

RECORDATION NO. 18182 FILED 1488
MAR 30 1993 12-55 PM
INTERSTATE COMMERCE COMMISSION

LOAN AGREEMENT, MORTGAGE, AND ASSIGNMENT

LOAN AGREEMENT, MORTGAGE, AND ASSIGNMENT (the "Agreement") dated as of March 30, 1993, by and between PAC RAIL TRUST I, a Delaware trust having its principal place of business at Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001 (the "Borrower"), and IBJ SCHRODER LEASING CORPORATION, a New York corporation having its principal place of business at One State Street, New York, New York 10004 (the "Lender").

WHEREAS the borrower is a Delaware trust, created by the Trust Agreement dated as of the date hereof (the "Trust Agreement") between Pac Rail, a California corporation, as grantor thereunder (the "Beneficial Owner"), and Wilmington Trust Company, as trustee thereunder (the "Trustee");

WHEREAS the Beneficial Owner has entered into a certain Railroad Equipment Master Lease and schedules and thereto with Illinois Central Railroad Company (the "Lessee");

WHEREAS the Beneficial Owner has financed the acquisition of the railroad equipment covered by the aforesaid Railroad Equipment Master Lease by certain borrowings from Concord Asset Management, Inc., secured by an assignment of the aforesaid Railroad Equipment Master Lease and Schedule 1-A thereto, and a security interest in the railroad equipment covered thereby;

WHEREAS the Beneficial Owner desires to refinance said railroad equipment and discharge the indebtedness to Concord Asset Management, Inc., and the Lender is willing to provide such financing;

WHEREAS in order to effect such refinancing, the Beneficial Owner is conveying all of its right, title, and interest in and to the aforesaid Railroad Equipment Master Lease and the railroad equipment covered thereby to the Borrower pursuant to the Assignment of Lease and Conveyance dated as of the date hereof (the "Conveyance"), and the Borrower is issuing to the Lender a non-recourse promissory note substantially in the form of Exhibit A hereto (the "Note");

WHEREAS, on behalf of the Borrower and the Beneficial Owner, the Lender shall pay such portion of the proceeds of such financing to Concord Asset Management, Inc., for the account of the Beneficial Owner, as is necessary to discharge the indebtedness of the Beneficial Owner in respect of the railroad equipment intended to be covered hereby, and shall pay the balance as the Beneficial Owner shall direct;

WHEREAS, as security for its obligations under the Note, the Borrower is assigning its rights under the aforesaid Railroad Equipment Master Lease and granting to the Lender a security interest in the railroad equipment covered thereby, all pursuant hereto and the Assignment of Lease dated as of the date hereof (the "Lease Assignment"); and

WHEREAS the Beneficial Owner is entering into a Support Agreement dated as of the date hereof (the "Support Agreement") with the Lender, to provide certain representations, warranties, and covenants in support of the Borrower, and to enter into certain other agreements with the Lender.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto hereby agree as follows:

Section 1. Assignment; Grant of Security Interest

As security for the prompt payment of the principal of and interest on the Note and all other amounts owing thereunder and performance of the obligations hereunder and under the Note, and as security for the obligations of the Beneficial Owner under the Support Agreement, the Borrower hereby assigns to the Lender and grants to the Lender a first priority security interest in all of the trust estate created by the Trust Agreement, including all of Borrower's right, title, and interest in and to property consisting of:

(i) railroad equipment, consisting of 300 covered hopper cars bearing the road numbers of Illinois Central Railroad Company set forth in Annex I hereto, and all parts thereof, additions thereto, and replacements thereof (the "Equipment");

(ii) the Railroad Equipment Master Lease dated as of April 6, 1990, between Pac Rail and the Lessee and instruments related thereto and to the Equipment, including Annex I and II thereto, Equipment Schedule No. 1-A thereto and Annex I and II thereto, the Amendment Agreement dated as of May 1, 1992, the Addendum to Equipment Schedule No. 1-A dated February 19, 1993, and the Addendum to Railroad Equipment Lease dated February 19, 1993 (all of the foregoing being hereinafter collectively referred to as the Lease);

(iii) all rental payments and other amounts payable hereafter under the Lease by Lessee to the Borrower;

(iv) all income from and proceeds of any of the foregoing and of the insurance referred to herein

(all of the foregoing trust estate and property being herein referred to as the Collateral).

Section 2. Representations and Warranties of the Borrower

The Borrower hereby warrants and represents:

(i) that it is a trust duly organized and validly existing under the laws of the State of Delaware pursuant to the Trust Agreement, and that it has been formed under, and is subject to the terms of, the Delaware Business Trust Act;

(ii) that the Note, this Agreement, the Conveyance, and the Lease Assignment have been duly authorized, executed and delivered by the Borrower and constitute legal, valid and binding agreements and obligations of the Borrower, and this Agreement is enforceable against the Borrower according to its terms;

(iii) that neither the execution and delivery of the Note, this Agreement, the Conveyance, and the Lease Assignment, nor the consummation of the transactions contemplated herein nor the fulfillment of nor compliance with the terms and provisions hereof or thereof will contravene any law, judgment, governmental rule, regulation or order applicable to or binding on the Borrower or conflict with or result in a breach of any of the terms, conditions or provisions of the Trust Agreement or of any bond, debenture, note, mortgage, indenture, agreement or other instrument to which the Borrower is a party or by which it or its property may be bound, or constitute, with or without the giving of notice or the passage of time or both, a default thereunder, or result in the creation or imposition of any lien, charge, security interest or other encumbrance of any nature whatsoever upon the Collateral pursuant to the terms of any such agreement or instrument.

Section 3. Covenants of the Borrower

The Borrower agrees:

(i) that all payments to be made by the Lessee under the Lease and by the Borrower hereunder shall, unless otherwise directed by Lender, be made by wire transfer of immediately available funds to

IBJ Schroder Bank & Trust Company
One State Street
New York, New York 10004
ABA #026007825

For credit to
IBJ Schroder Leasing Corporation
Account #81476802

(ii) that all right, title and interest of the Borrower in and to the Collateral and any payments with respect thereto shall be expressly subject and subordinate to all of the right, title and interest of the Lender therein; and the Borrower further agrees, without the prior written consent of the Lender, not to amend, modify, rescind, cancel or accept surrender of the Lease or waive any of the provisions thereof or extend the time of payment for payments due thereunder and not to sell, assign or transfer subject to the lien of this Agreement its interest in the Lease or the Equipment or take any other action with respect thereto;

(iii) to keep or cause the Lessee to keep the Collateral free and clear of all mortgages, pledges, liens, charges, security interests and all other encumbrances whatsoever, except those expressly permitted by the Lease or this Agreement and those that the Lessee is obliged to discharge pursuant to the terms of the Lease, and to pay all charges, including without limitation, all taxes and assessments levied or assessed against the Borrower, which if unpaid would constitute a lien on the Collateral or any portion thereof, except that the Borrower shall not be required to pay or discharge any such charges, taxes or assessments so long as it shall, in good faith and by appropriate legal proceedings, contest the validity thereof in any reasonable manner which will not affect or endanger the Lessee's right of quiet enjoyment and use of the Equipment under the Lease or the Lender's security interest in the Collateral pursuant to the Note and this Agreement;

(iv) to execute and deliver any and all papers or documents which the Lender may reasonably request from time to time in order to carry out the purposes hereof, or to facilitate the collection of monies due or to become due from the Lessee;

(v) to notify the Lender immediately upon obtaining knowledge of any Lessee default in the payment or performance of any of the Lessee's obligations under the Lease;

(vi) to provide the Lessee any and all consents, assistance and cooperation necessary for the Lessee to maintain property insurance coverage on the Equipment and public liability insurance showing the Lender as additional insured and loss payee in form, coverage and amounts and with insurance companies satisfactory to the Lender;

(vii) to provide the Lessee any and all consents, assistance and cooperation necessary for the Lessee to keep the Equipment in good repair and operating condition without

any cost or liability to the Lender;

(viii) that all accessions which are or become attached to or part of the Equipment and become the property of the lessor pursuant to the Lease shall become subject to the terms of the Note and this Agreement;

(ix) to allow Lender or its representatives reasonable access to such of Borrower's books and records as may pertain to or contain information relating to the Collateral and to allow Lender or its representatives to make or obtain copies thereof.

Section 4. Rights of the Lender

The Borrower hereby irrevocably constitutes and appoints the Lender and any officer thereof, with the full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Borrower or in its own name, from time to time in Lender's discretion, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, the Borrower hereby gives the Lender the power and right, on behalf of the Borrower and without notice to or assent by the Borrower, to do the following: (i) to endorse any loss payment or returned premium check and to make, settle and release any claim under any insurance policy with respect to the Equipment, (ii) to file any claim or take any other action or proceeding in any court of law or equity for the purpose of collecting any and all monies due under the Collateral, (iii) to file a financing statement or similar instrument to perfect or maintain the perfection of the security interests and assignments hereof, signed only by the Lender in accordance with the Uniform Commercial Code or signed by the Lender as attorney-in-fact for the Borrower, (iv) upon the occurrence and continuance of an Event of Default under the Lease by the Lessee and prior notice thereof to the Borrower, to pay or discharge taxes, liens, security interests or other encumbrances levied or placed on or threatened against the Collateral, to effect any repairs or any insurance called for by the terms of this Agreement or the Lease and to pay all or any part of the premiums therefor and the cost thereof, and (v) upon the occurrence and continuance of any event of default under the terms of the Lease (A) to receive payment of and receipt for any and all monies, claims and other amounts due and to become due at any time in respect of or arising out of any Collateral; (B) to commence and prosecute any suits, actions or proceeding at law or in equity in any court of competent jurisdiction to collect the Collateral or any part thereof and to enforce any other right in

respect of the Collateral; (C) to settle, compromise or adjust any suit, action or proceeding described above and, in connection therewith, to give such discharges or releases as the Lender may deem appropriate; and (D) generally to exercise any and all remedies provided for in the Lease and to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Lender were the absolute owner thereof for all purposes, and to do, at the Lender's option, at any time, or from time to time, all acts and things which the Lender deems necessary to protect, preserve or realize upon the Collateral and the Lender's security interest therein in order to effect the intent of this Agreement, all as fully and effectively as the Borrower might do. The Borrower hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest, shall be irrevocable and shall terminate only upon payment in full of all amounts owing hereunder and under the Note and performance in full of all of the obligations hereunder and under the Note and the termination of this Agreement. The powers conferred on the Lender hereunder are solely to protect the Lender's interest in the Collateral and shall not impose any duty upon it to exercise any such powers. The Lender shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees or agents shall be responsible to the Borrower for any action taken or omitted to be taken in good faith or in reliance on the advice of counsel except for its own gross negligence or willful misconduct.

Section 5. Event of Loss, Early Termination or Prepayment

(a) Upon a Casualty Occurrence (as such term is defined in section 13 of the Lease) with respect to any unit of the Equipment, the Borrower shall pay to the Lender, on the date established in the Lease for payment in respect of such Casualty Occurrence or within ten days thereafter, the following amounts, on a pro-rata basis in accordance with the proportion the Casualty Value specified in the Lease for such unit bears to the Casualty Value of all units of Equipment subject to the Lease prior to such Casualty Occurrence:

(i) the unpaid principal balance of the Note as of the date of payment,

(ii) any accrued and unpaid interest on the Note as of the date of payment,

(iii) any other unpaid amounts due under the Note or this Agreement including any late charges due Lender, and

(iv) a sum equal to the excess, if any, of (A) the net present value of all scheduled remaining principal and interest payments on the Note, discounted at a rate equal to the then existing yield to maturity of United States Treasury obligations with a maturity nearest to one-half the remaining term of the Note, over (B) the amount of item (i) above; provided, however, that the amount payable under this clause (iv) shall be at least equal to two percent (2.0%) of the amount of item (i) above.

Upon the payment of such prepayment amounts, each of the remaining principal installments due hereunder shall be reduced in the proportion that the principal amount of the prepayment made pursuant to this section bears to the unpaid principal amount outstanding immediately prior to such prepayment.

(b) Upon the exercise of an option by Lessee to terminate the Lease prior to its expiration date or upon the written request by Borrower to prepay the Note, with not less than five (5) business days' prior notice, the Note shall be prepaid in whole, but not in part (except that if the Lessee is exercising rights under the Lease to partially terminate the Lease the Note shall be prepaid pro-rata with respect to the actual Schedule or part thereof being terminated), by the payment to Lender no later than the next scheduled monthly loan payment date of the full amount stipulated in Section 5(a) above.

(c) Borrower agrees that the payments stipulated in Sections 5(a) and 5(b) are a reasonable estimate of Lender's damages and do not constitute a penalty.

(d) Notwithstanding anything in Section 8 hereof to the contrary, Borrower shall remain liable for payment of all amounts due Lender under Sections 5(a) or 5(b) except to the extent such amounts are specifically payable by Lessee under the provisions of the Lease.

Section 6. Late Charges and Late Payment Rate

Any payment which is not paid when due shall bear interest from such due date at the rate set forth in the Lease for late payments thereunder (the "Late Payment Rate"); provided, however, that such rate shall not exceed the maximum applicable legal rate.

Any late charge due with respect to a lease payment or interest on other late payments shall be payable by Borrower upon demand by Lender.

Section 7. Right of Lender to Perform for Borrower and Lessee

Upon the occurrence of an Event of Default specified in section 9 hereof, the Lender may, at its option, effect insurance, pay all taxes, assessments, and charges levied on the Equipment or for the storage, maintenance or repair thereof. Any insurance premiums, taxes, assessments and charges so paid shall be secured by this Agreement and shall be payable by the Borrower on written demand by the Lender out of the proceeds of the Collateral with interest at Late Payment Rate.

Section 8. Limitation of Liability

Anything in the Note or this Agreement, or any certificate, opinion or document of any nature whatsoever or under applicable law to the contrary notwithstanding, neither Lender, any transferee of the Note and this Agreement, nor any claimant asserting any rights derived directly or indirectly hereunder shall have any claim, remedy or right to proceed (at law or in equity) against the Trustee or any director, officer, employee or shareholder of the Trustee, for any sum or sums owing on account of the indebtedness evidenced hereby, or for any other liability of any nature whatsoever, from any source other than the Collateral and the trust estate created by the Trust Agreement, it being contemplated by the parties that all such claims will be asserted against the Lease, the Collateral, and such trust estate. However, nothing in this Section 8 shall be, or shall be deemed to be, a release or impairment of the indebtedness evidenced by the Note and this Agreement, or the Lender's security interest in the Collateral, or the assignment of rentals due and to become due under the Lease or to preclude the Lender from resorting to the Collateral in case of default hereunder or from enforcing any of its rights under the Note and this Agreement or the Lease in respect of the Collateral, or be deemed an abrogation of the liability of the Beneficial Owner for any claims arising out of the breach by the Beneficial Owner of any of its representations, warranties, covenants and undertakings set forth in the Support Agreement.

Section 9. Events of Default

Any of the following events shall constitute an **Event of Default** hereunder:

- (i) the Borrower shall have failed to make any payment due hereunder for more than ten days after such payment shall become due;

(ii) an Event of Default under and as defined in the Lease shall have occurred and be continuing (subject to the provisions of the penultimate paragraph of section 10 hereof);

(iii) the Borrower shall attempt to sell, assign, or transfer any of the Collateral, or shall suffer the imposition upon the Collateral or any part thereof of any claim, lien, security interest, encumbrance or charge which is prior to or on a parity with the security interest granted hereunder;

(iv) the Borrower shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by the Borrower hereunder or in any agreement or certificate furnished to the Lender in connection herewith and such failure shall continue unremedied for a period of 30 days after notice thereof to the Borrower;

(v) the Beneficial Owner shall fail to perform or observe any covenant, condition or agreement to be performed or observed by the Borrower under the Support Agreement or in any agreement or certificate furnished to the Lender in connection herewith and such failure shall continue unremedied for a period of 30 days after notice thereof to the Borrower;

(vi) the Beneficial Owner shall default in any payment or performance of obligation arising out of any other transaction with Lender and fail to cure such default or obtain a waiver thereof within the applicable grace period, if any, respecting such default;

(vii) any representation or warranty made by the Borrower herein or in any document or certificate furnished to the Lender in connection herewith shall have been incorrect in any material respect when made;

(viii) any representation or warranty made by the Beneficial Owner in the Support Agreement or in any document or certificate furnished to the Lender in connection herewith shall have been incorrect in any material respect when made;

(ix) the Borrower or the Beneficial Owner shall have become insolvent or bankrupt or admit in writing its inability to pay any of its debts as they mature or make an assignment for the benefit of creditors, or a receiver or trustee shall have been appointed with respect to the Borrower or the Beneficial Owner or any of the trust estate created by the Trust Agreement; or

(x) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under Title 11 of the United States Code or any bankruptcy law or similar law now or hereafter in force for the relief of debtors shall be instituted (i) by the Borrower or the Beneficial Owner or (ii) against the Borrower or the Beneficial Owner and be allowed against the Borrower or the Beneficial Owner or be consented to by the Borrower or the Beneficial Owner, as the case may be, or the Borrower or the Beneficial Owner, as the case may be, shall fail to take action to dismiss or to stay such proceedings within 60 days of such institution.

Section 10. Remedies

If an Event of Default hereunder shall have occurred and be continuing, all of the payments hereunder shall become immediately due and payable, without notice or demand, subject to Section 8 hereof, and it shall then be lawful for the Lender (and the Borrower hereby authorizes and, to the fullest extent that it can, empowers the Lender with the aid and assistance of any persons) to enter upon the premises or such other place as the Equipment may be found and take possession of and carry away the Equipment without the process of law at any time or times, and to dispose of the Equipment and apply the proceeds thereof to the balance hereof or any other obligation arising hereunder, all to the extent permitted by and in accordance with law, all subject to the rights of the Lessee if the Lease shall not then be in default. Subject, as aforesaid, the Borrower shall cause the Equipment to be assembled and delivered to the location on the premises of the Lessee specified by the Lender. The Borrower hereby waives the right to interpose (i) any counterclaims or offsets of any nature or description in any litigation between the Borrower and the Lender with respect to the Note and this Agreement, or (ii) claims arising out of or relating to or connected with the loan secured hereby or the Collateral or repossession thereof.

Subject to the provisions of Section 8 hereof, Lender shall be entitled to reimbursement for all fees of attorneys or collection agencies and all expenses, costs and charges paid or payable to third persons or suffered or incurred by the Lender in attempting or effecting protection or preservation of its security interest in the Collateral or the enforcement of any provision hereof or the enforcement of the Note and this Agreement or in the collection of the amounts secured hereby or in the exercise of any authority, right or remedy conferred upon the Lender herein or by law, together with interest thereon at the Late Payment Rate from the date of the Lender's request for reimbursement until the date of reimbursement.

If the Lessee shall fail to make any payment of rent under the Lease when the same shall have become due, and such failure shall not constitute the third consecutive or fifth cumulative failure, the Lender, as and when it shall have knowledge of such failure, shall promptly notify the Borrower and the Beneficial Owner thereof. If and so long as no other Event of Default hereunder or under the Lease shall have occurred and be continuing, the Borrower may (but need not) within five days of such notice make such payments, together with interest due thereon on account of any delay in such payment, and such payment shall be deemed to cure any Event of Default that arose or would have arisen from such failure by the Lessee. Upon the making of such payment, the Borrower shall be subrogated to the rights of the Lender, as assignee of the Borrower hereunder, in respect thereof, and shall be entitled to receive such payment of rent (together with any interest on account of such payments being overdue) upon its or their receipt by the Lender, but the Borrower shall not attempt to recover such amounts from the Lessee except by demand upon the Lessee or by taking appropriate action in a judicial proceeding against the Lessee, all rights to terminate the Lease or take action against the Equipment being reserved to the Lender hereunder.

All rights, remedies and options conferred upon the Lender hereunder or by law shall be cumulative and may be exercised successively or concurrently and are not alternative or exclusive of any other such rights, remedies or options. No express or implied waiver by the Lender of any default or Event of Default hereunder shall in any way be, or be construed to be, a waiver of any future or subsequent default or event of default. The failure or delay of the Lender in exercising any rights granted to it hereunder shall not constitute a waiver of any such right in the future and any single or partial exercise of any particular right by the Lender shall not exhaust such rights or constitute a waiver of any other right provided herein.

Section 11. Successors and Assigns

The Lender may at any time assign all or any portion of the Note and this Agreement, and the instruments collateral thereto without notice to the Borrower. The Note, this Agreement, and such instruments shall inure to the benefit of the successors and assigns of the Lender.

Section 12. Miscellaneous

(i) Any monies coming into the possession of the Lender hereunder, whether paid by the Borrower or the Lessee or derived from insurance or the proceeds of any sale of the Collateral, shall be applied in whole or in part upon the obligations of the

Borrower and the Borrower's right to specify any such application is hereby waived. If any monies at any time be payable to the Borrower hereunder, the same shall be deposited as the Borrower may direct in writing.

(ii) The Note and this Agreement may not be amended, waived, or discharged, except by an agreement in writing by the party against which or whom enforcement of the amendment, waiver or discharge is sought. In case any one or more of the provisions contained in the Note or this Agreement shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby in such jurisdiction. Any provision of the Note or this Agreement that is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction. Time and exactitude are of the essence hereof.

(iii) Borrower may not merge into or consolidate with or reorganize into another entity.

(iv) The Lender agrees that, so long as no Event of Default hereunder shall occur and be continuing, the Lender, upon receipt from Lessee of immediately available funds in excess of amounts owing to Lender, will remit to Borrower such excess amounts and any taxes which the Lessee shall have paid and included in its payment to the Lender.

(v) Lender agrees that the security interest hereby granted shall secure the obligations of Borrower and the Beneficial Owner expressed herein and shall not secure any other liabilities, covenants, agreements or obligations of Borrower or its successors or assigns.

(vi) Notwithstanding any Event of Default or any other action of Borrower, so long as the Lessee under the Lease is not in default thereunder Lender will not disturb such Lessee's quiet enjoyment under the Lease.

(vii) Notwithstanding the assignment of the Lease contained herein, the Lender shall not be obliged to perform any duty, covenant or condition required to be observed and performed by the Borrower or the Beneficial Owner as lessor under any of the terms of the Lease, and shall not be bound or obliged to perform or see to the performance of any warranty, express or implied, made by the Borrower or the Beneficial Owner as lessor in the Lease or resulting from the provisions thereof, and Borrower expressly acknowledges and agrees that all such covenants,

representations and warranties of lessor provided in the Lease shall be and remain the sole liability of the Borrower. Borrower agrees to indemnify and hold harmless the Lender, its successors and assigns, from any loss, cost and expense (including reasonable legal fees) arising from any defenses, counterclaims or setoffs of the lessee under the Lease based on any actual or claimed failure of the Borrower to perform the obligations of lessor.

(viii) All notices to be made hereunder shall be in writing and (a) if to Borrower, addressed to it in care of the Trustee at the address set forth on page one herein unless otherwise noted in writing, with a copy to the Beneficial Owner at its address set forth in the Support Agreement, and (b) if to the Lender, addressed to it at One State Street, New York, New York 10004. Attention: Vice President - Operations. Either party hereto may change the address to which notice to such party shall be sent by giving written notice of such change to the other party to the Note and this Agreement.

(ix) It is the intention of the parties that the provisions of the Note and this Agreement shall be governed by the laws of the State of New York; provided, however, that the parties hereto shall have all the rights and benefits afforded by section 11303 of Title 49 of the United States Code. The Note and this Agreement each shall take effect as an Instrument under Seal.

(x) For purposes of any action or proceeding involving the Note and this Agreement, Borrower hereby expressly submits to the jurisdiction of all federal and state courts located in the State of New York and the city of New York and consents that any order, process, notice of motion or other application to or by any of said courts or a judge thereof may be served within or without such court's jurisdiction by registered mail or by personal service, provided a reasonable time for appearance is allowed (but not less than the time otherwise afforded by any law or rule).

(xi) BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES (TO THE EXTENT PERMITTED BY APPLICABLE LAW) ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY OF ANY DISPUTE ARISING UNDER OR RELATED TO THIS AGREEMENT, THE NOTE OR ANY OTHER AGREEMENT OR DOCUMENT REFERRED TO HEREIN OR THEREIN AND AGREES THAT ANY SUCH DISPUTE SHALL BE TRIED BEFORE A JUDGE SITTING WITHOUT A JURY.

(xii) All interest due hereunder shall be computed on the basis of a 360-day year of 30-day months.

(xiii) Section headings and captions are inserted for convenience only and shall not affect any construction or interpretation of this Agreement as a whole and not to any

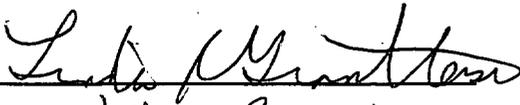
particular section, subsection, paragraph, clause or other subdivision hereof.

(xiv) The principal place of business of the Borrower is at the offices set forth in page one hereof and the Borrower shall notify the Lender immediately and execute additional financing statements, to be filed at the Borrower's expense, should such address change.

PAC RAIL TRUST I
(Borrower)
By Wilmington Trust Company,
not in its individual capacity
but solely as trustee under the
Trust Agreement referred to above

By: 
Title: Senior Financial Services Officer

IBJ SCHRODER LEASING CORPORATION
(Lender)

By: 
Title: Vice President

STATE OF DELAWARE)
)
COUNTY OF *New Castle*) SS.:

On this *26th* day of March, 1993, before me personally appeared *Carolyn C. Daniels*, to me personally known, who, by me being duly sworn, says that he is a *Senior Financial Services Officer* of *Wilmington Trust Company*, the trustee of *Pac Rail Trust I*, that said instrument was signed on behalf of said company 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 company.

Patricia Evans
.....
Notary Public

My commission expires *4/20/95*

STATE OF NEW YORK)
)
COUNTY OF NEW YORK) SS.:

On this *29th* day of March, 1993, before me personally appeared *Udo R. Giannettasio*, to me personally known, who, by me being duly sworn, says that he is a *Vice President* of *IBJ Schroder Leasing Corporation*, that said instrument was signed 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.

.....*Kathleen Keavey*.....
Notary Public

My commission expires

KATHLEEN KEAVEY
Notary Public, State of New York
No. 43-4911557
Qualified in Richmond County
Certificate Filed in New York County *9/3*
Commission Expires November 2, 19*93*

ANNEX I

Description of Units

COVERED HOPPERS BUILT IN 1970
(122 EACH)

IC 765008	IC 765017	IC 765018	IC 765020
IC 765023	IC 765031	IC 765034	IC 765038
IC 765039	IC 765040	IC 765043	IC 765045
IC 765048	IC 765051	IC 765061	IC 765069
IC 765075	IC 765078	IC 765060	IC 765083
IC 765086	IC 765090	IC 765102	IC 765109
IC 765125	IC 765136	IC 765139	IC 765144
IC 765151	IC 765167	IC 765170	IC 765187
IC 765188	IC 765190	IC 765193	IC 765196
IC 765206	IC 765216	IC 765218	IC 765219
IC 765228	IC 765229	IC 765230	IC 765232
IC 765247	IC 765248	IC 765251	IC 765254
IC 765255	IC 765256	IC 765259	IC 765261
IC 765262	IC 765263	IC 765266	IC 765267
IC 765268	IC 765269	IC 765270	IC 765271
IC 765274	IC 765276	IC 765277	IC 765278
IC 765279	IC 765280	IC 765281	IC 765282
IC 765283	IC 765284	IC 765286	IC 765287
IC 765288	IC 765289	IC 765290	IC 765292
IC 765295	ICG 765001	ICG 765002	ICG 765005
ICG 765007	ICG 765011	ICG 765026	ICG 765027
ICG 765029	ICG 765044	ICG 765058	ICG 765062
ICG 765058	ICG 765085	ICG 765095	ICG 765096
ICG 765108	ICG 765116	ICG 765126	ICG 765142
ICG 765145	ICG 765147	ICG 765149	ICG 765157
ICG 765164	ICG 765169	ICG 765172	ICG 765174
ICG 765176	ICG 765179	ICG 765191	ICG 765194
ICG 765195	ICG 765198	ICG 765210	ICG 765231
ICG 765238	ICG 765252	ICG 765258	ICG 765265
ICG 765272	ICG 765285	ICG 765294	ICG 765296
ICG 765297	ICG 765299		

ANNEX I

Description of Units

COVERED HOPPERS BUILT IN 1972
(178 EACH)

IC 765300	IC 765302	IC 765305	IC 765306
IC 765307	IC 765308	IC 765310	IC 765311
IC 765312	IC 765314	IC 765315	IC 765319
IC 765320	IC 765323	IC 765324	IC 765325
IC 765326	IC 765327	IC 765328	IC 765330
IC 765331	IC 765333	IC 765334	IC 765335
IC 765337	IC 765339	IC 765341	IC 765343
IC 765346	IC 765347	IC 765374	IC 765396
IC 765504	IC 765530	IC 765596	IC 765592
ICG 765309	ICG 765313	ICG 765317	ICG 765332
ICG 765352	ICG 765353	ICG 765354	ICG 765355
ICG 765357	ICG 765358	ICG 765359	ICG 765361
ICG 765363	ICG 765364	ICG 765365	ICG 765368
ICG 765372	ICG 765373	ICG 765375	ICG 765376
ICG 765377	ICG 765378	ICG 765379	ICG 765380
ICG 765381	ICG 765382	ICG 765383	ICG 765384
ICG 765385	ICG 765386	ICG 765387	ICG 765388
ICG 765389	ICG 765391	ICG 765392	ICG 765393
ICG 765394	ICG 765395	ICG 765398	ICG 765400
ICG 765402	ICG 765404	ICG 765407	ICG 765409
ICG 765410	ICG 765411	ICG 765412	ICG 765414
ICG 765415	ICG 765417	ICG 765419	ICG 765420
ICG 765421	ICG 765422	ICG 765423	ICG 765425
ICG 765427	ICG 765429	ICG 765430	ICG 765431
ICG 765432	ICG 765433	ICG 765434	ICG 765436
ICG 765440	ICG 765442	ICG 765445	ICG 765446
ICG 765447	ICG 765448	ICG 765450	ICG 765451
ICG 765452	ICG 765453	ICG 765454	ICG 765458
ICG 765459	ICG 765462	ICG 765464	ICG 765465
ICG 765466	ICG 765467	ICG 765469	ICG 765470
ICG 765471	ICG 765473	ICG 765474	ICG 765475
ICG 765476	ICG 765477	ICG 765478	ICG 765479
ICG 765480	ICG 765481	ICG 765483	ICG 765484
ICG 765487	ICG 765488	ICG 765489	ICG 765490
ICG 765493	ICG 765494	ICG 765496	ICG 765498
ICG 765500	ICG 765506	ICG 765507	ICG 765511
ICG 765512	ICG 765513	ICG 765514	ICG 765515
ICG 765517	ICG 765518	ICG 765519	ICG 765520
ICG 765521	ICG 765522	ICG 765523	ICG 765524
ICG 765525	ICG 765527	ICG 765529	ICG 765532
ICG 765533	ICG 765535	ICG 765536	ICG 765537
ICG 765538	ICG 765539	ICG 765540	ICG 765541
ICG 765543	ICG 765544	ICG 765545	ICG 765546
ICG 765548	ICG 765549	ICG 765550	ICG 765552
ICG 765553	ICG 765554		