall remain in effect for more than 60 days; or the Lessee shall be adjudicated bankrupt or insolvent or any of its properties shall be sequestered by court order and such order shall remain in effect for more than 60 days; or a petition shall be filed against the Lessee under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, and shall not be dismissed within 60 days after such filing.

SECTION 15. Action Following an Event of Default. Upon the occurrence of an Event of Default and at any time thereafter so long as the same shall be continuing, the Lessor may, at its option, declare this Lease to be in default (except that no such declaration shall be required in the case of an Event of Default pursuant to paragraph (e) or (f) of Section 14); and at any time thereafter, so long as the Lessee shall not have remedied all outstanding Events of Default, the Lessor may do, and the Lessee shall comply with, one or more of the following, as the Lessor in its sole discretion shall so elect, to the extent permitted by and subject to compliance with, any mandatory requirements of applicable law then in effect:

(a) Redelivery and Retaking. Upon written demand, the Lessor may cause the Lessee, at the Lessee's expense, to, and the Lessee hereby agrees that it will, promptly redeliver the Rail Equipment, or cause the Rail Equipment to be redelivered, to the Lessor with all reasonable dispatch and in the same manner and in the same condition as if the Rail Equipment were being redelivered in accordance with all the provisions of Sections 2(c) and 2(d) and all obligations of the Lessee under said Sections shall apply to such redelivery; or the Lessor or its agent, at the Lessor's option, without further notice, may, but shall be under no obligation to, retake the Rail Equipment wherever found, and irrespective of whether the Lessee, any sublessee or any other Person is in possession of the Rail Equipment or any of them, all without prior demand and without legal process, and for that purpose the Lessor or its agent may enter upon any premises, where any such Rail Equipment is and may take possession thereof, without the Lessor or its agent incurring any liability by reason of such retaking, whether for the restoration of damage to property caused by such retaking or for any other reason. The exercise by the Lessor of its remedies under this paragraph (a) shall be without prejudice, and in addition, to any of the Lessor's other remedies referred to below in this Section 15.

(b) Liquidated Damages. Provided the Lessor shall not have exercised any remedies under paragraph (c) of this Section 15, the Lessor, by written notice to the Lessee specifying a payment date not earlier than 10 nor later than 100 days from the date of such notice, may require the Lessee to pay to the Lessor, and the Lessee hereby agrees that it will pay to the Lessor on the payment date specified in such notice, as liquidated damages for loss of a bargain and not as a penalty, and in lieu of any further Basic Rent payments hereunder with respect to any Rail Equipment, all Basic Rent for such Rail Equipment payable on the Payment Date occurring on (if Basic Rent is then being paid in arrears) or before the payment date specified in such notice, plus any Supplemental Rent then due, plus an amount equal to the Stipulated Loss Value for such Rail Equipment computed as of the Payment Date immediately preceding the payment date specified in such notice (or as of such payment date if such payment date is a Payment Date), together with interest on such amount at the Overdue Rate for the period, if any, from the Payment Date as of which such Stipulated Loss Value shall be computed to and

including the date of actual payment, and, provided, that if the Lessee shall have made the foregoing payments in full, the Lessor shall thereafter pay over to the Lessee, as and when from time to time received, the net proceeds of any sale, lease or other disposition of such Rail Equipment (after deducting all costs and expenses whatsoever incurred by the Lessor, the Owner Participant and the Indenture Trustee in connection therewith and all other amounts which may become payable to the Lessor and the Owner Participant with respect thereto) up to the amount of such Stipulated Loss Value actually paid.

(c) Alternate Liquidated Damages. Whether or not the Lessor shall have exercised, or shall thereafter at any time exercise, any options, rights or remedies under paragraph (a) or (d) of this Section 15, the Lessor, in lieu of exercising its rights under paragraph (b) of this Section 15, may, by notice to the Lessee specifying a Payment Date which is not earlier than 10 days after the date of such notice, demand that the Lessee pay to the Lessor and the Lessee shall pay to the Lessor, on such Payment Date, as liquidated damages for loss of a bargain and not as a penalty, and in lieu of Basic Rent for any Rail Equipment due for periods commencing on or after such Payment Date, all unpaid Basic Rent for such Rail Equipment payable on each Payment Date occurring on (if Basic Rent is then being paid in arrears) or prior to such Payment Date, plus any Supplemental Rent then due with respect therefor, plus whichever of the following amounts the Owner Trustee, in its sole discretion, shall specify in such notice (together with interest on such amount at the Overdue Rate for the period from the Payment Date specified in such notice to the date of actual payment):

(i) an amount equal to the excess, if any, of the Stipulated Loss Value of such Rail Equipment computed as of the Payment Date specified in such notice, over the Fair Market Rent thereof, determined by an Appraiser selected by the Lessor, for the remainder of the Lease Term applicable to such Rail Equipment after discounting such Fair Market Rent semi-annually to present worth as of such Payment Date at the Prime Rate; or

(ii) an amount equal to the excess, if any, of the Stipulated Loss Value of such Rail Equipment computed as of the Payment Date specified in such notice, over the Fair Market Sale Value thereof, determined by an Appraiser selected by the Lessor, as of such Payment Date;

provided, however, that if such Rail Equipment cannot be repossessed the Fair Market Rent and the Fair Market Sale Value of such Rail Equipment for purposes of this Section 15(c) shall be deemed to be equal to zero.

(d) Sale; Use. The Lessor or its agent may sell any Rail Equipment at a public or private sale, by such advertisement or publication as the Lessor may determine, or otherwise may dispose of, hold, use, operate, lease (whether for a period greater or less than the balance of what would have been the Lease Term in the absence of the termination of the Lessee's rights to such Rail Equipment) to others or keep idle such Rail Equipment, all on such terms and conditions and at such place or places as Lessor may determine and all free and clear of any rights of the Lessee and of any claim of the Lessee in equity, at law or by statute, whether for loss or damage or otherwise, and without any duty to account to the Lessee except to the extent specifically provided in paragraph (b) above.

(e) Other Remedies. Subject to and without prejudice to any right or claim of the Indenture Trustee under the Indenture, the Lessor may exercise any other right or remedy, not inconsistent with the foregoing, that may be available to it under applicable law or in equity or proceed by appropriate court action to enforce the terms of this Lease or to recover damages for the breach hereof or to rescind this Lease.

In addition, the Lessee shall be liable, on an After-Tax Basis, for any and all Supplemental Rent payable hereunder before, during or after the exercise of any of the foregoing remedies, which Supplemental Rent shall include all reasonable legal fees and other costs and expenses incurred by the Lessor, the Owner Participant and the Indenture Trustee by reason of the occurrence of any Event of Default or by reason of the exercise by the Lessor, the Owner Participant or the Indenture Trustee of any remedy hereunder, including, without limitation, any costs and expenses incurred by the Owner Participant, the Lessor or the Indenture Trustee in connection with any retaking of any Rail Equipment or, upon the redelivery or retaking of such Rail Equipment in accordance with this Section 15, the placing of such Rail Equipment in the condition required by the terms of Sections 2(d) and 5. Except as specifically provided herein, no remedy referred to in this Section 15 is intended to be exclusive, but each shall be cumulative and is in addition to, and may be exercised

concurrently with, any other remedy which is referred to in this Section 15 or which may otherwise be available at law, or in equity; provided, however, that liquidated damages having been agreed to by the parties hereto pursuant to paragraphs (b) and (c), above, the Lessor shall not be entitled to recover from the Lessee as damages upon the occurrence of one or more Events of Default an amount in excess of such liquidated damages plus any other Rent owing pursuant to the terms of this Lease. To the extent not required to satisfy any Notes and other amounts then payable under the Indenture, there shall be deducted from the aggregate amount so recoverable by the Lessor the net balance, if any, remaining of any moneys held by the Lessor which would have been required by the terms hereof or any other Operative Agreement to have been paid to the Lessee but for the occurrence of an Event of Default. To the extent permitted by applicable law, the rights of the Lessor and the obligations of the Lessee under this Section 15 shall be effective and enforceable regardless of the pendency of any proceeding which has or might have the effect of preventing the Lessor and the Lessee from complying with the terms of this Lease. No express or implied waiver by the Lessor of any Event of Default shall in any way be, or be construed to be, a waiver of any further or subsequent Event of Default.

SECTION 16. Notices. All notices, demands, declarations and other communications required under the terms and provisions hereof shall be in writing (including telex or telecopy), and shall be addressed (i) if to the Lessee, at its address at 100 North Charles Street B7J, Baltimore, Maryland 21201, Telecopy: (301)237-2548, Attention: Treasury Department; (ii) if to the Lessor or WTC at its address at Rodney Square North, Wilmington, DE 19890, Attention: Corporate Trust Administration (telecopy (302) 651-8464), with a copy to the Owner Participant at its address specified in the Participation Agreement, (iii) if to the Indenture Trustee, at its address at P.O. Box 2258, Baltimore, Maryland 21203 (if by mail) and 2 Hopkins Plaza, Baltimore, Maryland 21201 (if by air express or by hand), Attention: Corporate Trust Department (telecopy (301) 347-8211), (iv) if to any Participant, at its respective address specified in the Participation Agreement, or (v) if to any of the foregoing, at such other address as such Person may from time to time designate in writing to the other Persons referred to in this Section 16. Notice shall be effective on receipt.

SECTION 17. Further Assurances and Financial and Other Information.

(a) Further Assurances; Perfection of Security Interests. The Lessee hereby agrees promptly and duly to execute and deliver to the Lessor or the Indenture Trustee such

further documents and assurances and take such further action as the same may from time to time reasonably request in order more effectively to carry out the intent and purpose of this Lease and to establish and protect the rights and remedies created or intended to be created in favor of the Lessor and the Indenture Trustee hereunder and under the Indenture. The Lessee will at all times cause to be kept filed, and refiled any required financing and continuation statements and cause to be taken such other actions, as in the opinion of counsel are required by law in order fully to perfect, preserve and protect the lien of the Indenture. The Lessee will pay or cause to be paid all taxes, fees and other charges in connection with such filing and refiling.

(b) Information as to Lessee. The Lessee agrees to furnish to the Lessor, the Owner Participant and the Indenture Trustee, in quantities reasonably requested, the following:

(i) Within 120 days after the end of each fiscal year of the Lessee, the Lessee's annual report on Form 10-K (or such other form containing the same information as may be required by the Securities and Exchange Commission) for such year as filed with the Securities and Exchange Commission or, if the Lessee is not subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, a consolidated balance sheet of the Lessee and its consolidated Affiliates as of the end of the year, and a consolidated statement of income, shareholders' equity and cash flow of Lessee and its consolidated Affiliates for the year, setting out in each case, in comparative form, the consolidated figures for the previous fiscal year, all in reasonable detail, and accompanied by the opinion of independent public accountants selected by the Lessee stating that (i) the financial statements were prepared in accordance with generally accepted accounting principles and practices applied (except as otherwise specified in such opinion) on a basis consistent with that of the preceding fiscal year, and present fairly the financial condition of the Lessee and its consolidated Affiliates as of the end of such fiscal year and the results of operations for the period then ended, and (ii) the audit by such accountants was made in accordance with generally accepted auditing standards;

(ii) Within 60 days after the end of each of the first three quarterly periods of each fiscal year of the Lessee, the Lessee's quarterly report on Form 10-Q (or such other form as may be required by the Securities and Exchange Commission) for such quarter as filed with the Securities and Exchange Commission or, if the Lessee is not subject to the reporting requirements of the Securities

Exchange Act of 1934, as amended, a consolidated balance sheet of the Lessee and its consolidated Affiliates as of the end of such Quarterly period and consolidated statements of income and shareholders' equity of the Lessee and its consolidated Affiliates for such quarterly period, setting out in each case, in comparative form, the figures for the corresponding period of the previous fiscal year, all in reasonable detail and certified, subject to changes resulting from year-end audit adjustments, by the principal financial or accounting officer of the Lessee;

(iii) Within 120 days after the end of each fiscal year of the Lessee, one or more certificates signed by one or more Responsible Officers of the Lessee to the effect that, to the knowledge of the Lessee after due inquiry, no Default or Event of Default has occurred and is continuing or, if such is not the case, setting forth a brief description of each such Default or Event of Default and the action the Lessee proposes to take in respect thereof; and

(iv) Promptly upon request, such other information relating to the Lessee's financial condition as may reasonably be requested.

The Lessee shall cause CSX Corporation to furnish the Indenture Trustee, the Lessor and the Owner Participant in reasonable quantities (i) after the end of each quarter annual period during each fiscal year of CSX Corporation at the time furnished to its shareholders, such information in respect of such period as CSX Corporation shall furnish to its shareholders and (ii) within 120 days after the close of each fiscal year of CSX Corporation, a consolidated balance sheet of CSX Corporation and its consolidated subsidiaries as at the close of such fiscal year, together with a consolidated profit and loss statement of CSX Corporation and such subsidiaries for such fiscal year, certified by Ernst & Whinney or other independent public accountants of recognized national standing.

SECTION 18. Successor Banks and Trustees. The Lessee agrees that in the case of the appointment of any successor trustee pursuant to the terms of the Trust Agreement or the Indenture, such successor trustee shall, upon written notice by such successor trustee to the Lessee, succeed to all the respective rights, powers and title of WTC and the Lessor hereunder or to all the rights and powers of the Indenture Trustee hereunder, as the case may be, and shall be deemed to be the owner or mortgagee, respectively, of the Rail Equipment for all purposes hereof, without the necessity of any consent or approval by the Lessee and without in any way altering the terms of this Lease or the Lessee's obligations hereunder. One

such appointment and designation of a successor trustee shall not exhaust the right to appoint and designate further successor trustees pursuant to the Trust Agreement or the Indenture, but such right may be exercised repeatedly as long as this Lease shall be in effect. The trustee or any successor trustee from time to time serving thereunder may, but shall not be obligated to, appoint one or more of its officers as attorney-in-fact for such trustee or such successor trustee, as the case may be, to execute any and all notices, consents and approvals or other documents necessary or desirable to be executed in connection with this Lease or with the Rail Equipment.

SECTION 19. The Indenture Trustee. The provisions of this Lease that require or permit action by, the payment of any moneys to, the consent or approval of, the furnishing of any instrument or information to, or the performance of any other obligation to, the Indenture Trustee shall not be effective, and the Sections hereof containing such provisions shall be read as though there were no such requirements or provisions and all moneys otherwise payable to the Indenture Trustee hereunder shall be paid to the Lessor, after the Indenture Trustee shall have given the Lessee and the Lessor written notice of the satisfaction and discharge of the Indenture.

SECTION 20. Warranty Enforcement. For so long as no Event of Default has occurred and is continuing, the Lessor constitutes the Lessee as the agent and attorney-in-fact of the Lessor for the purpose of exercising and enforcing, and with full right, power and authority to exercise and to enforce, to the exclusion of the Lessor and all Persons claiming through or under the Lessor, all of the right, title and interest of the Lessor in, under and to all manufacturer's warranties in respect of the Rail Equipment. The Lessor shall execute and deliver any instruments necessary to enable the Lessee to enforce such rights.

SECTION 21. Lessor's Right to Perform for the Lessee. If the Lessee fails to make any payment of Rent required to be made by it hereunder or fails to perform or comply with any of its agreements contained herein, the Lessor may, on behalf of the Lessee and upon notice to the Lessee, itself make such payment or perform such agreement and such payment or performance shall be a cure in respect of any Event of Default which has occurred as a result of the Lessee's failure to pay such Rent or to perform or comply with such agreement, as the case may be. The amount of any such payment and the amount of the reasonable expenses of the Lessor incurred in connection with such payment or performance, together with interest thereon, to the extent permitted by Applicable Law, at the Overdue Rate, shall be deemed

Supplemental Rent, payable by the Lessee upon demand. This Section 21 is not, however, intended in any way as between the Owner Participant and the Lessor, on the one hand, and the Indenture Trustee and the Holders, on the other hand, to expand or otherwise vary the cure rights of the Owner Participant and the Lessor set forth in Section 1203 of the Indenture, or the limitations on exercise thereof set forth.

SECTION 22. Filings. Prior to the delivery and acceptance of any Rail Equipment, the Lessee will, at its sole expense, (i) cause this Lease, the Indenture and the Lease and Indenture Supplement to be duly filed and recorded with the ICC in accordance with 49 U.S.C. §11303 and (ii) cause financing statements under the Uniform Commercial Code to be filed against the Lessor in respect of the security interests created by the Indenture (and including, in respect of the Autoracks, precautionary financing statements against the Lessee under Section 9-408 of the Uniform Commercial Code) in all places reasonably specified by the Indenture Trustee as necessary or desirable to perfect such security interests. 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 Indenture Trustee as its assignee under the Indenture for the purpose of protecting the Lessor's title to, or such assignee's security interest in, any Rail Equipment, or will furnish to the Lessor and the Indenture Trustee timely notice of the necessity of such action and in connection with any such action, will deliver to the Lessor and such assignee proof of such filings. 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.

SECTION 23. Miscellaneous.

(a) Amendments. The terms of this Lease shall not be waived, altered, modified, amended, supplemented or terminated in any manner whatsoever except by written instrument signed by the party or parties to be charged.

(b) Successors and Assigns. This Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and shall also inure to the benefit of the Owner Participant and the Indenture Trustee and their respective successors and assigns.

(c) Currency. All amounts and moneys referred to in this Lease shall be construed to mean money which at the time is lawful money of the United States of America.

(d) Liabilities of Lessor. WTC is entering into this Lease solely in its capacity as Owner Trustee under the Trust Agreement, and in no case whatsoever shall WTC (or any entity acting as successor Owner Trustee under the Trust Agreement) or the Owner Participant be personally liable on, or for any loss in respect of, any of the statements, representations, warranties, agreements or obligations of the Lessor hereunder, as to all of which the parties hereto agree to look solely to the Trust Estate created by the Trust Agreement.

(e) Descriptive Headings. The descriptive headings of the several sections and paragraphs of this Lease are inserted for convenience of reference only and do not constitute a part of this Lease.

(f) Counterparts. This Lease may be executed by the parties hereto on separate counterparts, each of which, when so executed and delivered, shall be an original, but all such counterparts shall together constitute but one and the same instrument.

(g) Severability of Provisions. Any provision of this Lease which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by Applicable Law, the Lessee hereby waives any provision of law which renders any provision hereof prohibited or unenforceable in any respect.

(h) Governing Law. THIS LEASE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MARYLAND.

(i) Consent of Indenture Trustee. To the extent that any provision hereof or of any other Operative Document requires the consent of the Indenture Trustee, such consent shall not be required in the event that the Indenture shall not be in effect.

(j) Quiet Enjoyment. The parties to the Participation Agreement have agreed that so long as no Event of Default has occurred and is continuing, and notwithstanding any default by the Owner Trustee, any Participant or the Indenture Trustee under the Participation Agreement, the Trust Agreement or the Indenture, the Lessee shall have the right to the quiet enjoyment of, and the continued possession, use and operation of, the Rail Equipment during the Lease Term, and that this Lease shall not be terminated except as expressly provided herein.

IN WITNESS WHEREOF, Lessor, Lessee and Indenture Trustee have caused this Lease and Indenture Supplement No. 1 to be duly executed on the date and year set forth in the opening paragraph hereof.

Lessor/Owner Trustee

WILMINGTON TRUST COMPANY
not in its individual capacity but solely as Owner Trustee

By_____
Title: Financial Services Officer

Lessee

CSX TRANSPORTATION, INC.

By_____
Title:

Indenture Trustee

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY
not in its individual capacity but solely as Indenture Trustee

By_____
Title: Vice President

ATTEST:

By_____
Title: CORPORATE TRUST OFFICER

1010/BLULINE

IN WITNESS WHEREOF, Lessor, Lessee and Indenture Trustee have caused this Lease and Indenture Supplement No. 1 to be duly executed on the date and year set forth in the opening paragraph hereof.

Lessor/Owner Trustee

WILMINGTON TRUST COMPANY
not in its individual capacity but solely as Owner Trustee

By_____
Title:

Lessee

CSX TRANSPORTATION, INC.

By A. B. [illegible]
Title: Treasurer

Indenture Trustee

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY
not in its individual capacity but solely as Indenture Trustee

By_____
Title:

ATTEST:

By_____
Title:

1010/BLULINE

Receipt of this original counterpart of this Lease is hereby acknowledged this ___ day of September, 1990.

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY,
as Indenture Trustee

By_____
Title:

807/BLULINE

STATE OF DELAWARE)
) ss.:
COUNTY OF NEWCASTLE)

On this __ day of September, 1990, before me personally appeared DORA A. LILLY, to me personally known, who, being by me duly sworn, says that he is Financial Services Officer of Wilmington Trust Company, 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.

Notary Public

My Commission Expires: 8/093

[Notary Seal]

1010/BLULINE

STATE OF MARYLAND)
) ss.:
CITY OF BALTIMORE)

On this 24th day of September, 1990, before me personally appeared A. B. Aftoora, to me personally known, who, being by me duly sworn, says that he is Treasurer of CSX Transportation, Inc., 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.

Bealiah M. McCauley
Notary Public

My Commission Expires: 11-1-93

[Notary Seal]

BEALIAH M. McCAULEY
NOTARY PUBLIC
BALTIMORE CO., MD.

1010/BLULINE

STATE OF MARYLAND)
) ss.:
~~COUNTY~~ City OF BALTIMORE)

On this 28th day of September, 1990, before me personally appeared John M. Mitchell, to me personally known, who, being by me duly sworn, says that he is vice-president of Mercantile-Safe Deposit and Trust Company, 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.

Marcelle E. Miller
Notary Public

My Commission Expires: 1/1/93
[Notary Seal]

MARCELLE E. MILLER
NOTARY PUBLIC
BALTIMORE COUNTY, MARYLAND

1010/BLULINE

DEFINITIONS ATTACHED TO

PARTICIPATION AGREEMENT

807/BLULINE

SCHEDULE X

[CSX Trust 1990/FH-1]

DEFINITIONS

"Act" shall have the meaning assigned in Section 102 of the Indenture.

"Additional Notes" shall have the meaning assigned in Section 301 of the Indenture.

"Affiliate" of any specified Person shall mean any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"After-Tax Basis," for purposes of all of the Operative Documents other than the Tax Indemnification Agreement, shall have the meaning assigned in Section 13.3 of the Participation Agreement and, for purposes of the Tax Indemnification Agreement, shall have the meaning assigned in Section 11 thereof.

"Amortization Deductions" shall have the meaning assigned in the Tax Indemnification Agreement.

"Applicable Law" shall mean all applicable laws (foreign or domestic), treaties, judgments, decrees, injunctions, writs and orders of any court, governmental agency or authority and rules, regulations, orders, directives, licenses and permits of any governmental body, instrumentality, agency or authority, including without limitation, all rules and regulations of the United States Department of Transportation and the ICC.

"Appraisal" shall have the meaning specified in Section 5(c) of the Participation Agreement.

"Appraisal Procedure" shall mean the procedure specified in the succeeding sentences for determining an amount or value. If either the Owner Trustee (or the Owner Participant) or the Lessee shall give written notice to the

other requesting determination of such amount or value by appraisal, the Owner Participant and the Lessee shall consult for the purpose of appointing a mutually acceptable qualified Appraiser. If such parties shall be unable to agree on an appraiser within 20 days of the first giving of such notice (the "Appraisal Request Date"), such amount or value shall be determined by a panel of three Appraisers, one of whom shall be selected by the Lessee, another of whom shall be selected by the Owner Participant and the third of whom shall be selected by such other two Appraisers or, if such Appraisers shall be unable to agree upon a third Appraiser within 10 days of the selection date of the second of such two Appraisers, by the American Arbitration Association from a list of six nominees, three of which shall be nominated by each of such two Appraisers; provided, that if either party shall not select its Appraiser within 35 days after the Appraisal Request Date, such amount or value shall be determined solely by the Appraiser selected by the other party. The Appraiser or Appraisers appointed pursuant to the foregoing procedure shall be instructed to determine such amount or value within 45 days after the final appointment of any Appraiser pursuant hereto (but in no event may such determination be made more than 110 days following the Appraisal Request Date), and such determination shall be final and binding upon the parties. If three Appraisers shall be appointed, (a) if the median of the determinations of the Appraisers shall equal the mean of such determinations, such mean shall constitute the determination of the Appraisers, otherwise (b) the determination of the Appraiser that shall differ most from the other two Appraisers shall be excluded, the remaining two determinations shall be averaged and such average shall constitute the determination of the Appraisers. Fees and expenses relating to an Appraisal Procedure shall be payable as follows:

(i) if the Appraisal Procedure is utilized in connection with the exercise of remedies upon the occurrence of an Event of Default under the Lease or in connection with the possible exercise of a renewal option pursuant to Section 2(b) of the Lease, all such fees and expenses shall be borne by the Lessee;

(ii) if the Appraisal Procedure is utilized in connection with the possible exercise of a purchase option pursuant to Section 2(f) of the Lease, then each party shall bear its respective fees and expenses, provided (A) if an appraisal under the Appraisal Procedure shall be conducted by one Appraiser only, the Lessee shall bear the fees and expenses of such Appraiser, or (B) if an appraisal under the Appraisal Procedure shall be conducted by more than one Appraiser, the Lessee shall bear the

fees and expenses of the Appraiser appointed by the Lessee and of the Appraiser appointed jointly by the Appraiser of the Lessee and the Appraiser of the Owner Participant; and provided, further, that if after the utilization of such Appraisal Procedure the Lessee does not exercise such purchase option, then the Lessee shall reimburse the Owner Participant for all fees and expenses paid by the Owner Participant in respect of such Appraisal Procedure; and

(iii) in all other instances, each party shall bear (A) its respective fees and expenses with respect to any Appraisal Procedure (including the fees and expenses of any Appraiser appointed by such party) and (B) one-half of any other fees or expenses incurred in such Appraisal Procedure.

"Appraiser" shall mean B. Royce Green Associates, in the case of the Appraisal delivered pursuant to Section 5(c) of the Participation Agreement and otherwise a Person of recognized standing engaged in the business of appraising rail equipment who may not be employed by or affiliated with the Owner Trustee, the Owner Participant or the Lessee.

"Assumed Rate" shall have the meaning assigned in the Tax Indemnification Agreement.

"Assumption Event" shall mean the exercise by the Lessee of the purchase option referred to in clause (y) of Section 2(e) of the Lease pursuant to which the Lessee shall assume and become obligated on a recourse basis under all or a portion of the Notes Outstanding.

"Authorized Person" shall mean (i) with respect to the Owner Trustee, any Person authorized by or pursuant to the organizational documents, the by-laws or any Board Resolution of WTC (whether general or specific) to execute, deliver and take all other actions on behalf of the Owner Trustee in respect of any of the Operative Documents and (ii) with respect to any other entity, any Person authorized by or pursuant to the charter documents, the by-laws or any Board Resolution (in the case of a corporation), partnership agreement (in the case of a partnership), or trust agreement (in the case of a trust) to execute, deliver and take all other actions on behalf of such entity in respect of any of the Operative Documents.

"Autorack" shall mean a Bi-Level Autorack or a Tri-Level Autorack.

"Average Life" with respect to the Series A Notes issued on the Closing Date shall mean 10.631 years and with

with respect to the Series B Notes issued on the Initial Closing Date shall mean 15.497 years.

"Basic Rent" shall mean the rent payable throughout the Lease Term pursuant to, and computed in accordance with, Section 9(b) of the Lease.

"Basic Term" with respect to any Rail Equipment shall mean the period beginning on the Basic Term Commencement Date and ending at 11:59 P.M. (Baltimore City time) on the 17th anniversary of the Basic Term Commencement Date.

"Basic Term Commencement Date" shall mean March 26, 1991.

"Bill of Sale" shall mean the bill of sale of the Seller, dated the Closing Date, for all of the Rail Equipment to be purchased by the Lessor on the Closing Date, executed by the Seller in favor of the Lessor.

"Bi-Level Autorack" shall mean a Thrall Fully Enclosed Bi-Level Auto Rack listed on Schedule 3 to the Participation Agreement, and including any item of property constituting a part thereof.

"Board of Directors" shall mean, with respect to any Person, either the board of directors of such Person or any duly authorized committee of said board.

"Board Resolution" shall mean, with respect to any Person, a copy of a resolution certified by the secretary or an assistant secretary of such Person to have been duly adopted by the Board of Directors (or any duly authorized committee of the Board of Directors) of such Person and to be in full force and effect on the date of such certification.

"Business Day" shall mean any day other than a Saturday or Sunday or other day on which the banks in Baltimore, Maryland, New York, New York or Wilmington, Delaware are authorized or obligated to remain closed.

"Business Taxes" shall have the meaning assigned in Section 13.2(b) of the Participation Agreement.

"Car Contract" shall have the meaning assigned in Section 7(f) of the Lease.

"Category of Rail Equipment" shall refer either to the Bi-Level Autoracks or to the Tri-Level Autoracks.

"Class I Railroad" shall refer to a Class I carrier within the meaning of 49 C.F.R. Part 1201.

"Closing" shall mean the simultaneous occurrence of the transactions described in Section 4 of the Participation Agreement.

"Closing Date" shall mean the date, which shall be a Business day, on which the Closing occurs, provided that in no event shall the Closing occur later than September 28, 1990.

"Closing Notice" shall have the meaning assigned in Section 4(a) of the Participation Agreement.

"Code" shall mean the Internal Revenue Code of 1986, as amended (or any successor federal income tax statute).

"Commitment" shall mean in the case of each Loan Participant, the amount of the loan to be made by such Loan Participant on the Closing Date pursuant to Section 2 of the Participation Agreement and, in the case of the Owner Participant, the amount of the investment to be made by the Owner Participant on the Closing Date pursuant to Section 3 of the Participation Agreement.

"Costs" shall have the meaning assigned in Section 20 of the Participation Agreement.

"Current Cost" shall have the meaning assigned in the Tax Indemnification Agreement.

"Deemed Last Utilized Credits" shall have the meaning assigned in Section 13.2(h) of the Participation Agreement.

"Default" shall mean an event or condition which, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

"Deferred Tax Savings Loss" shall have the meaning assigned in the Tax Indemnification Agreement.

"Depreciation Deductions" shall have the meaning assigned in the Tax Indemnification Agreement.

"Economic Default" shall mean a Default which would constitute an Economic Event of Default.

"Economic Event of Default" shall mean an Event of Default pursuant to paragraph (a), (b), (e) or (f) of Section 14 of the Lease.

"Employee Benefit Plan" shall mean an "employee benefit plan" as defined in ERISA, a "plan" as defined in the Code and any fund or account that is deemed to include the assets of any such employee benefit plan pursuant to Department of Labor Reg. Section 2510.3-101.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, or any comparable successor law and the rules issued and regulations promulgated thereunder.

"Event of Default" shall have the meaning assigned in Section 14 of the Lease.

"Event of Loss" shall mean with respect to any Rail Equipment any of the following events occurring during the Lease Term: (i) such Rail Equipment suffers an actual or constructive total loss, (ii) such Rail Equipment becomes worn out or suffers destruction or damage beyond economic repair or such Rail Equipment is rendered permanently unfit for commercial use by the Lessee and for the purpose for which it was designed, as determined in good faith by the Lessee and evidenced by a certificate of a Responsible Officer of the Lessee to such effect, (iii) such Equipment is taken, condemned or requisitioned for title by any governmental authority, (iv) such Equipment is taken, condemned or requisitioned for use by any governmental authority for a period extending beyond the Basic Term or any Renewal Term then in effect or (v) such Equipment is lost, stolen or otherwise disappears for a period of time exceeding 30 days. The date of such Event of Loss shall be the date of such loss, damage, condemnation, taking, requisition or disappearance, except that for purposes of clause (iv) above, no Event of Loss shall be deemed to have occurred until the earlier of (1) the last day of the Basic Term or any Renewal Term then in effect and (2) the Lessee's declaration of the occurrence of an Event of Loss at any time following twelve months after such taking or requisition.

"Excepted Property" shall have the meaning assigned in the Granting Clause of the Indenture.

"Excepted Rights" shall have the meaning assigned in Section 1201 of the Indenture.

"Fair Market Renewal" shall have the meaning assigned in Section 2(b)(iv) of the Lease.

"Fair Market Renewal Term" shall have the meaning assigned in Section 2(b)(iv)(A) of the Lease.

"Fair Market Rent" for any Rail Equipment shall mean, for any period, the rent for such Rail Equipment (excluding any

Severable Improvements but assuming that such Rail Equipment complies with Section 5 of the Lease) for such period that would be obtained for a lease of such Rail Equipment in an arm's-length transaction between an informed and willing owner under no compulsion to lease and an informed and willing lessee under no compulsion to lease, which determination shall be made (i) without deduction for any costs of removal of such Rail Equipment from the location of current use and (ii) on the assumption that such Rail Equipment is free and clear of all Liens and is in the condition and repair in which it is required to be returned pursuant to Sections 2 and 5 of the Lease (but otherwise on an "as-is" basis); provided, however, that the determination of Fair Market Rent for the purposes of Section 15(c) of the Lease shall be based on the actual condition of such Rail Equipment at the time of such determination and shall take into account all Liens on such Rail Equipment and any legal impediments to the prompt leasing of such Rail Equipment, notwithstanding the provisions of clause (ii) of this sentence.

"Fair Market Sale Value" for any Rail Equipment shall mean the sale value of such Rail Equipment (excluding any Severable Improvements but assuming that such Rail Equipment complies with Section 5 of the Lease) that would be obtained in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, which determination shall be made (i) without deduction for any costs of removal of such Rail Equipment from the location of current use and (ii) on the assumption that such Rail Equipment is free and clear of all liens and is in the condition and repair in which it is required to be returned pursuant to Sections 2 and 5 of the Lease (but otherwise on an "as-is" basis); provided, however, that the determination of Fair Market Sale Value for purposes of Section 15(c) of the Lease shall be based on the actual condition of such Rail Equipment at the time of such determination and shall take into account all Liens on such Rail Equipment (other than Owner Encumbrances), and any legal impediments to the prompt transfer of title to such Rail Equipment, notwithstanding the provisions of clause (ii) of this sentence.

"Federal Bankruptcy Code" shall mean the Bankruptcy Code of 1978, as amended, 11 U.S.C. §§101-1330.

"Final Determination" shall have the meaning assigned in the Tax Indemnification Agreement.

"Fixed Rate Renewal" shall have the meaning assigned in Section 2(b)(iii) of the Lease.

"Fixed Rate Renewal Term" shall have the meaning assigned in Section 2(b)(iii)(A) of the Lease.

"Foreign Tax Credit Loss" shall have the meaning assigned in the Tax Indemnification Agreement.

"Future Benefits" shall have the meaning assigned in the Tax Indemnification Agreement.

"Governmentally Mandated" shall mean, when referring to any Improvement, an Improvement made by the Lessee in order to comply with health, safety or environmental standards of any governmental authority having relevant jurisdiction under Applicable Law.

"Governmental Obligations" shall mean direct obligations of the United States of America which are not callable, redeemable or payable, prior to maturity, in whole or in part, directly or indirectly, by any Person.

"Holder" shall mean the Person in whose name any Note is registered on the Note Register.

"Home Jurisdiction" shall have the meaning assigned in Section 13.3 of the Participation Agreement.

"ICC" shall mean the Interstate Commerce Commission and any agency or instrumentality of the United States government succeeding to its functions.

"Improvement" shall mean an improvement, structural change, modification or addition to any Rail Equipment made after the Closing Date.

"Inclusion" shall have the meaning assigned in the Tax Indemnification Agreement.

"Indemnitee" shall have the meaning assigned in Section 13.1 of the Participation Agreement.

"Indemnity Loan" shall have the meaning assigned in the Tax Indemnification Agreement.

"Indemnity Loan Interest Rate" shall have the meaning assigned in the Tax Indemnification Agreement.

"Indemnity Loan Principal" shall have the meaning assigned in the Tax Indemnification Agreement.

"Indemnity Loan Repayment Amounts" shall have the meaning assigned in the Tax Indemnification Agreement.

"Indemnity Loan Repayment Date" shall have the meaning assigned in the Tax Indemnification Agreement.

"Indenture" shall mean the Indenture, Mortgage and Security Agreement dated as of September 5, 1990 between the Owner Trustee and the Indenture Trustee and substantially in the form of Exhibit B to the Participation Agreement, as the same may be amended, modified or supplemented in accordance with the provisions thereof and of the Participation Agreement.

"Indenture Default" shall mean an event or condition which, with the giving of notice or lapse of time, or both, would become an Indenture Event of Default.

"Indenture Estate" shall have the meaning assigned in the Granting Clause of the Indenture.

"Indenture Estate Documents" shall have the meaning set forth in Clause Second of the Granting Clause of the Indenture.

"Indenture Event of Default" shall have the meaning assigned in Section 601 of the Indenture.

"Indenture Trustee" shall mean Mercantile-Safe Deposit and Trust Company, a Maryland trust company, together with any successors, permitted assigns and separate trustees and co-trustees, not in its individual capacity but solely as Indenture Trustee under the Indenture.

"Independent" shall mean, when used with respect to any specified Person, such Person who (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in WTC, the Owner Trustee, the Owner Participant or the Lessee or in any Affiliate of any of them and (3) is not connected with WTC, the Owner Participant or the Lessee or any such Affiliate as an officer, employee, promoter, underwriter, trustee, partner, director or person performing similar functions. Whenever it is provided that any Independent Person's opinion or certificate shall be furnished to the Indenture Trustee, such Person shall be appointed by the Lessee and approved by the Indenture Trustee in the exercise of reasonable care and such opinion or certificate shall state that the signer has read this definition and that the signer is Independent within the meaning thereof.

"Interest Deductions" shall have the meaning assigned in the Tax Indemnification Agreement.

"Interim Amount" shall mean an amount equal to all interest accrued on the Notes from the Closing Date to and including the day immediately preceeding the Basic Term Commencement Date.

"Interim Term" shall mean the period from the Closing Date to and including the day immediately preceding the Basic Term Commencement Date.

"IRS" shall have the meaning assigned in the Tax Indemnification Agreement.

"Lease" shall mean Lease Agreement dated as of September 5, 1990 and substantially in the form of Exhibit C to the Participation Agreement between the Lessee and the Owner Trustee, as lessor, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

"Lease and Indenture Supplement" shall mean the Lease and Indenture Supplement No. 1 among the Owner Trustee, the Lessee and the Indenture Trustee, dated the Closing Date, substantially in the form of Exhibit A to the Lease.

"Lease Term" shall mean the Interim Term plus the Basic Term, plus all Renewal Terms actually entered into.

"Lessee" shall mean CSX Transportation, Inc., a Virginia corporation, together with its successors and permitted assigns.

"Lessee Act or Omission" shall have the meaning assigned in the Tax Indemnification Agreement.

"Lessee Related Party" shall have the meaning assigned in the Tax Indemnification Agreement.

"Lessor's Cost" shall be $29,000 for each Bi-Level Autorack and $37,500 for each Tri-Level Autorack.

"Liabilities" shall have the meaning assigned in Section 13.1 of the Participation Agreement.

"Lien" shall mean any mortgage, pledge, lien, security interest, charge, claim or other encumbrance or right of others.

"Loan Participant" shall mean each of the financial institutions listed in Schedule 1 to the Participation Agreement, so long as the Series A Notes and Series B Notes are Outstanding, and each other Holder of a Note from time to time, and their respective successors and assigns.

"Loss of Amortization Deductions" shall have the meaning assigned in the Tax Indemnification Agreement.

"Loss of Depreciation Deductions" shall have the meaning assigned in the Tax Indemnification Agreement.

"Loss of Interest Deductions" shall have the meaning assigned in the Tax Indemnification Agreement.

"Loss of Tax Benefits" shall have the meaning assigned in the Tax Indemnification Agreement.

"MACRS Property" shall have the meaning assigned in the Tax Indemnification Agreement.

"Maximum Fixed Rate Renewal Date" and "Maximum Fixed Rate Renewal Term" shall have the respective meanings assigned in Section 2(b)(iii)(A) of the Lease.

"Net Return" shall mean the Owner Participant's nominal after-tax economic yield, preserving the same aggregate after-tax cash, all calculated using the same assumptions and methods utilized by the Owner Participant in computing the schedules of Basic Rent, Stipulated Loss Values and Termination Values delivered on the Closing Date (of if such schedules are adjusted pursuant to Section 9(e) or (f) of the Lease, in computing such adjusted schedules).

"Nonseverable Improvement" shall mean, at any time, an Improvement that shall not be "readily removable" from a particular Unit "without causing material damage" to such Rail Equipment within the meaning of Revenue Procedure 79-48 promulgated by the Internal Revenue Service or other similar law, regulation or procedure then in effect.

"Non-U.S. Person" shall mean any Person other than (i) a citizen or resident of the United States, as defined in section 7701(a)(9) of the Code (for purposes of this definition, the "United States"), (ii) a corporation, partnership or other entity created or organized under the laws of the United States or any political subdivision thereof or therein or (iii) any estate or trust that is subject to United States federal income taxation regardless of the source of its income.

"Note Register" shall have the meaning assigned in Section 204 of the Indenture.

"Notes" shall have the meaning specified in the Indenture and, more particularly, includes the Series A Notes and Series B Notes issued on the Closing Date and any other Notes authenticated and delivered under the Indenture.

"Notice" shall have the meaning assigned in Section 19 of the Participation Agreement.

"Obligations" shall have the meaning assigned in the Granting Clause of the Indenture.

"Offered Interest" shall have the meaning assigned in Section 25 of the Participation Agreement.

"Offered Interest Seller" shall have the meaning assigned in Section 25 of the Participation Agreement.

"Officer's Certificate" shall mean with respect to any Person, a certificate signed by the Chairman of the Board, the President or a Vice President of such Person or any Authorized Person of such Person.

"Operative Documents" shall mean the Participation Agreement, the Trust Agreement, the Indenture, the Notes, the Lease, the Lease and Indenture Supplement, the Bill of Sale and the Tax Indemnification Agreement.

"Opinion of Counsel" shall mean a written opinion of counsel, who shall be acceptable to the Indenture Trustee (or such other Person to whom such opinion is to be addressed pursuant to any of the Operative Documents).

"Outstanding" when used with respect to the Notes shall mean, as of the date of determination, all the Notes theretofore authenticated and delivered under the Indenture, except:

(1) Notes theretofore cancelled by the Indenture Trustee or delivered to the Indenture Trustee for cancellation;

(2) Notes for whose payment or redemption money in the necessary amount has been theretofore deposited with the Indenture Trustee, provided, that, if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Indenture Trustee has been made;

(3) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered under the Indenture; and

(4) Notes alleged to have been destroyed, lost or stolen which have been replaced as provided in Section 205 of the Indenture;

provided, however, that in determining whether the Holders of the requisite principal amount of Notes Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes owned by the Owner Participant, the Owner Trustee or the Lessee, or any Affiliate of any of them, shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Indenture Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes that the Indenture Trustee knows to be so owned shall be so disregarded. Notes so owned that have been pledged in good faith may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Indenture Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not the Owner Participant, the Owner Trustee or the Lessee, or any Affiliate of any of them.

"Overdue Rate" shall mean (i), with respect to any amount that is or will be distributable to the Holders pursuant to the terms of the Indenture, the higher of (a) the applicable rate per annum set forth on the face of the Notes plus 1% or (b) the Prime Rate plus 1%, (ii), with respect to any other amount, the Prime Rate plus 2%, in each case, computed on the basis of a 360-day year of twelve 30-day months and (iii) in the case of any amount payable by the Lessee, the rate described in clause (i) above as to that portion (if any) of such amount which is distributable to the Holders pursuant to the terms of the Indenture and the rate described in clause (ii) above as to the balance (if any) of such amount and as to any other amount payable by the Lessee.

"Owner Encumbrances" shall mean any Liens against any part of the Indenture Estate or the Trust Estate that result from acts of, or any failure to act by, or as a result of claims (including any taxes) against, WTC, the Owner Trustee or the Owner Participant arising out of any event or condition unrelated to (x) the ownership of any Rail Equipment, (y) the administration of the Trust Estate or (z) the transactions contemplated by the Operative Documents, excluding Liens arising from any tax for which the Lessee is obligated to indemnify under the Tax Indemnification Agreement or the Participation Agreement, other than any such tax for which the Lessee has already made full indemnification pursuant to such agreements.

"Owner Participant" shall mean First Hawaiian Bank, an Hawaiian banking corporation, together with its successors and permitted assigns.

"Owner Trustee" shall mean WTC, in its capacity as trustee under the Trust Agreement, together with its successors and permitted assigns as Owner Trustee under the Trust Agreement.

"Owner Trustee Request" shall mean a written request signed in the name of the Owner Trustee by an Authorized Person, consented to by the Lessee, and delivered to the Indenture Trustee together with a form of any writing to be executed by the Indenture Trustee pursuant to such request.

"Participants" shall mean, collectively, the Loan Participants and the Owner Participant.

"Participation Agreement" shall mean the Participation Agreement dated as of September 5, 1990 among the Lessee, the Owner Participant, the Loan Participants, the Owner Trustee and the Indenture Trustee, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

"Party in Interest" shall mean both a "party in interest" as defined in ERISA and a "disqualified person" as defined in the Code.

"Payment Date" shall mean each March 26 and September 26 of each year occurring during the Basic Term and any Renewal Term, provided that if any such date shall not be a Business Day, then "Payment Date" shall mean the next succeeding Business Day.

"Percentage Commitment" of each Participant in respect of the Rail Equipment shall mean the aggregate of all percentages set forth opposite such Participant's name in Schedule 1 to the Participation Agreement.

"Permitted Act" shall have the meaning assigned in the Tax Indemnification Agreement.

"Permitted Encumbrances" shall mean (a) the rights of the Indenture Trustee under the Indenture, (b) the rights of the Lessee under the Lease, and the rights of any sublessee under any subleases of any Rail Equipment that are permitted by the terms of the Lease, (c) the rights of the Owner Trustee and the Owner Participant under the Trust Agreement which rights are subject to the Liens created by the Indenture, (d) Liens for Taxes either not yet due or being contested by the Lessee in good faith by appropriate proceedings, diligently prosecuted or appealed which do not involve a significant risk of a sale, forfeiture or loss of any Rail Equipment and (e) undetermined or inchoate materialmen's, mechanic's, workmen's, repairmen's or employees' Liens or other like Liens arising in the ordinary courts of business and security obligations which are not delinquent or which shall have been bonded or the enforcement of which shall have been suspended or which do not involve a significant risk of sale, forfeiture or loss of any Rail

Equipment or which are being contested by the Lessee in good faith by appropriate proceedings diligently prosecuted or appealed.

"Permitted Investments" shall mean (i) direct obligations of the United States of America and agencies thereof for which the full faith and credit of the United States is pledged, (ii) obligations fully guaranteed by the United States of America, (iii) certificates of deposit issued by, or bankers' acceptances of, or time deposits with, any bank, trust company or national banking association incorporated or doing business under the laws of the United States of America or one of the States thereof having combined capital and surplus and retained earnings of at least $500,000,000 (including the Indenture Trustee and the Owner Trustee if such conditions are met), (iv) commercial paper of companies, banks, trust companies, or national banking associations incorporated or doing business under the laws of the United States of America or one of the States thereof and in each case having a rating assigned to such commercial paper by Standard & Poor's Corporation or Moody's Investors Service, Inc. (or, if neither such organization shall rate such commercial paper at any time, by any nationally recognized rating organization in the United States of America) equal to the highest rating assigned by such organization, and (v) repurchase agreements with any financial institution having a combined capital and surplus of at least $750,000,000 fully collateralized by obligations of the type described in clauses (i) through (iv) above; provided, that in no event shall Permitted Investments include any obligations of, issued by or maintained with Bank of New England, N.A. or any Affiliate thereof. If all of the above investments are unavailable, the entire amount to be invested may be used to purchase Federal Funds from an entity described in (iii) of the preceding sentence.

"Person" shall mean any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Premium" shall mean:

(i) with respect to any premium payable upon a redemption of a Series A Note (other than a redemption pursuant to Section 401(e) of the Indenture) at any time, the excess (if any) of (x) the present value (computed on a semi-annual basis at a discount rate equal to 50 basis points above the applicable Treasury Yield) as at such

Redemption Date of the payments of principal and interest which would have been due under the terms of such Note from such Redemption Date to the final maturity thereof, had such redemption not occurred over, (y) the principal amount of such Note Outstanding on such Redemption Date;

(ii) with respect to any premium payable upon a redemption of a Series B Note (other than a redemption pursuant to Section 401(e) of the Indenture) at any time, the excess (if any) of (x) the present value (computed on a semi-annual basis at a discount rate equal to 50 basis points above the applicable Treasury Yield) as at such Redemption Date of the payments of principal and interest which would have been due under such Note from such Redemption Date to (and including) the final maturity thereof, had such redemption not occurred, over (y) the principal amount of such Note Outstanding on such Redemption Date;

(iii) with respect to any premium payable upon a redemption of a Series A Note pursuant to Section 401(e) of the Indenture at any time, the excess (if any) of (x) the present value (computed on a semi-annual basis at a discount rate equal to 100 basis points above the applicable Treasury Yield) as at such Redemption Date of the payments of principal and interest which would have been due under such Note from such Redemption Date to the final maturity thereof, had such redemption not occurred, over (y) the principal amount of such Note Outstanding on such Redemption Date; and

(iv) with respect to any premium payable upon a redemption of a Series B Note pursuant to Section 401(e) of the Indenture at any time, the excess (if any) of (x) the present value (computed on a semi-annual basis at a discount rate equal to 100 basis points above the applicable Treasury Yield) as at such Redemption Date of the payments of principal and interest which would have been due under the terms of such Note from such Redemption Date to (and including) the final maturity thereof, had such redemption not occurred, over (y) the principal amount of such Note Outstanding on such Redemption Date;

provided, however, that notwithstanding the provisions of (i) through (iv) above, if at a Redemption Date the Treasury Yield shall be equal to or greater than the rate applicable to any Note to be redeemed, no Premium shall be due with respect to such Note.

"Prime Rate" shall mean the rate of interest publicly announced from time to time by Citibank, N.A. in New York as its "base rate."

"Projected Fair Market Sale Value - EBO" and "Projected Fair Market Sales Value - FPO" shall have the respective meanings assigned in Section 5(c) of the Participation Agreement.

"Rail Equipment" shall mean, collectively, the Units and, after an Event of Loss with respect to any Rail Equipment, Replacement Rail Equipment (if any), in each case subjected to the Lease pursuant to Section 2(a) or 11(c) thereof, and including any item of property constituting a part of such Rail Equipment or Replacement Rail Equipment.

"Rail Equipment Return Notice" shall have the meaning assigned in Section 2(c) of the Lease.

"Reasonable Basis" for a position shall exist if tax counsel may properly advise reporting such position on a tax return in accordance with Formal Opinion 85-352 issued by the Standing Committee on Ethics and Professional Responsibility of the American Bar Association, as the same may be amended from time to time.

"Recapture" shall have the meaning assigned in the Tax Indemnification Agreement.

"Redelivery Location" shall have the meaning assigned in Section 2(c) of the Lease.

"Redemption Date" when used with respect to any Note to be redeemed shall mean the date fixed for such redemption pursuant to the Indenture.

"Refinancing Date" shall have the meaning assigned in Section 20 of the Participation Agreement.

"Refinancing Fee" shall have the meaning assigned in Section 20 of the Participation Agreement.

"Refinancing Loss" shall have the meaning assigned in the Tax Indemnification Agreement.

"Reimbursement Amount" shall have the meaning assigned in Section 9(h) of the Lease.

"Renewal Option" shall have the meaning assigned in Section 2(b)(v) of the Lease.

"Renewal Term" shall mean the period of any extension of the Basic Term (or a prior Renewal Period) as provided in Section 2(b) of the Lease.

"Renewal Term Commencement Date" shall have the meaning assigned in Section 2(b) of the Lease.

"Rent" shall mean the Basic Rent, Fixed Rate Renewal Rent, Fair Market Renewal Rent and Supplemental Rent, collectively.

"Replacement Rail Equipment" shall mean an autorack of the same Category as, and substantially similar in material and dimension to, the Rail Equipment with respect to which an Event of Loss has occurred and which is being replaced pursuant to Section 11(c) of the Lease, and including any item of property constituting a part thereof.

"Required Act" shall have the meaning assigned in the Tax Indemnification Agreement.

"Responsible Officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of any party contained in any Operative Document, the President, or any Vice President, Assistant Vice President, Treasurer, Assistant Treasurer or other officer who in the normal performance of his operational responsibility would have knowledge of such matter and the requirements with respect thereto.

"Section 7(f) Date" shall mean, as to any flatcar, the earlier of (x) the Payment Date next succeeding the 120th day after a default or termination of the Car Contract with respect to such flatcar, or (y) the latest Payment Date which is not more than 210 days after such default or termination.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Seller" shall mean The Baltimore & Ohio Chicago Terminal Railroad Company, an Illinois corporation, together with its successors and permitted assigns.

"Series A Notes" and "Series B Notes" shall have the respective meanings assigned in Section 202 of the Indenture.

"Severable Improvement" shall mean any Improvement other than a Nonseverable Improvement.

"Stipulated Loss Value" with respect to any Rail Equipment subjected to the terms of the Lease pursuant to the Lease and Indenture Supplement as of any Payment Date shall mean an amount determined by multiplying Lessor's Cost for such Rail Equipment by the percentage specified in Schedule 3 of the Lease and Indenture Supplement opposite such Payment Date; provided, however, that, notwithstanding any adjustments to be made pursuant to Section 9 of the Lease, "Stipulated Loss Value" as of any Payment Date, plus the Basic Rent in respect

of such Rail Equipment payable on such Payment Date (if and to the extent Basic Rent is then being paid in arrears) shall in no event be less than a sum sufficient to pay a pro rata portion of the aggregate unpaid principal amount of the Notes Outstanding on such Payment Date together with interest thereon accrued to such Payment Date as determined pursuant to the Indenture.

"Supplemental Rent" shall mean any and all amounts (other than Basic Rent) that the Lessee assumes the obligation to pay or agrees to pay under the Lease, the Tax Indemnification Agreement or the Participation Agreement to the Owner Trustee, the Owner Participant or others, including amounts payable as indemnity payments, payments of Stipulated Loss Value and Termination Value under the Lease, Premium on the Notes and all amounts (other than the portion of the Interim Amount, if any, paid by the Lessee pursuant to Section 9(h) of the Lease, which amount shall be deemed to be a prepayment of Basic Rent) payable by the Lessee pursuant to Section 9 of the Lease; provided, however, that Premium on the Notes shall only be payable by the Lessee (whether as Supplemental Rent or otherwise) under the circumstances set forth in Section 9(c)(iii) of the Lease.

"Tax" shall have the meaning assigned in Section 13.2(a) of the Participation Agreement.

"Tax Assumptions" shall have the meaning assigned in the Tax Indemnification Agreement.

"Tax Forms" shall have the meaning assigned in Section 13.2(b)(8) of the Participation Agreement.

"Tax Indemnification Agreement" shall mean the Tax Indemnification Agreement dated as of September 5, 1990 between the Lessee and the Owner Participant as the same may be amended, modified or supplemented pursuant to the provisions thereof.

"Tax Indemnitee" shall have the meaning assigned in Section 13.2(a) of the Participation Agreement.

"Tax Representations" shall have the meaning assigned in the Tax Indemnification Agreement.

"Termination Date" shall have the meaning assigned in Section 12(a) of the Lease.

"Termination Value" with respect to any Rail Equipment subjected to the terms of the Lease pursuant to the Lease and Indenture Supplement as of any Payment Date shall mean an

amount determined by multiplying Lessor's Cost for such Rail Equipment by the percentage specified in Schedule 4 to such Lease and Indenture Supplement opposite such Payment Date; provided, however, but, notwithstanding any provision of the Lease (including but not limited to the adjustments to be made pursuant to Section 9 of the Lease), "Termination Value" as of any Payment Date, plus the Basic Rent in respect of such Rail Equipment payable on such Payment Date (if and to the extent Basic Rent is then being paid in arrears) and plus the premium, if any, payable on such Payment Date shall in no event be less than a sum sufficient to pay a pro rata portion of the aggregate unpaid principal amount of the Notes Outstanding on such Payment Date together with interest thereon accrued to such Payment Date and the premium, if any, as determined pursuant to the Indenture.

"TIA" shall mean the Trust Indenture Act of 1939, as in effect from time to time.

"Trailer Train" shall have the meaning assigned in Section 7(f) of the Lease.

"Transaction Costs" shall have the meaning assigned in Section 17 of the Participation Agreement.

"Transfer" shall have the meaning assigned in Section 22 of the Participation Agreement.

"Treasury Yield" shall mean the yield to maturity implied by the Treasury Constant Maturity Series Yields reported (for the latest day for which such yields shall have been so reported as of the Business Day next preceding the Redemption Date) in Federal Statistical Release H.15 (519) (or any comparable successor publication) for U.S. Treasury obligations having a maturity approximating the remaining Average Life of any Note to be redeemed.

"Tri-Level Autorack" shall mean a Thrall Fully Enclosed Tri-Level Auto Rack listed on Schedule 3 to the Participation Agreement, and including any item of property constituting a part thereof.

"Trust Agreement" shall mean the Trust Agreement dated as of September 5, 1990 between WTC and the Owner Participant and substantially in the form of Exhibit A to the Participation Agreement as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof, of the Indenture and of the Participation Agreement.

"Trust Estate" shall have the meaning assigned to it in Section 1(d) of the Trust Agreement.

"Unit" shall mean a single Bi-Level Autorack or Tri-Level Autorack.

"Verifying Accountant" shall mean an accountant selected by the Owner Participant and reasonably acceptable to the Lessee (it being understood that the representation of, or a conflict in representing, the Owner Participant or the Lessee is relevant in determining the reasonableness of such acceptance). Such accountant (i) shall not be permitted to review the documents, programs and procedures used to calculate the Owner Participant's internal rate of return but shall have access to all other relevant documents, programs and procedures of the Owner Participant, (ii) shall execute a confidentiality agreement with respect to the subject matter of its review, and (iii) shall return to the Owner Participant any materials of the Owner Participant used by such Verifying Accountant in the course of such verification.

"WTC" shall mean Wilmington Trust Company, a banking corporation organized under the laws of the State of Delaware, and shall also mean any Person acting as a successor Owner Trustee, in its individual capacity.

Exhibit A
to Lease Agreement

LEASE AND INDENTURE SUPPLEMENT NO. 1

Dated September __, 1990

Among

WILMINGTON TRUST COMPANY
not in its individual capacity but solely as trustee,
Lessor/Owner Trustee,

CSX TRANSPORTATION, INC.,
Lessee

and

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY
not in its individual capacity but solely as trustee,
Indenture Trustee

490 Thrall Fully Enclosed Bi-Level Auto Racks
339 Thrall Fully Enclosed Tri-Level Auto Racks

[CSX Trust 1990/FH-1]

CERTAIN RIGHTS, TITLE AND INTEREST IN AND TO THIS LEASE AND INDENTURE SUPPLEMENT NO. 1 AND TO THE RAIL EQUIPMENT COVERED HEREBY OF WILMINGTON TRUST COMPANY, AS OWNER TRUSTEE, HAVE BEEN ASSIGNED TO AND ARE SUBJECT TO A LIEN AND SECURITY INTEREST IN FAVOR OF MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, AS INDENTURE TRUSTEE UNDER AN INDENTURE, MORTGAGE AND SECURITY AGREEMENT DATED AS OF SEPTEMBER 5, 1990. TO THE EXTENT, IF ANY, THAT THIS LEASE AND INDENTURE SUPPLEMENT NO. 1 CONSTITUTES CHATTEL PAPER (AS SUCH TERM IS DEFINED IN THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN ANY APPLICABLE JURISDICTION), NO SECURITY INTEREST IN THIS LEASE AND INDENTURE SUPPLEMENT NO. 1 MAY BE CREATED THROUGH THE TRANSFER OR POSSESSION OF ANY COUNTERPART OTHER THAN THE ORIGINAL COUNTERPART THAT CONTAINS THE RECEIPT THEREFOR EXECUTED BY MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY AS INDENTURE TRUSTEE, ON OR IMMEDIATELY FOLLOWING THE SIGNATURE PAGE THEREOF.

FILED WITH THE INTERSTATE COMMERCE COMMISSION PURSUANT
TO 49 U.S.C. § 11303 ON SEPTEMBER __, 1990
AT __:__ _.M.,RECORDATION NUMBER _____

807/BLULINE

THIS LEASE AND INDENTURE SUPPLEMENT NO. 1, dated September __, 1990, among WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity but solely as Owner Trustee ("Lessor" or "Owner Trustee") under that certain Trust Agreement dated as of September 5, 1990 (the "Trust Agreement") with FIRST HAWAIIAN BANK, an Hawaiian banking corporation, (the "Owner Participant"), CSX TRANSPORTATION, INC., a Virginia corporation (the "Lessee") and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, a Maryland trust company, not in its individual capacity but solely as Indenture Trustee (the "Indenture Trustee").

W I T N E S S E T H:

WHEREAS, Lessor, Lessee and the Indenture Trustee have, with the Owner Participant and the Loan Participants listed on Schedule I thereto, heretofore entered into a Participation Agreement (the "Participation Agreement"), Lessor and Lessee have heretofore entered into a Lease Agreement (the "Lease") and the Indenture Trustee and Owner Trustee have heretofore entered into an Indenture, Mortgage and Security Agreement (the "Indenture"), each dated as of September 5, 1990 (capitalized terms used herein without definitions having the respective meanings set forth in Schedule X to the Lease);

WHEREAS, the Participation Agreement and the Lease provide that on the Closing Date Seller shall deliver to Owner Trustee a Bill of Sale dated such date by which Seller bargains, conveys, assigns, sets over, sells and delivers to Owner Trustee, and Owner Trustee purchases and accepts from the Seller, the Rail Equipment to be conveyed on such Closing Date, and said Bill of Sale has been delivered by Seller and accepted by Owner Trustee on the Closing Date;

WHEREAS, the Participation Agreement, the Lease, and the Indenture provide for the execution of a Lease and Indenture Supplement substantially in the form hereof for the purposes of leasing the Rail Equipment under the Lease as and when delivered by Lessor to Lessee in accordance with the terms thereof and subjecting such Rail Equipment to the Lien of the Indenture;

NOW, THEREFORE, in consideration of the premises and for good and sufficient consideration, Lessor, Lessee and Indenture Trustee hereby agree as follows:

1. Lessor hereby delivers and leases to Lessee, and Lessee hereby accepts and leases from Lessor, under the Lease as hereby supplemented, the Rail Equipment listed on Schedule 1 hereto.

2. Lessee hereby confirms to Lessor that Lessee has accepted such Rail Equipment for all purposes hereof and of the Lease. The date of delivery and acceptance of such Rail Equipment under the Lease is the date of this Lease and Indenture Supplement No. 1 set forth in the opening paragraph hereof. The Lease Term for such Rail Equipment shall commence on the date hereof.

3. The aggregate Lessor's Cost of the Rail Equipment leased hereunder is $26,922,500 and the amounts comprising such Lessor's Cost and the Lessor's Cost of each Unit leased hereunder are set forth on Schedule 1 hereto. The Basic Rent and the Stipulated Loss Values and Termination Values for the Rail Equipment set forth, respectively, on Schedules 2, 3 and 4 hereto shall be applicable in respect of the Rail Equipment leased hereunder on the date hereof.

4. Lessee hereby confirms its agreement, in accordance with the Lease as supplemented by this Lease and Indenture Supplement No. 1, on the Basic Term Commencement Date to pay all or any portion of the Interim Amount required to be paid by the Lessee as a prepayment of Basic Rent for each Unit leased hereunder as provided for in the Lease and on each Payment Date to pay Basic Rent to Lessor for each Unit leased hereunder as provided for in the Lease.

5. In order to secure the prompt payment of the principal of and Premium, if any, and interest on all of the Notes from time to time Outstanding under the Indenture and of all other amounts payable to or for the benefit of the Holders of the Notes and the Indenture Trustee under the Indenture, the Participation Agreement and the Indenture Estate Documents, and the performance and observance by the Owner Participant and the Owner Trustee of all agreements, covenants and provisions contained in the Indenture or in any other Operative Document, Lessor has granted, conveyed, pledged, sold, mortgaged, assigned, transferred and set over a security interest unto the Indenture Trustee in (i) the Rail Equipment listed on Schedule 1 hereto and (ii) this Lease and Indenture Supplement No. 1, in each case excluding Excepted Property and Excepted Rights, to have and to hold unto the Indenture Trustee and its successors and its assigns in trust for the benefit and security for the Holders from time to time of the Notes and for its and their own use and benefit forever.

6. All of the provisions of the Lease and the Indenture are hereby incorporated by reference in this Lease and Indenture Supplement No. 1 to the same extent as if fully set forth herein.

7. This Lease and Indenture Supplement No. 1 may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

8. This Lease and Indenture Supplement No. 1 is being delivered in the State of Maryland and shall in all respects be governed by, and construed in accordance with, the laws of the State of Maryland, including all matters of construction, validity and performance.

IN WITNESS WHEREOF, Lessor, Lessee and Indenture Trustee have caused this Lease and Indenture Supplement No. 1 to be duly executed on the date and year set forth in the opening paragraph hereof.

Lessor/Owner Trustee

WILMINGTON TRUST COMPANY
not in its individual capacity but solely as Owner Trustee

By_____
Title:

Lessee

CSX TRANSPORTATION, INC.

By_____
Title:

Indenture Trustee

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY
not in its individual capacity but solely as Indenture Trustee

By_____
Title:

ATTEST:

By_____
Title:

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Receipt of this original counterpart of this Lease and Indenture Supplement No. 1 is hereby acknowledged this day of September __, 1990.

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY
as Indenture Trustee

ATTEST:

By_____
Title:

By_____
Title:

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STATE OF DELAWARE)
) ss.:
COUNTY OF NEWCASTLE)

On this __ day of September, 1990, before me personally appeared _____, to me personally known, who, being by me duly sworn, says that he is _____ of Wilmington Trust Company, 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.

_____
Notary Public

My Commission Expires:

[Notary Seal]

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STATE OF MARYLAND)
) ss.:
CITY OF BALTIMORE)

On this ____ day of September, 1990, before me personally appeared _____, to me personally known, who, being by me duly sworn, says that he is _____ of CSX Transportation, Inc., 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.

_____
Notary Public

My Commission Expires:

[Notary Seal]

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STATE OF MARYLAND)
) ss.:
COUNTY OF BALTIMORE)

On this ____ day of September, 1990, before me personally appeared _____, to be personally known, who, being by me duly sworn, says that he is _____ of Mercantile-Safe Deposit and Trust Company, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and she acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

_____
Notary Public

My Commission Expires:

[Notary Seal]

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SCHEDULE 1

SCHEDULE OF RAIL EQUIPMENT TO BE DELIVERED

Quantity of Rail Equipment	Road Numbers	Lessor's Cost Per Unit	Aggregate Lessor's Cost
A. Thrall Fully Enclosed Bi-Level Auto Racks			
490	B 4736 through B 5225	$29,000	$14,210,000
B. Thrall Fully Enclosed Tri-Level Auto Racks			
339	T 7040 through T 7328 and T 7579 through T 7628	$37,500	$12,712,500
		Total	$26,922,500

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SCHEDULE 2
to
Lease and Indenture
Supplement No. 1

BASIC RENT

Payment Date	Percentage of Lessor's Cost

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SCHEDULE 3
to
Lease and Indenture
Supplement No. 1

STIPULATED LOSS VALUE

If the event giving rise to an obligation to pay Stipulated Loss Value occurs and the actual date as of which the Owner Participant shall incur Federal income tax consequences (including any interest and penalties payable in respect thereof) shall be earlier or later than the date assumed in calculating the applicable Stipulated Loss Value, such Stipulated Loss Value shall be appropriately adjusted, based upon the date as of which the Owner Participant incurred such tax consequences but otherwise on the same assumptions used to calculate the following values. In any case where Stipulated Loss Value shall be payable, there shall be added to the amount determined pursuant to the following schedule the amount of Premium, if any, payable in respect of the Notes.

Notwithstanding any provision in the Lease to the contrary, the parties hereto acknowledge and agree that the following table of Stipulated Loss Value percentages has been calculated without regard to payment of Basic Rent as of the applicable Payment Date. Accordingly, during the Basic Term, if the payment of Stipulated Loss Value in respect of a Unit is payable on a Payment Date when Basic Rent is payable in arrears, the Lessee shall also pay the Basic Rent with respect to such Unit due on the applicable Payment Date, but only to the extent that such Basic Rent is payable in arrears; and if the payment of Stipulated Loss Value in respect of a unit is payable on a Payment Date when Basic Rent is payable in advance, the Lessee shall not be obligated to pay Basic Rent in respect to such Unit on such Payment Date.

The Stipulated Loss Value set forth in this Schedule 2 shall be applicable in respect of the Rail Equipment leased hereunder on the date hereof.

Payment Date	Percentage of Lessor's Cost

807/BLULINE

SCHEDULE 4
to
Lease and Indenture
Supplement No. 1

TERMINATION VALUE

If the event giving rise to an obligation to pay Termination Value occurs and the actual date as of which the Owner Participant shall incur Federal income tax consequences (including any interest and penalties payable in respect thereof) shall be earlier or later than the date assumed in calculating the applicable Termination Value, such Termination Value shall be appropriately adjusted, based upon the date as of which the Owner Participant incurred such tax consequences but otherwise on the same assumptions used to calculate the following values. In any case where Termination Value shall be payable, there shall be added to the amount determined pursuant to the following schedule the amount of any Premium, if any, payable in respect of the Notes.

Notwithstanding any provision in the Lease to the contrary, the parties hereto acknowledge and agree that the following table of Termination Value percentages has been calculated without regard to payment of Basic Rent as of the applicable Payment Date. Accordingly, during the Basic Term, if the payment of Termination Value in respect of a Unit is payable on a Payment Date when Basic Rent is payable in arrears, the Lessee shall also pay the Basic Rent with respect to such Unit due on the applicable Payment Date, but only to the extent that such Basic Rent is payable in arrears; and if the payment of Termination Value in respect of a Unit is payable on a Payment Date when Basic Rent is payable in advance, the Lessee shall not be obligated to pay Basic Rent in respect to such Unit on such Payment Date.

The Termination Value set forth in this Schedule 3 shall be applicable in respect of the Rail Equipment leased hereunder on the date hereof.

Payment Date	Percentage of Lessor's Cost

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