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WHITE & CASE

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RECORDATION NO 17025 FILED 1425
SEP 27 1990 -10 25 AM
INTERSTATE COMMERCE COMMISSION

SS:JC

September 27, 1990

RECORDATION NO 17025 FILED 1425
SEP 27 1990 -10 25 AM
INTERSTATE COMMERCE COMMISSION

0-270A018

RECORDATION NO 17025 FILED 1425
SEP 27 1990 -10 25 AM
INTERSTATE COMMERCE COMMISSION

Office of the Secretary
Recordations Unit
Room 2303
Interstate Commerce Commission
12th and Constitution Avenue, N.W.
Washington, D.C. 20423

Attention: Ms. Mildred Lee

Dear Ms. Lee:

Enclosed are an original and one certified true copy of each of the documents described below, to be recorded pursuant to 49 U.S.C. § 11303.

The first document, Lease Agreement, dated as of September 1, 1990, is a primary document. The names and address of the parties to such document are as follows:

Wilmington Trust Company
Rodney Square North
Wilmington, Delaware 19890

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

The second document, Indenture and Security Agreement, dated as of September 1, 1990, is a primary document. The names and addresses of the parties to such document are as follows:

Wilmington Trust Company
Rodney Square North
Wilmington, Delaware 19890

Mercantile-Safe Deposit and Trust Company
2 Hopkins Plaza
P.O. Box 2258
Baltimore, Maryland 21203

The third document, Lease and Indenture Supplement, dated September 27, 1990, is a secondary document. The names and addresses of the parties to such document are as follows:

Wilmington Trust Company
Rodney Square North
Wilmington, Delaware 19890

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

Mercantile-Safe Deposit and Trust Company
2 Hopkins Plaza
P.O. Box 2258
Baltimore, Maryland 21203

A description of the equipment covered by each of these documents follows: 60-ft. Boxcars, 50-ft. Boxcars, Jumbo Covered Hopper Cars, and Open Top Hopper Cars. The identifying marks for this equipment are provided in Appendix A attached hereto.

A filing fee of $13.00 is enclosed. Please return the original and any extra copies needed by the Commission for recordation to the undersigned.

A short summary of the documents to appear in the index follows:

Lease Agreement 1 dated as of September 1, 1990, between Wilmington Trust Company, not in its individual capacity but as otherwise expressly provided therein but solely as trustee, as Owner Trustee and CSX Transporta-

tion, Inc., as Lessee, covering up to 145 60-ft. Boxcars, 165 50-ft. Boxcars, 240 Jumbo Covered Hopper Cars, and 125 Open Top Hopper Cars identified by the Lessee in Annex 1.

Indenture and Security Agreement, dated as of September 1, 1990, between Wilmington Trust Company, not in its individual capacity but as otherwise expressly provided therein but solely as trustee, as Owner Trustee and Mercantile-Safe Deposit and Trust Company, as Indenture Trustee, covering up to 145 60-ft. Boxcars, 165 50-ft. Boxcars, 240 Jumbo Covered Hopper Cars and 125 Open Top Hopper Cars identified by the Lessee in Annex 1.

Lease and Indenture Supplement, dated September 27, 1990, among Wilmington Trust Company, not in its individual capacity but as otherwise expressly provided therein but solely as trustee, as Owner Trustee, CSX Transportation, Inc., as Lessee, and Mercantile-Safe Deposit and Trust Company, as Indenture Trustee, covering up to 145 60-ft. Boxcars, 165 50-ft. Boxcars, 240 Jumbo Covered Hopper Cars and 125 Open Top Hopper Cars identified by the Lessee in Annex 1.

Very truly yours,

Susan Scheman

Enclosures

cc: Marianne Rosenberg, Esq.
Donna M. Mazzaferro, Esq.

Interstate Commerce Commission

Washington, D.C. 20423

9/25/90

OFFICE OF THE SECRETARY

White & Case
1155 Avenue Of The Americas
New York,N.Y. 10036-2787

Dear Sir:

The enclosed dcoument(s) was recorded pursuant to the provisions of Section 11303 of the Insterstate Commerce Act, 49 U.S.C. 11303, on 9/27/90 at 10:10:25am , and assigned recordation number(s). 17025,17025-A & 17025-B

Sincerely yours,

Sidney L. Strickland, Jr.

Sidney L. Strickland, Jr.
Secretary

17025
RECORDATION NO. FILED 1425
SEP 27 1990 10 25 AM
INTERSTATE COMMERCE COMMISSION

2

LEASE AGREEMENT

Dated as of September 1, 1990

between

WILMINGTON TRUST COMPANY,
as Owner Trustee,
as Lessor

and

CSX TRANSPORTATION, INC.,
as Lessee

60-FOOT BOXCARS
50-FOOT BOXCARS
MEDIUM COVERED HOPPER CARS
JUMBO COVERED HOPPER CARS
OPEN TOP HOPPER CARS
SMALL COVERED HOPPER CARS

CERTAIN RIGHTS, TITLE AND INTEREST IN AND TO THIS LEASE AGREEMENT AND TO THE RAILCARS COVERED HEREBY ON THE PART 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 AND SECURITY AGREEMENT NO. 1 DATED AS OF SEPTEMBER 1, 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-STATE 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 27, 1990 AT _____ _.M.
RECORDATION NUMBER _____

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(Not Part of Agreement)

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Schedules 1A and 1B -- Basic Rent
Schedule X -- Definitions

Exhibit A -- Form of Lease and Indenture Supplement

LEASE AGREEMENT dated as of September 1, 1990 between WILMINGTON TRUST COMPANY, a Delaware banking corporation, 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 each Closing Date, if the conditions set forth in Sections 5 and 6 (as the case may be) of the Participation Agreement have been satisfied, (i) the Lessor shall purchase from the Seller the Railcars described in the Bill(s) of Sale delivered on such date, (ii) the Lessor shall be deemed to have tendered delivery of such Railcars to the Lessee and the Lessee shall be deemed to have accepted delivery thereof, (iii) the Lessor shall lease such Railcars to the Lessee and the Lessee shall lease such Railcars from the Lessor under this Lease for the Rent and Lease Term hereinafter 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 Railcars 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 Railcars so purchased and leased.

(b) Renewal Terms. Provided that no Default pursuant to Section 14(f) or no Event of Default shall have occurred and then be continuing, the Lessee shall be entitled to renew this Lease pursuant to the following terms and conditions with respect to all, but not less than all, of the 60-Foot Boxcars, all, but not less than all of the 50-Foot Boxcars, all, but not less than all of the Medium Covered Hopper Cars, all but not less than all of the Jumbo Covered Hopper Cars, all, but not less than all of the Open Top Hopper Cars and all, but not less than all, of the Small Covered Hopper Cars then being leased under this Lease on the last day of the Basic Term or any Renewal Term then in effect, 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 any 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 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) and (B) whether a renewal is being elected as a Fixed Rate Renewal pursuant to clause (iii) of this paragraph (b).

(iii) [Intentionally Omitted]

(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 a given Type of Railcar 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 one or more whole years, provided that the aggregate of all Fair Market Renewal Terms for a given type of Railcar shall not exceed five years.

(B) Basic Rent for Railcars of a given Type during each Fair Market Renewal Term shall be the Fair Market Rent in respect of Railcars of such Type for such period (as determined pursuant to the provisions of subclause (C) of this clause (iv)) (the "Fair Market Renewal Rent"), payable in advance on the Renewal Term Commencement Date and on each Payment Date thereafter other than the Payment Date occurring on the expiration of such Fair Market Renewal Term. During each Fair Market Renewal Term, the Stipulated Loss Value for Railcars of a given Type shall (x) on the Renewal Term Commencement Date for such Fair Market Renewal Term, be equal to the Fair Market Sale Value of Railcars of such Type 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 Railcars of such Type 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 a given Type of

Railcar, a determination shall be made (pursuant to the Appraisal Procedure) of (x) the Fair Market Sale Value of Railcars of such Type 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 Railcars of such Type. 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 a given Type of Railcar and shall be completed before the Renewal Term Commencement Date for such Fair Market Renewal.

(v) 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 Railcars 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 with Lessee's lines (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 Lessee shall in good faith designate in writing to the Lessor 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 Lessor may specify prior to the expiration of such storage period (or as soon thereafter as is practicable), provided that the Lessee shall not be obligated to move any Railcar more than once at the request of the Lessor. Any Railcar delivered to a 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 Railcars 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, (ii) the date on which at least 5% of the Railcars subject to this Lease (or such lesser number of Railcars as Lessor may have requested to be delivered into storage or as may remain undelivered under this Lease) shall have been delivered to such Redelivery Location or into storage or (iii) the actual redelivery of such Railcar to such Redelivery Location or

into storage. The Lessee will, at the request of Lessor, store each such Railcar free of charge and at the Lessee's expense and risk on storage tracks selected and owned by the Lessee for a period commencing on the date of the actual delivery thereof to such storage tracks and terminating on a date not later than 45 days after the later of (i) the expiration of the Lease, (ii) or receipt of the Railcar Return Notice, as referenced below, and (iii) the date of actual delivery of such Railcar to such storage track. In addition, the Lessor shall have the right to store each such Railcar 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 railcars of the same or similar Type on its tracks, and such additional storage shall be at the Lessor's expense and risk. The Lessee agrees to notify the Lessor with respect to each such Railcar when (i) an aggregate of 5% of the Railcars subject to this Lease (or such lesser number of Railcars as shall remain undelivered), including such Railcar, shall have been delivered to any one such Redelivery Location and (ii) an aggregate of 10% of the Railcars subject to this Lease (or such lesser number of Railcars as the Lessor may have requested to be placed in storage) shall, including such Railcar, have been placed in such storage (in each case, a "Railcar 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 Railcar on the date the later of the expiration of the Lease, the receipt of such Railcar Return Notice, or the date of actual delivery of such Railcar to such storage track. The Lessee shall indemnify and hold harmless, on an After-Tax Basis, the Lessor, the Owner Participant and, so long as the lien of the Indenture remains undischarged, the Indenture Trustee from any sales or use tax imposed on any Railcar upon its resale or release at any Redelivery Location. The Lessee shall be responsible for all costs and expenses of gathering and storing any Railcar not returned pursuant to the terms of this Section 2 and the Lessee shall continue to insure and bear the risk of loss of any such Railcar in accordance with the Lease until so returned.

If the Lessor or its agent shall inspect any Railcar pursuant to Section 2(d) and shall conclude in good faith that such Railcar 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 Railcars in the condition required by Section 2(d). If, pursuant to the immediately preceding sentence, the Lessor shall have made such conclusion with respect to more than 5% of the Railcars of any one group of Railcars so inspected, the Lessee shall reimburse the Lessor for the portion of its reasonable costs and expenses related to the initial inspection of such non-conforming Railcars. The Lessee will provide the Lessor with notice when such Railcar 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 the date of receipt of such notice to inspect, at the Lessee's sole cost and expense, such Railcar and inform the Lessee if such Railcar is still not in the condition required by Section 2(d) (in which case the provisions of this paragraph shall continue to control and any subsequent inspection required hereunder shall be at the sole cost and expense of the Lessee). The Lessee agrees to pay the daily equivalent of Average Rent on each Railcar 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 Railcar to but excluding the later of (i) the date the Lessee gives the notice described in the next preceding sentence or (ii) the actual redelivery of such Railcar to a Redelivery Location or into storage, as the case may be, if such Railcar was removed from such Redelivery Location or storage for purposes of repair.

(d) Return Condition. At the time of any return, the Railcars so being returned shall be free and clear of all liens, security interests, charges and encumbrances and rights of others (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 (d) and 5 hereof (other than the last sentence of Section 5). Each Railcar redelivered hereunder shall be (i) in a condition suitable for the purpose and use for which it was originally intended and in a condition commercially acceptable to shippers, (ii) in a condition comparable to that of railcars of a similar Type and age and mechanically suitable for interchange generally by the Lessee and (iii) in compliance with the requirements of Applicable Law; provided, however, that it is understood that the Lessee makes no representation or warranty as to

the interchangeability of the Railcars at the expiration of the Lease Term. In addition, each Railcar redelivered pursuant to Section 2(c) shall be in the condition required by Section 5 hereof (other than the last sentence of Section 5), excepting the passage of time and reasonable wear and tear (which shall not be deemed to include damage caused to any Railcar by any corrosive or abrasive substance loaded therein or used in connection therewith, damage caused to any Railcar by excessive unbalanced loading, excessive or unusual damage caused to any Railcar by open flames, vibrations, sledges or other similar devices during loading or unloading operations and damage caused to any Railcar resulting from damaged safety appliances). The Lessor or its agent may inspect any Railcar redelivered hereunder to determine whether such Railcar is in the condition required by this Section 2(d), (i) in the case of a Railcar delivered into storage, at any time prior to 45 days after the date of the Railcar Return Notice in respect of such Railcar and (ii) in all other cases, at such time and location as the Lessor and the Lessee may reasonably establish. 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 Railcar on the date of return in the condition required by Section 2(c) and (d). The Lessee and the Lessor shall bear the cost of their respective independent inspectors or surveyors except as otherwise provided in Section 2(c).

(e) Early Purchase Option. Provided that no Default described in Section 14(f) or no Event of Default shall have occurred and be continuing, the Lessee shall be entitled, upon not less than 180 days' irrevocable prior written notice to the Lessor, to purchase on December 26, 2002 not less than 25% of the 60-Foot Boxcars, not less than 25% of the 50-Foot Boxcars, not less than 25% of the Medium Covered Hopper Cars, not less than 25% of the Jumbo Covered Hopper Cars, not less than 25% of the Open Top Hopper Cars and/or not less than 25% of the Small Covered Hopper Cars (randomly selected by computer generated numbers without regard to the condition of any such Railcars in all cases), then being leased under this Lease for a purchase price equal to (x) if such Railcars are to be purchased free and clear of the lien of the Indenture, the sum of (A) all Basic Rent due, to and including such Payment Date, (B) the greater of (i) 47.30% of Lessor's Cost of such Railcars (in the case of any such Railcars delivered on the Initial Closing Date) or 46.21% of Lessor's Cost of such Railcars

(in the case of any such Railcars delivered on the Final Closing Date), and (ii) the amount specified for such Railcars on such date in the applicable Schedule of Termination Values set forth in the applicable Lease and Indenture Supplement, as adjusted from time to time, (C) the premium and breakage costs, if any, on the Notes being prepaid on such date (as determined in accordance with the proviso to this sentence), (D) any Supplemental Rent then due and (E) sales tax payable in connection with the purchase of such Railcars or (y) if such purchase constitutes an Assumption Event, the sum referenced in (x) above less an amount equal to the sum of (Y) 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 Railcars and the denominator of which is the aggregate Lessor's Cost for all of the Railcars then subject to this Lease and (Z) the amount calculated in subclause (C) of (x) above; provided, that in the event such Railcars are to be purchased free and clear of the lien of the Indenture, the Lessee shall first directly pay the Indenture Trustee the amount required to prepay an aggregate principal amount of Notes calculated as the product of subclauses (i) and (ii) above, together with premium, if any, with respect thereto 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 Railcars to the Lessee on an "as is," "where is," and "with all faults" basis and without recourse or warranty on the part of the Lessor except that the Lessor shall warrant to the Lessee that such Railcars are 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 shall be necessary or appropriate, in the judgment of the Indenture Trustee, to preserve such lien (including, without limitation, any necessary amendments to the Indenture).

(f) Purchase at Expiration of Lease Term. Provided that no Default described in Section 14(f) or no Event of Default shall have occurred and be continuing, the Lessee shall be entitled at the expiration of the Lease Term with respect to the 60-Foot Boxcars, 50-Foot Boxcars, Medium Covered Hopper Cars, Jumbo Covered Hopper Cars, Open Top Hopper Cars and/or Small Covered Hopper Cars to purchase pursuant to the following terms and conditions all, but not

less than all, of the Railcars of such Type then being leased under this Lease 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 Railcars of such Type, request that a determination be made under clause (iv) of this paragraph (f) of the Fair Market Sale Value of Railcars of such Type. 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 Railcars of a given Type, 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 the Railcars of such Type.

(iii) The Lessee shall pay to the Lessor, on the expiration of the Lease Term with respect to Railcars of a given Type, an amount equal to the Fair Market Sale Value for such Railcars, and upon such payment and the payment by the Lessee of all other Rent payable hereunder on or before such expiration date (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 Railcars 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 Railcars are free and clear of all Owner Encumbrances.

(iv) In connection with an actual or prospective purchase by the Lessee of Railcars of a given Type pursuant to this Section 2(f), a determination shall be made (pursuant to the Appraisal Procedure) of the Fair Market Sale Value of Railcars of such Type. 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 Railcars of such Type.

(g) Extension of Lease Term. Upon the expiration of the Basic Term and all applicable Renewal Terms, the Lease Term for any Railcar shall be extended for any period

necessary for the return of such Railcar to the location designated pursuant to Section 2(c); provided, that no such extension shall exceed 90 days. In addition to any other remedy the Lessor may be entitled to for failure by the Lessee to timely redeliver the Railcars on or prior to such 90th day, the Lessee agrees to pay the daily equivalent of Average Rent on each Railcar not so timely redelivered from and including the final Payment Date to but excluding the date of actual redelivery hereunder.

SECTION 3. Disclaimer of Warranties. (a) No Representation or Warranty. THE LESSEE ACKNOWLEDGES THAT (i) THE RAILCARS ARE OF DESIGN AND MANUFACTURE SELECTED BY THE LESSEE, (ii) THE RAILCARS ARE SUITABLE FOR THE LESSEE'S PURPOSES AND (iii) NEITHER THE LESSOR NOR ANY PARTICIPANT IS A MANUFACTURER OR DEALER IN SUCH PROPERTY AND HAVE NOT EXPECTED THE RAILCARS PRIOR TO DELIVERY TO AND ACCEPTANCE BY THE LESSEE. THE LESSEE ACKNOWLEDGES THAT NONE OF THE OWNER PARTICIPANT, THE LESSOR NOR ANY PARTICIPANT MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WAIVES, AS BETWEEN ITSELF AND THE LESSOR AND ANY PARTICIPANT, ANY AND ALL RIGHTS, OR CLAIMS AS TO THE DESIGN, OPERATION OR CONDITION OF THE RAILCARS OR AS TO THE TITLE, VALUE, CONDITION, DESIGN OR MERCHANTABILITY OF THE RAILCARS, OR AS TO THE FITNESS OF THE RAILCARS FOR ANY PARTICULAR USE OR PURPOSE, OR AS TO THE ABSENCE OF LATENT OR OTHER DEFECTS WHETHER OR NOT DISCOVERABLE, OR AS TO THE ABSENCE OF ANY INFRINGEMENT OF ANY PATENT, TRADEMARK OR COPYRIGHT, OR AS TO THE ABSENCE OF ANY OBLIGATIONS BASED ON STRICT LIABILITY IN TORT OR, EXCEPT AS SET FORTH IN SECTION 3(b), ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE RAILCARS AND UNDER NO CIRCUMSTANCES WHATSOEVER SHALL W&C OR THE LESSOR OR ANY PARTICIPANT BE LIABLE OR RESPONSIBLE TO THE LESSEE FOR ANY CONSEQUENTIAL DAMAGES. THE PROVISIONS OF THIS SECTION 3 HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND, EXCEPT AS PROVIDED ABOVE, NEGATION OF ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, BY THE LESSOR AND ANY PARTICIPANT IN ANY CAPACITY, WITH RESPECT TO ANY RAILCAR, OR ANY PART THEREOF WHETHER ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OR ANY OTHER LAW NOW OR HEREAFTER IN EFFECT OR OTHERWISE.

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

SECTION 4. Use and Operation of Railcars. 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 Railcars leased hereunder and may use such Railcars in any lawful trade or commerce, provided that the Lessee shall use each Railcar only in the manner for which it was designed and intended and that such Railcars shall not be used or operated in any manner contrary to any Applicable Law.

SECTION 5. Maintenance. The Lessee, at its own expense and risk shall throughout the Lease Term maintain, and repair so as to keep the Railcars in good operating condition, ordinary wear and tear excepted, and in accordance with maintenance standards at least equal to the industry standards of maintenance for similar railcars 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 by it at such time (or operated by the Lessee at such time under net leases with an original term of five terms or more) so that such Railcars will remain (i) in as good operating condition as when originally delivered (ordinary wear and tear excepted), (ii) in compliance with any and all Applicable Law and industry regulations, (iii) mechanically suitable for interchange generally by the Lessee and (iv) eligible under all manufacturer's warranties. The Lessee agrees that it will not discriminate against any Railcar (as compared to other similar Railcars owned or operated by the Lessee under net leases with an original term of five years or more) 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 Railcar for any reason at and for any time, during which time the Lessee shall not be required to maintain or repair such Railcar; provided, however, that (x) the Lessee shall remain responsible for the preservation, safekeeping, use, operation and safe storage of such Railcar, (y) the Lessee's actions with respect to such Railcar shall not impair the value, utility, useful life or residual value that such Railcar would have had it been kept in service and maintained in accordance with this Lease and (z) the foregoing shall not affect any of the Lessee's obligations to return such Railcar in the manner and condition specified in Section 2(c) and (d).

SECTION 6. Inspection. The Owner Trustee, the Owner Participant and the Indenture Trustee, or their auth-

orized representatives, may at any time, upon reasonable notice and at their own risk and expense, inspect the Railcars and applicable maintenance and use records relating thereto, and the Lessee shall make the foregoing available to the Lessor, but neither the Owner Trustee, 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 Railcars; 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 Railcars as shall be required in order to comply with Section 5. In addition, the Lessee may make such other Improvements to the Railcars as the Lessee may deem desirable but only to the extent that (i) in the case of Severable Improvements, such Severable Improvements are readily removable without causing damage to the Railcars and without impairing its commercial value (determined as if such Improvements had not been made) beyond a de minimis extent and (ii) in the case of Nonseverable Improvements, such Nonseverable Improvements do not diminish the Railcars' fair market sale value, remaining expected useful life, productive capacity, residual value or utility.

(b) Title; Removal of Severable Improvements. Title to each Nonseverable Improvement shall, without further act, vest in the Lessor. Title to each Severable Improvement shall, without further act, vest or remain, as the case may be, in the Lessee, and, provided no Default described in Section 14(f) or Event of Default shall then have occurred and be continuing, 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 Railcars 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 free and clear of all rights of the Lessee, without further act. 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 Railcar, remove any item of property constituting a part of such Railcar, 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, encumbrances and rights of any Person (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 Railcar as provided in the preceding sentence shall remain the property of the Lessor free and clear of all rights of the Lessee 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 Railcar for all purposes hereof, subject to the lien of the Indenture.

(d) Identification Marks. The Lessee shall (i) cause, as soon as practicable after a given Railcar becomes subject to the terms of this Lease, such Railcar to be kept numbered with the identifying number as set forth in Schedule 1 to the Lease Supplement executed and delivered on the relevant Closing Date and (ii) to keep and maintain, as soon as practicable after such Railcar becomes subject to the terms of this Lease, plainly, distinctly, permanently and conspicuously marked on both sides of such Railcar 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 Railcar 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 Railcar to be changed except in accordance with a Lease amendment or statement of new identifying numbers to be substituted therefor, which Lease

amendment or statement shall have been previously filed, recorded or deposited with the Lessor and Indenture Trustee and in all public offices where this Lease will have been filed, recorded and deposited and the Lessee shall provide to the Indenture Trustee the Lessor and each Participant an Opinion of Counsel to that effect and to the further effect that such filing, recordation and deposit will protect the Indenture Trustee's and the Lessor's interests in such Railcar and that no further filing, recording, depositing or giving of notice with or to any other Federal, state or local government or agency thereof is necessary to protect the interest of the Indenture Trustee and the Lessor in such Railcar. The Lessee shall have the right at its expense to display indicia of operation of any Railcar by the Lessee or any Affiliate of the Lessee and identify such Railcar with such name as the Lessee may elect.

(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 Railcar, or any part thereof, that would cause such Railcar to become "limited use property" within the meaning of Rev. Proc. 76-30.

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 create, assume, incur or permit to exist any lien or security interest on or with respect to any Railcar, other than Permitted Encumbrances. The Lessee shall notify the Lessor promptly of the imposition of any such lien or security interest and shall at its own cost and expense 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 or security interest; provided, that notwithstanding the foregoing, the Lessee shall have the right to contest any such lien or security interest in good faith by appropriate proceedings, diligently prosecuted or appealed so long as such lien or security interest does not involve any non-de minimis risk of a sale, forfeiture or loss of such Railcar and so long as the Lessee has provided adequate security therefor in the reasonable opinion of the Lessor and the Indenture Trustee.

(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 and security interests that are not Permitted Encumbrances or Owner Encumbrances or in the event that any Railcar shall be at-

tached, 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 or security interest, the Lessee shall cause such Railcar to be released and all such liens and security interests to be promptly discharged (except to the extent that the same shall be contested by the Lessee in good faith by appropriate proceedings and shall not affect the continued use of such Railcar). The Lessee shall protect, save and keep harmless the Owner Participant, the Lessor, 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 or security interests 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 Trustee or any Holder for any consequential damages.

SECTION 9. Rent. (a) Interim Rent. The Lessee agrees to pay, to the extent not paid by the Owner Trustee pursuant to Section 3(b)(i) of the Participation Agreement, Interim Rent for the Interim Term in one installment due on the Basic Term Commencement Date, in an amount, if any, equal to the amounts agreed to be paid by the Owner Trustee pursuant to Section 3(b)(i) of the Participation Agreement and not paid. The Owner Trustee agrees to give notice to the Lessee and the Indenture Trustee at least five Business Days prior to the first day of the Basic Term if the funds for the payment required to be made by the Owner Participant pursuant to Section 3(b)(i) of the Participation Agreement will not be paid by the Owner Trustee to the Indenture Trustee in an amount equal to the amount required pursuant to Section 3(b)(i) of the Participation Agreement. If and to the extent that the Indenture Trustee on the first day of the Basic Term shall not have received funds for the payment in full of the amounts then due on the Notes, the Lessee shall pay on such date all or such portion of the Interim Rent as shall remain unpaid. The Lessee shall have the right to recover the amount, if any, of Interim Rent paid by it pursuant to this paragraph 9(a) on the terms and condi-

tions set forth in Section 3(b)(ii) of the Participation Agreement.

(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 occurring after the Basic Term Commencement Date during the Basic Term, Basic Rent for each Railcar, payable in semi-annual installments, each in an amount equal to the product of the Lessor's Cost for such Railcar multiplied by the percentage listed in Schedule 1A to this Lease in the case of Railcars delivered on the Initial Closing Date and in Schedule 1B to this Lease in the case of Railcars delivered on the Final Closing Date in the case of the Small Covered Hopper Cars 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 Section 2(c) or 2(g), Basic Rent, payable on the date such Railcars 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. Notwithstanding any other provisions of this Section 9 (including without limitation any adjustments made pursuant to paragraphs (e) and (f) hereof), on each Payment Date the Lessee shall pay as Basic Rent (without any deductions or offsets) to the Indenture Trustee for the account of the Lessor an amount at least sufficient to pay in full any payment then required to be made on account of principal of, and interest on, the Notes then Outstanding (other than by reason of acceleration of maturity thereof). 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 Interim Rent and 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, 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 Interim Rent, 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, except in the case of a Premium payable pursuant to Section 403 of the Indenture, any premium or breakage costs, if any, payable with respect to the Notes shall be payable, in accordance with the terms of the Indenture, as Supplemental Rent.

(d) Manner of Payment; Unconditional Payment. Except as otherwise provided in paragraph (g) of this Section 9, 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, except as otherwise provided in the Indenture. All Interim Rent, 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. on the day when each such payment shall be due. Except as specifically provided in this Lease, the Lessee's obligation to pay Interim Rent, 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, offset, 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 Railcar, 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 merchantability or fitness for use of such Railcar, (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, such Railcar 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 other Person or any agreement referred to in the Lease or any other Operative Document, (vi) any breach of any representation or warranty of, or any act or omission of, the Lessor, the Indenture Trustee or any Participant under this Lease or any of the other Operative Documents, (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 such Railcar 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 such Railcar 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, the Participation Agreement or any other Operative Document, (x) the lack of right, power or authority of the Lessor or any other Persons to enter into this Lease, the Participation Agreement or any other Operative Document, (xi) any ineligibility of such Railcar 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 (xiv) 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 and Supplemental 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 Interim Rent, 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 Termination Value percentages shall be adjusted by the Owner Participant to maintain the Net Return.

(f) Other Adjustments. After the Final Closing Date and on or prior to the Basic Term Commencement Date, the Interim Rent, the Basic Rent percentages set forth in Schedules 1A and 1B to this Lease, the Stipulated Loss Value percentages and Termination Value percentages set forth in Schedules 2 and 3 respectively, to each Lease and Indenture Supplement delivered in accordance with the terms hereof and of the Participation Agreement, the percentage set forth in Section 2(e)(x)(B)(i) and, within the constraints and subject to the provisions of the Indenture, the amortization payment structures of the Notes, shall be adjusted upward or downward if:

(i) delivery and acceptance of any Railcars shall not occur on the dates and in the amounts (each as to the number and type of such Railcars to be delivered on such dates and the purchase prices thereof) set forth in Exhibit F to the Participation Agreement as in effect on the date of execution thereof;

(ii) the length of the Interim Term with respect to any Railcar is different than assumed in calculating Basic Rent, Stipulated Loss Value and Termination Value percentages;

(iii) the allocation of Lessor's Cost, based on the determination of the value of the stripped hulk set forth in the Appraisal between portions of property subject to depreciation under the MACRS Method or under the ADR Method varies from the allocation assumed in

calculating Basic Rent, Stipulated Loss Value and Termination Value percentages;

(iv) Lessor's Cost for any Unit varies from that set forth in the Operative Documents by more than 5%;

(v) the interest rate on or amortization schedule of the Notes varies from the interest rate and amortization schedule assumed in calculating the Basic Rent, the Stipulated Loss Value and Termination Value Percentages;

(vi) Transaction Costs are other than 1.0% of the aggregate Lessor's Cost for the Railcars; or

(vii) any of the Tax Assumptions with respect to any Railcar becomes inaccurate as a result of a change in the Code, including any technical corrections act, regulations, revenue ruling or other tax law proposed, promulgated or enacted on or prior to the Closing Date for any such Railcar;

which adjustments shall be calculated for all periods from and after the Initial Closing Date, shall be effective as of such date and shall be such as to maintain the Owner Participant's Net Return (calculated in a manner consistent with the assumptions and calculation method used by the Owner Participant, after giving effect to the changed factors taken into account in such adjustments and to the extent consistent therewith shall minimize the net present value (computed utilizing a discount rate equal to 9.983%) of Basic Rent payments. Such adjustments shall also be made if Additional Notes are issued pursuant to Section 20 of the Participation Agreement and if the Lessee makes an election under Section 7(a) (i) of the Tax Indemnification Agreement pursuant to the terms thereof.

Each adjustment made pursuant to this paragraph (f) shall satisfy the requirements of (i) in the case of adjustments pursuant to Section 20 of the Participation Agreement or Section 7(a)(i) of the Tax Indemnification Agreement, 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 Sections 9(f)(i) through (vii) (other than an adjustment pursuant to Section 9(f)(vii) relating to Section 467 of the Code), to the extent practicable, Section 467 of the Code as in effect on the Initial 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), (iii) in the case of an adjustment pursuant to Section 9(f)(vii) relating to Section 467 of the Code, Section 467 of the Code as in effect on the Closing Date for any Railcar and (iv) in all cases (and utilizing the Appraisal delivered on the Initial Closing Date), on a prospective basis, Rev. Procs. 75-21 and 75-28 as in effect on the Initial 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 to the extent the same was not satisfied as of the Initial 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 and Note amortization payment structures (within the constraints and subject to the provisions set forth in the Indenture) similar to those in effect on the Initial 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 9.983%) of the recalculated or adjusted Basic Rent that is 10 or more basis points higher than the net present value (at such rate) of the Basic Rent as determined by the Verifying Accountant.

(h) 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 Notes 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 Notes from time to time outstanding. Any premium payable with respect to the Notes 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 Notes, 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 Initial Closing Date, at its own expense, carry and maintain or cause to be carried and maintained (i) property insurance with respect to each Railcar subject to this Lease and (ii) public liability insurance with respect to third party personal and property damage, in each case with such deductibles, in such amounts, against such risks with such insurance companies of recognized responsibility and subject to such self-insurance, in each case as is consistent with Class I Railroad industry prac-

tice, and in any event, in amounts not less than and against such risks so as to be no less protective than the insurance, if any, maintained by the Lessee with respect to similar railcars owned or leased by the Lessee.

(b) If, and for so long as, 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 request of the Lessor or the Indenture Trustee, the Lessee shall cause each of the Owner Participant, the Owner Trustee (in its individual capacity and as trustee) and the Indenture Trustee to be named as additional insureds under any public liability insurance maintained by the Lessee.

(c) The proceeds of any insurance for damage to any Railcar not constituting an Event of Loss shall be applied in payment for the repair of such damage to the extent required to maintain such Railcar 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 be paid over to, or retained by, the Lessee.

(d) 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 Railcar to be used in a manner not permitted under the insurance policies, if any, maintained hereunder without first covering such Railcar for such use.

(e) Any Participant, the Indenture Trustee or the Owner Trustee may at its own expense provide insurance on or with respect to the Railcars 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.

(f) 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-

cars not less than ten days prior to the Initial Closing. 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.

SECTION 11. Loss, Requisition or Seizure. (a) Requisition. A taking of any Railcar for use by any governmental entity shall not terminate this Lease with respect to such Railcar, but the Lessee shall remain liable for all its obligations hereunder and under the other Operative Documents with respect to such Railcar, 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 Railcar as a result of such taking during the Lease Term shall be paid over to, or retained by, the Lessee except if a Default described in Section 14(a), (b) or (f) or an Event of 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 immediately upon the curing of such Default or Event of Default. Provided no Default described in Section 14(a), (b) or (f) or Event of Default shall have occurred and be continuing, after an Event of Loss with respect to a Railcar, all payments received by the Lessor or the Lessee for use of such Railcar under this paragraph (a) shall be paid over to, or retained by, the Lessee if the Lessee has either made payment to the Lessor for any such Railcar as provided in Section 11(b) or replaced any such Railcar as provided in Section 11(c); otherwise all such payments shall be retained by or paid over to the Lessor or to whomever shall be entitled to receive the same subject to an accounting between the Lessor and the Lessee immediately upon the curing of such Default or Event of Default.

If an Event of Loss would otherwise occur upon the expiration of the Basic Term or any Renewal Term then in effect with respect to the taking or requisition of a Railcar by any governmental entity, prior to the expiration of the twelve month grace period in respect of an Event of Loss

due to such taking or requisition, then the Lessor shall be entitled to elect by written notice to the Lessee within 30 days after the expiration of the Basic Term or the Renewal Term then in effect to accept return of such Railcar on an "as is", "where is" basis, subject to all risk of loss and to such taking or requisition, in lieu of declaration of an Event of Loss in respect of such Railcar. The Lessor will use reasonable efforts to notify the Lessee of its election prior to the expiration of the Basic Term or the Renewal Term then in effect, if such taking or requisition occurs sufficiently in advance of the expiration such of the Basic Term or the Renewal Term then in effect to allow the Lessor to evaluate its options, and the taking or requisition, in the Lessor's opinion, is reasonably likely to be continuing on such expiration date.

(b) Event of Loss. Subject to the provisions of paragraph (c) below, on the Payment Date next succeeding the date of such Event of Loss (but no later than 90 days after the final Payment Date or no later than 90 days after the redelivery of the Railcars whose Lease Term has been extended pursuant to Section 2(c) or (g)), the Lessee shall pay to the Lessor, or to whomever shall be entitled to receive the same, (w) the Stipulated Loss Value for any Railcar 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 Railcar 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(c) or (g), computed as of the final Payment Date), plus (x) 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 (y) the Basic Rent payable on such Payment Date (if and to the extent Basic Rent is then being paid in "arrears," as provided in the applicable Lease and Indenture Supplement) plus (z) all other unpaid Rent for such Railcar accrued to the date of such payment of Stipulated Loss Value due in respect of such Event of Loss. 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 Railcar shall terminate.

All payments received by the Lessor or the Lessee from any governmental authority or otherwise as compensation

for an Event of Loss with respect to any Railcar shall be applied in reduction of the Lessee's obligation to pay the Stipulated Loss Value of such Railcar, 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 balance, if any, of such payments shall be shared between the Lessee and the Lessor as their interests may appear, provided, however that the balance of any such payments constituting insurance payments shall be retained by the Lessee. 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 a Railcar subject to an Event of Loss, this Lease shall terminate with respect to such Railcar and the Lessee or its designee (i) shall be subrogated to all rights that the Lessor shall have with respect to such Railcar, (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 reasonably require) of any or all such rights, together with all the Lessor's right, title and interest in and to such Railcar, 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 Railcar 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 Railcar. The Lease Term shall terminate with respect to such Railcar upon payment of Stipulated Loss Value and all Rent therefor then owing.

(c) Replacement. Provided no Default described in Section 14(f) or Event of Default shall have occurred and be continuing in lieu of payment of all or a portion of the Stipulated Loss Value for any Railcar 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 Railcar with respect to which an Event of Loss occurred, title to a Replacement Railcar free and clear of all liens other than Permitted Encumbrances and having a value, utility and useful life at least equal to, and being in as good operating condition as, such Railcar with respect to which an Event of Loss occurred assuming such Railcar was in the condition and repair required by the terms hereof immediately prior to the occur-

rence of such Event of Loss (other than the last sentence of Section 5). 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 Railcar 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, is entitled to the benefits of Section 1168 of the Federal Bankruptcy Code with respect to such Replacement Railcars, provided that the opinion described in this clause (ii) shall only be required if and to the extent that the Lessee has elected pursuant to this subsection (c) to replace more than 10%, in the aggregate, of the original number of Railcars of any one Type delivered on a Closing Date. Upon full compliance by the Lessee with the terms of this subsection (c) as determined by the Lessor in good faith, the Lessor will transfer to the Lessee, without recourse or warranty (except as to the absence of Owner Encumbrances) and subject to a disclaimer satisfactory to the Lessor of all liabilities, including tort and negligence with respect to such Railcar, all of the Lessor's right, title and interest, if any, in and to such replaced Railcar with respect to which an Event of Loss occurred. For all purposes hereof, each such Replacement Railcar shall, after such conveyance, be deemed part of the property leased hereunder and shall be deemed a "Railcar" as defined herein. No Event of Loss with respect to a Railcar under the circumstances contemplated by the terms of this Section 11(c) shall result in any reduction in Basic Rent. Lessee shall indemnify the Owner Participant against any adverse tax consequences suffered by the Owner Participant as a result of such replacement in accordance with Section 13.2 of the Participation Agreement and the Tax Indemnification Agreement.

SECTION 12. Termination for Obsolescence.
(a) Notwithstanding any provision herein contained to the contrary, so long as no Event of Default or Default shall have occurred and be continuing, in the event that a Responsible Officer of the Lessee shall in its reasonable judgment make a determination that certain of the Railcars 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 or the Lessee's obligations hereunder),

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 60-Foot Boxcars, not less than 20% of the 50-Foot Boxcars, not less than 20% of the Medium Covered Hopper Cars, not less than 20% of the Jumbo Covered Hopper Cars, not less than 20% of the Open Top Hopper Cars and/or not less than 20% of the Small Covered Hopper Cars then being leased under this Lease, in all cases randomly selected without regard to the condition of each Type of such Railcars, respectively, 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 a 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 (i) the Termination Date shall occur on or after the fifth anniversary of the applicable Closing Date for each such Railcar, (ii) on the Termination Date such Railcar shall be in the same condition and at the same location as if being returned pursuant to Section 2 free and clear of all liens, charges, security interests and encumbrances (except as permitted by Section 2(d)), and (iii) 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 (x) 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," as provided in the applicable Lease and Indenture Supplement) to the payment due on such date and (y) a fraction the numerator of which is the Lessor's Cost for the Railcars so being designated as obsolete or surplus and the denominator of which is the aggregate Lessor's Cost for all of the Railcars then subject to this Lease.

(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 Railcars, and the Lessee shall certify to the Lessor the amount of any such bid and the name and address of the party submitting any such bid. On the Termination Date (or such later date as the Lessor and the Lessee may mutually agree) the Owner Trustee shall sell such Railcars for cash to the bidder who shall have submitted the

highest bid prior to the Termination Date; provided, however, that the purchaser of such Railcars shall be a Person other than the Lessee, any Affiliate of the Lessee or any successor or assign of the Lessee. The sales price (net of costs and expenses (including all applicable sales taxes) of the Lessor and of 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 Railcars, computed as of such Payment Date, exceeds (ii) the sales price of such Railcars net of costs and expenses (including all applicable sales taxes) of the Lessor and the Owner Participant (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 amount specified in clause (i) above); provided, however, that any sale proceeds (net of the costs and expenses (including all applicable sales taxes) of the Lessor and of the Owner Participant) 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," as provided in the applicable Lease and Indenture Supplement) payable on such Payment Date plus all other Rent then due. If no sale shall occur on the date scheduled therefor as above provided, this Lease will continue in full force and effect. In the event of termination of this Lease 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 Railcars on each Payment Date shall terminate. The Lessor shall be under no duty to solicit bids (but shall have the right to do so), 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 Railcars. Any sale pursuant to this Section 12 shall be free and clear of the Lessee's rights to such Railcars, and any Owner Encumbrances but otherwise shall be made without any representation, recourse or war-

ranty whatsoever on the part of the Lessor except that the Lessor shall warrant to the purchaser that such Railcars are free and clear of all Owner Encumbrances.

(c) The foregoing provisions of Section 12(b) to the contrary notwithstanding, the Lessor may, by notice in writing given to the Lessee on or prior to the Termination Date, elect to retain such Railcars, in which event the Lessor shall (i) pay, or provide for the payment of, an aggregate principal amount of the Notes Outstanding equal to the sum of (x) 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," as provided in the applicable Lease and Indenture Supplement) to the payment due on such date and (B) a fraction the numerator of which is the aggregate Lessor's Cost for such Railcars so being designated as obsolete or surplus and the denominator of which is the aggregate Lessor's Cost for all of the Railcars then subject to this Lease, and (y) premium and breakage costs (if any) and accrued interest on the amount of principal calculated in clause (x) to the Termination Date, and (ii) upon receipt from the Lessee of the amount of Basic Rent (if and to the extent Basic Rent is then being paid in "arrears," as provided in the applicable Lease and Indenture Supplement) payable on such Termination Date plus all other Rent then due, shall deliver to the Lessee a release of all obligations of the Lessee to pay additional Basic Rent with respect to such Railcars, as well as of the obligation of the Lessee to pay Termination Value in respect thereof.

SECTION 13. Assignment and Sublease. (a) Assignment. If no Event of 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 shall be considered as a factor 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, no such consent of the Lessor or the Indenture Trustee shall be required in the case of an assignment to (i) 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 or (ii) as expressly permitted in Section 27 of the Participation Agreement and provided, further, that such assignment shall be evidenced by documentation satisfactory in form and substance to the Lessor, the Owner Participant and the Indenture Trustee ensuring the performance by the assignee of all of the Lessee's obligations hereunder including, without limitation, the Lessee's obligations under Section 5 hereof. 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. The Lessee agrees to give reasonable prior notice to the Lessor and the Indenture Trustee of any such assignment of which a Responsible Officer of the Lessee has actual knowledge. Any assignment done in violation of this Section 13(a) shall be void.

(b) Sublease. The Lessee shall have the right, so long as no Event of Default shall have occurred and be continuing, to enter into a sublease of or interchange arrangement for any Railcar provided that 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 or interchange arrangement were not in effect. No such sublease shall relieve the Lessee of its obligations hereunder which shall be and remain those of a principal and not a surety.

(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 Owner Trustee. The Lessor agrees that it will not assign or transfer its right, title and interest in and to this Lease or any Railcar, 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 Railcar 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 or other Applicable Law):

(a) the Lessee shall fail to make any payment of Basic Rent, Interim Rent, Fixed Rate Renewal Rent, Fair Market Renewal Rent or Supplemental Rent (to the extent such Supplemental Rent constitutes payment of premium on the Notes) on the date the same shall become due and such failure shall be continuing at the end of the 10th Business Day after such payment shall become due; or

(b) the Lessee shall fail to make any payment of Supplemental Rent other than Supplemental Rent which constitutes payment of premium on the Notes (or any other payment required hereunder other than Basic Rent, Interim Rent, Fixed Rate Renewal Rent, Fair Market Renewal Rent and Supplemental Rent which constitutes payment of premium on the Notes) 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 or shall otherwise breach in a material respect any other covenant, condition or agreement to be performed or observed by it hereunder or under any other Operative Document to which it is a party (except for the Tax Indemnification Agreement) and either (x) 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, in the reasonable opinion of the Lessor or the Owner Participant, result in any criminal penalty or material civil penalty for the Lessor or the Owner Participant and will not, in the reasonable opinion of the Lessor or the Owner Participant, have a material

adverse effect on the aggregate value of the Railcars then being leased hereunder) or (y) the Lessee shall not have cured such failure (in the case of a cure that can be effected by the payment of money or which may, in the reasonable opinion of the Lessor or the Owner Participant, have a material adverse effect on the aggregate value of the Railcars then being leased hereunder or result in any criminal penalty or material civil penalty for the Lessor or the Owner Participant) 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, that the failure by Lessee to cure such a failure referred to in clause (x) within six months (15 months in the case of a Default under Section 5 hereby) after receiving such notice shall constitute an immediate Event of Default; 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 (other than representations or warranties relating to the Appraisal) 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; or the Lessee makes a general assignment for the benefit of its creditors; or the Lessee admits in writing its inability to pay its debts generally as they become due, or is unable to pay or is generally not paying its debts as they become due.

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 Railcars, or cause the Railcars to be redelivered, to the Lessor with all reasonable dispatch and in the same manner and in the same condition as if the Railcars were being redelivered in accordance with all the provisions of Sections 2(c) and 2(d) and all obligations of the Lessor under said Sections shall apply to such redelivery, provided, that (i) Basic Rent shall continue to accrue on each Railcar until it is redelivered to a Redelivery Location or into storage, as the case may be, and (ii) the Lessor shall have the right to store each such redelivered Railcar on storage tracks selected and owned by the Lessee free of charge and at the Lessee's risk for a period commencing on the date the later of the actual delivery thereof to such storage tracks and terminating on a date 270 days after the later of (1) 5% of the Railcars subject to the this Lease (or such lesser number of Railcars as the Lessor may have requested to be placed in storage) shall have been placed in such storage or (2) the actual delivery of such Railcar to such storage tracks; or the Lessor or its agent, at the

Lessor's option, without further notice, may, but shall be under no obligation to, retake the Railcars wherever found, and irrespective of whether the Lessee, any sublessee or any other Person is in possession of the Railcars or any of them, all without prior demand and without legal process or summary proceedings, and for that purpose the Lessor or its agent may enter upon any premises, where any such Railcar 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 damages of any kind to any Person for or with respect to any cargo carried, or to be carried by such Railcar 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 Railcar, all Basic Rent for such Railcar, payable on the Payment Date occurring on (if Basic Rent is then being paid in "arrears," as provided in the applicable Lease and Indenture Supplement) 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 Railcar 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 Railcar (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 Railcar due after such Payment Date, all unpaid Basic Rent for such Railcar payable on each Payment Date occurring on (if Basic Rent is then being paid in "arrears," as provided in the applicable Lease and Indenture Supplement) or prior to such Payment Date, plus any Supplemental Rent then due with respect therefor, plus whichever of the following amounts the Lessor, 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 Railcar 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 Railcar after discounting such Fair Market Rent semi-annually to present worth as of such Payment Date at a rate equal to the greater of (A) 10% and (B) the Prime Rate; or

(ii) an amount equal to the excess, if any, of the Stipulated Loss Value of such Railcar 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 Railcar cannot be repossessed the Fair Market Rent and the Fair Market Sale Value of such Railcar 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 Railcar at a public or private sale, by such advertisement or publication, if any, 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 Railcar) to others or keep idle such Railcar, all on such terms and conditions and at such place or places as the Lessor may in its sole discretion 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 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 Railcar or, upon the redelivery or retaking of such Railcar in accordance with this Section 15, the placing of such Railcar in the condition required by the terms of Sections 2(d) and 5 (other than the last sentence thereof). 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, and shall be addressed (i) if to the Lessee, at its address at 100 North Charles Street, 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, Delaware 19890, Attention: Corporate Trust Administration 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 to Hopkins Plaza, Baltimore, Maryland 21201 (if by air express or by hand), Attention: Corporate Trust Department, (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 to the Lessor or the Owner Participant 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 flows 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; and

(iii) 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 Railcars for all purposes hereof, without the neces-

sity 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 Railcars.

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 lien of the Indenture has been released in accordance with Section 501 of the Indenture and 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 Railcars. 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 the terms of this Lease or any of its agreements contained herein, the Lessor may, on behalf of the Lessee and upon notice to the Lessee, itself make such payment, perform such agreement or remedy such failure to

perform or comply and such payment, performance or remedy of such failure 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 term or 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 promptly by the Lessee to the Lessor 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 Loan Participants, on the other hand, to expand or otherwise vary the cure rights of the Owner Participant and the Lessor set forth in Section 603 of the Indenture, or the limitations on exercise thereof set forth. The Lessor is under no obligation to the Lessee or any other Person to do any such act or make any such expenditures.

SECTION 22. Filings. Prior to the delivery and acceptance of any Railcar, the Lessee will, at its sole expense, (i) cause this Lease and the Indenture to be duly filed and recorded with the ICC in accordance with 49 U.S.C. § 11303 of the Interstate Commerce Act and (ii) cause financing statements under the Uniform Commercial Code to be filed against the Owner Trustee in respect of the security interests created by the Indenture in all places reasonably specified by the Indenture Trustee or the Loan Participants 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 Railcar and the Lease, 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.

perform or comply and such payment, performance or remedy of such failure 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 term or 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 promptly by the Lessee to the Lessor 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 Loan Participants, on the other hand, to expand or otherwise vary the cure rights of the Owner Participant and the Lessor set forth in Section 603 of the Indenture, or the limitations on exercise thereof set forth. The Lessor is under no obligation to the Lessee or any other Person to do any such act or make any such expenditures.

SECTION 22. Filings. Prior to the delivery and acceptance of any Railcar, the Lessee will, at its sole expense, (i) cause this Lease and the Indenture to be duly filed and recorded with the ICC in accordance with 49 U.S.C. § 11303 of the Interstate Commerce Act and (ii) cause financing statements under the Uniform Commercial Code to be filed against the Owner Trustee in respect of the security interests created by the Indenture in all places reasonably specified by the Indenture Trustee or the Loan Participants 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 Railcar and the Lease, 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.

(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 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 New York.

(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 Lessor hereby recognizes the provisions of Section 14(c) to the Participation Agreement which are hereby incorporated by reference.

IN WITNESS WHEREOF, the Lessor and the Lessee have caused this Lease to be duly executed and delivered by their respective officers thereunto duly authorized.

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

By _____
Title: Financial Services Officer

CSX TRANSPORTATION, INC.

By _____
Title:

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:

IN WITNESS WHEREOF, the Lessor and the Lessee have caused this Lease to be duly executed and delivered by their respective officers thereunto duly authorized.

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

By_____
Title:

CSX TRANSPORTATION, INC.

By A. B. [illegible]
Title: Trustee

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

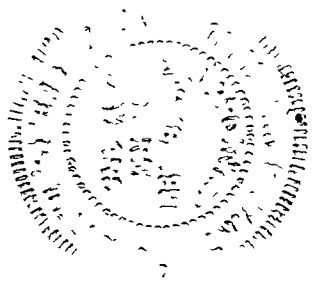
By_____
Title:

STATE OF DELAWARE)
: ss.:
CITY OF WILMINGTON)

On this 26th day of September, 1990, before me personally appeared Carolyn Daniels, to me personally known, who, being by me duly sworn, says that she is a Vice President of Wilmington 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: 4-16-94
[Notary Seal]

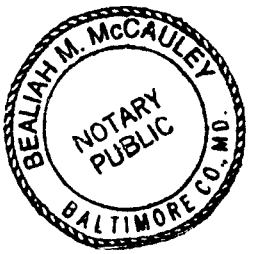


STATE OF MARYLAND)
: ss.:
CITY OF BALTIMORE)

On this 26th 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 CSC 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]



SCHEDULE 1A
to
Lease

BASIC RENT
(Railcars Delivered on Initial Closing Date)

Payment Date	Percentage of Lessor's Cost (in arrears)
June 26, 1991	.00000000
December 26, 1991	3.99324999
June 26, 1992	7.37330273
December 26, 1992	3.96517680
June 26, 1993	7.40137591
December 26, 1993	3.79371046
June 26, 1994	7.57284226
December 26, 1994	3.60513181
June 26, 1995	7.76142091
December 26, 1995	3.39773298
June 26, 1996	7.96881979
December 26, 1996	3.16963573
June 26, 1997	8.19691698
December 26, 1997	2.91877446
June 26, 1998	10.97367892
December 26, 1998	2.57719862
June 26, 1999	11.31525477
December 26, 1999	2.28383935
June 26, 2000	11.60861403
December 26, 2000	1.97371666
June 26, 2001	11.91873672
December 26, 2001	1.64442838
June 26, 2002	12.24802500
December 26, 2002	1.24468689
June 26, 2003	12.64776650
December 26, 2003	.67567320
June 26, 2004	13.21678018
December 26, 2004	.05114999
June 26, 2005	13.84130333

SCHEDULE 1B
to
Lease

BASIC RENT
(Railcars Delivered on Final Closing Date)

Payment Date	Percentage of Lessor's Cost (in arrears)
June 26, 1991	.00000000
December 26, 1991	3.99324995
June 26, 1992	7.12255574
December 26, 1992	3.88003065
June 26, 1993	7.23577514
December 26, 1993	3.71257891
June 26, 1994	7.40322668
December 26, 1994	3.52841563
June 26, 1995	7.58739006
December 26, 1995	3.32587282
June 26, 1996	7.78993287
December 26, 1996	3.10311626
June 26, 1997	8.01268952
December 26, 1997	2.85812852
June 26, 1998	10.72785625
December 26, 1998	2.52337100
June 26, 1999	11.06261377
December 26, 1999	2.23497098
June 26, 2000	11.35101379
December 26, 2000	1.93006886
June 26, 2001	11.65591592
December 26, 2001	1.59391180
June 26, 2002	11.99207297
December 26, 2002	1.07504357
June 26, 2003	12.51094120
December 26, 2003	.50439226
June 26, 2004	13.08159251
December 26, 2004	.05114997
June 26, 2005	13.53483471

SCHEDULE X

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.

"ADR Method" shall have the meaning assigned in the Tax Indemnification Agreement.

"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 (as satisfactorily demonstrated to the Indenture Trustee); 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.

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

"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, the Federal Railroad Administration and the ICC and the current Interchange Rules or Supplements thereto of the Mechanical Division, Association of American Railroads as the same may be in effect from time to time.

"Appraisal" shall have the meaning specified in Section 5(b) 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 Independent 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 Independent 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; 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 and (B) one-half of the fees and expenses of the Appraisers participating in any Appraisal Procedure.

"Appraiser" shall mean R. L. Banks & Associates, Inc. in the case of the Appraisal delivered pursuant to Section 5(b) of the Participation Agreement and otherwise a Person engaged in the business of appraising property who may 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.

"Average Life" with respect to the Series A Notes issued on the Initial Closing Date shall mean 9.52 years, with respect to the Series B Notes issued on the Initial Closing Date shall mean 14.75 years, with respect to the Series A Notes issued on the Final Closing Date shall mean 9.02 years and with respect to the Series B Notes issued on the Final Closing Date shall mean 14.5 years.

"Average Rent" shall mean an amount equal to the quotient of (i) the actual amount of Basic Rent paid during the Basic Term in respect of the Railcars of such Type, divided by (ii) 28.

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

"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 Railcar shall mean the period for which such Railcar is leased as provided in Section 2(a) of the Lease, beginning on the Basic Term Commencement Date and ending at 11:59 P.M. (New York City time) on the fourteenth anniversary of the Basic Term Commencement Date.

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

"Bill of Sale" shall mean each warranty bill of sale of the Seller, dated the relevant Closing Date, for the Railcars being delivered on such Closing Date.

"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 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 New York, New York, Baltimore, Maryland 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.

"Class I Railroad" shall have the meaning set forth in 49 C.F.R. Part 1201.

"Closing" with respect to any Railcar shall mean the delivery of such Railcar to and acceptance by or on behalf of the Owner Trustee from the Seller pursuant to the Participation Agreement and the delivery of such Railcar by the Owner Trustee to and acceptance by the Lessee pursuant to the Lease Supplement delivered in connection therewith as provided in the Participation Agreement and Section 2 of the Lease.

"Closing Date" shall mean each date, which shall be a Business Day, on which a Closing occurs, provided that in no event shall the Initial Closing Date occur later than September 29, 1990 and the Final Closing Date occur later than December 31, 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 on a given Closing Date, the amount of the loan

to be made by such Loan Participant on such Closing Date pursuant to Section 2 of the Participation Agreement and, in the case of the Owner Participant on a given Closing Date, the amount of the investment to be made by the Owner Participant on such Closing Date pursuant to Section 3 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.

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

"Employee Benefit Plan" shall mean both an "employee benefit plan" as defined in ERISA and a "plan" as defined in the Code.

"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 mean any of the events referred to in Section 14 of the Lease.

"Event of Loss" shall mean with respect to any Railcar any of the following events occurring during the Lease Term: (i) such Railcar suffers an actual or constructive total loss, (ii) such Railcar becomes worn out or suffers destruction or damage or contamination beyond economic repair or such Railcar 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 the Treasurer or Assistant Treasurer of the Lessee to such effect, (iii) such Railcar is taken, condemned or requisitioned for title by any governmental authority, (iv) such Railcar is taken, condemned or requisitioned for use by any governmental authority for a period extending beyond the Basic Term and any Renewal Term then in effect or (v) such Railcar is lost, stolen or otherwise disappears. The date of such Event of

Loss shall be the date of such loss, damage, contamination, 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 (unless the Owner Participant shall elect in writing to accept return of such Railcar subject to government requisition) 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 Clauses of the Indenture.

"Excepted Rights" shall have the meaning assigned in the Granting Clauses of the Indenture.

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

"Fair Market Renewal Rent" 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 Railcar shall mean, for any period, the rent for such Railcar (excluding any Severable Improvements title to which has vested in the Lessee but assuming that such Railcar complies with Section 5 of the Lease (other than the last sentence of said Section 5)) for such period that would be obtained for a lease of such Railcar in an arm's-length transaction between an informed and willing owner under no compulsion to lease and an informed and willing lessee, which determination shall be made (i) without deduction for any costs of removal of such Railcar from the location of current use, (ii) on the assumption that such Railcar 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 (other than the last sentence of said Section 5) of the Lease (but otherwise on an "as is" basis) and (iii) interchangeable under the rules of the Association of American Railroads and other Applicable Law; 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 Railcar at the time of such determination and shall take into account all liens on such Railcar and any legal impediments to the prompt leasing and interchange of such Railcar by a

person other than the Lessee, notwithstanding the provisions of clauses (ii) and (iii) of this sentence.

"Fair Market Sale Value" for any Railcar shall mean the sale value of such Railcar (excluding any Severable Improvements title to which has vested in the Lessee) 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-user, which determination shall be made (i) without deduction for any costs of removal of such Railcar from the location of current uses, (ii) on the assumption that such Railcar 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 (other than the last sentence of said Section 5) of the Lease (but otherwise on an "as-is" basis) and (iii) interchangeable under the rules of the Association of American Railroads and other Applicable Law; provided, however, that the determination of Fair Market Sale Value for the purposes of Section 2(f) of the Lease shall be determined as if such Railcar were subject to the Lease; and, provided, further, 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 Railcar at the time of such determination and shall take into account all liens on such Railcar (other than Owner Encumbrances), and any legal impediments to the prompt transfer of title to such Railcar and interchange of such Railcar by a Person other than the Lessee, notwithstanding the provisions of clauses (ii) and (iii) of this sentence.

"50-Foot Boxcar" shall mean a 50-foot Boxcar as described in the Statement of Specifications for Remanufactured Cars attached as an Exhibit to the Appraisal for this Type of Railcar.

"Final Closing Date" shall mean December 27, 1990, or such other date as the parties hereto may agree.

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

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

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

"Home Jurisdiction" means the state and local jurisdiction in which a Tax Indemnitee has its principal place of business.

"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 Railcar made after the relevant Closing Date.

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

"Indemnification Event" shall mean an event which would cause an indemnification to be payable by Lessee under 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 and Security Agreement dated as of September 1, 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 Recital Clause of the Indenture.

"Indenture Event of Default" shall mean any of the events specified 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 as Indenture Trustee under the Indenture.

"Independent" shall mean, when used with respect to any specified Person, such a 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 any Loan Participant, 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.

"Initial Closing Date" shall mean September 27, 1990, or such other date as the parties hereto may agree.

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

"Interim Amount" shall have the meaning assigned in Section 3(b)(i) of the Participation Agreement.

"Interim Rent" shall mean the rent payable during the Interim Term pursuant to, and computed in accordance with, Section 9(a) of the Lease.

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

"Investment Grade" shall mean a rating of Baa3 (in the case of Moody's Investors Service, Inc.) or BBB- (in the case of Standard & Poor's Corporation).

"Jumbo Covered Hopper Car" shall mean a Jumbo Covered Hopper Car as described in the Statement of Specifications for Remanufactured Cars attached as an Exhibit to the Appraisal for this Type of Railcar.

"Lease" shall mean Lease Agreement dated as of September 1, 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.

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

"Lease and Indenture Supplement" shall mean each Lease and Indenture Supplement among the Owner Trustee, the Lessee and the Indenture Trustee, dated the relevant 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 Person" shall have the meaning assigned in the Tax Indemnification Agreement.

"Lessor's Cost" for a 60-Foot Boxcar shall be $27,000, a 50-Foot Boxcar shall be $22,400, a Medium Covered Hopper Car shall be $26,900, a Jumbo Covered Hopper Car shall be $28,500, an Open Top Hopper Car shall be $30,000 and a Small Covered Hopper Car shall be $26,500.

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

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

"Medium Covered Hopper Car" shall mean a Medium Covered Hopper Car described in the Statement of Specifications for Remanufactured Cars attached as an Exhibit to the Appraisal for this Type of Railcar.

"Net Return" shall mean the Owner Participant's nominal after-tax book yield, total after-tax cash flows, internal rate-of-return as calculated by it and after-tax cash flows as a percentage of equity, 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 Initial Closing Date (or if such schedules are adjusted pursuant to Section 9(e) or (f) of the Lease, in computing such adjusted schedules) and, when used in connection with an adjustment relating to a refinancing, shall also be calculated so as to preserve the timing of the Owner Participant's after-tax book earnings.

"Nonseverable Improvement" shall mean, at any time, an Improvement that shall not be "readily removable from a Railcar without causing material damage to such Unit" within the meaning of Revenue Procedure 75-21 promulgated by the Internal Revenue Service or other similar law, regulation or procedure then in effect or any Improvement required by law.

"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 Notes issued on each 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 recital clause of the Indenture.

"Offered Interest" shall have the meaning assigned in Section 26 of the Participation Agreement.

"Offered Interest Seller" shall have the meaning assigned in Section 26 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.

"Open Top Hopper Car" shall mean an Open Top Hopper Car described in the Statement of Specifications for Remanufactured Cars attached as an Exhibit to the Appraisal for this Type of Railcar.

"Operative Documents" shall mean the Participation Agreement, the Trust Agreement, the Indenture, the Notes, the Lease, each Lease and Indenture Supplement, each 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).

"Original Syndication Transferee" shall mean any permitted transferee of the Owner Participant to whom a transfer is made prior to the Basic Term Commencement Date.

"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 paid 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 with respect to (i) any amount required to be paid to a Holder of a Series A Note, a rate per annum equal to the higher of the Prime Rate plus 1% and 10.98%, (ii) any amount required to be paid to a Holder of a Series B Note, a rate per annum equal to the higher of the Prime Rate plus 1% and 11.23%, (iii) any amount required to be paid to a Holder of an Additional Note, a rate per annum equal to the higher of the Prime Rate plus 1% and one percentage point over the interest rate payable in respect of such Additional Note and (iv) any amount constituting Excepted Property or any other amount not otherwise speci-

fied in clauses (i) through (iv) hereof, the Prime Rate plus 2%, in each case computed on the basis of a 360-day year of twelve 30-day months.

"Owner Encumbrances" shall mean any liens, security interests or encumbrances 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 a Railcar, (y) the administration of the Trust Estate or (z) the transactions contemplated by the Operative Documents, excluding liens, security interests and encumbrances 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 Norwest Bank Minnesota, National Association, a national banking association, together with its successors and permitted assigns.

"Owner Trustee" shall mean Wilmington Trust Company, a Delaware banking corporation, 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 No. 1 dated as of September 1, 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 initially mean each June 26 and December 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 Loan Participant in respect of the Series A Notes or Series B Notes, as the case may be, shall mean the percentage set forth opposite such Loan Participant's name in Schedule 1 to the Participation Agreement.

"Permitted Encumbrances" shall mean (a) the rights of the Indenture Trustee under the Indenture, (b) the rights of the Lessee under the Lease, including, without limitation, subleases of and interchange agreements involving any Railcar in accordance with 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 and security interests 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 non-de minimis risk of a sale, forfeiture or loss of a Railcar and (e) undetermined or inchoate materialmen's, mechanic's, workmen's, repairmen's or employees' liens or other like liens arising in the ordinary course 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 non-de minimis risk of sale, forfeiture or loss of a Railcar 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, (ii) obligations fully guaranteed by the United States of America, 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), (iii) 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 (iv) 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 (iii) above. 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 (ii) 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, with respect to the Series A Notes and Series B Notes, an amount equal to the excess, if any, of (i) the present value of the payments of principal and interest which would have been due under such Series A Notes or Series B Notes, as the case may be, from the date of redemption thereof to the final maturity of such Series A Notes or Series B Notes, as the case may be, had such redemption not occurred, discounted at a rate equal to the Treasury Yield plus 50 basis points (no basis points in the case of a Premium payable pursuant to Section 403 of the Indenture) over (ii) the principal amount of such Series A Notes or Series B Notes, as the case may be, so prepaid; provided, however, that if, at the time of redemption, the Treasury Yield shall be equal to or greater than the rate applicable to the Series A Notes or the Series B Notes, as the case may be, no Premium shall be due.

"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".

"Railcar" shall mean a 60-Foot Boxcar, a 50-Foot Boxcar, a Medium Covered Hopper Car, a Jumbo Covered Hopper Car, an Open Top Hopper Car or a Small Covered Hopper Car, as the case may be.

"Railcar 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.

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

"Redelivery Locations" 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.

"Reimbursement Amount" shall have the meaning assigned in Section 3(b)(ii) of the Participation Agreement.

"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 Interim Rent, Basic Rent, Fair Market Renewal Rent and Supplemental Rent, collectively.

"Replacement Railcars" shall mean a railcar of the Type and substantially similar in material and dimension to the Railcar with respect to which an Event of Loss has occurred and which is being replaced pursuant to Section 11(c) of the Lease.

"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.

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

"Scheduled Debt Payments" shall mean, all regularly scheduled principal and interest payments on the Notes (together with any applicable overdue interest thereon).

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

"Seller" shall mean Raceland Car Corporation, a Delaware corporation, together with its successors and permitted assigns.

"Series" shall mean, collectively, the Series A Notes and the Series B Notes.

"Series A Notes" shall have the meaning specified in the Indenture and more particularly includes each of the Series A Notes issued on the Closing Dates and any Series A Notes issued in substitution thereof.

"Series B Notes" shall have the meaning specified in the Indenture and more particularly includes each of the Series B Notes issued on the Closing Dates and any Series B Notes issued in substitution thereof.

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

"60-Foot Boxcar" shall mean a 60-foot Boxcar as described in the Statement of Specifications for Remanufactured Cars attached as an Exhibit to the Appraisal for this Type of Railcar.

"Small Covered Hopper Car" shall mean a 100-ton small covered hopper car as described in the Statement of Specifications for Remanufactured Cars attached as an Exhibit to the Appraisal for this Type of Railcar.

"Stated Maturity" when used with respect to any Note or any installment of interest thereon shall mean the date specified in such Note as the fixed date on which the principal of such Note or such installment of interest is due and payable.

"Stipulated Loss Value" with respect to any Railcar subjected to the terms of the Lease pursuant to a given Lease and Indenture Supplement as of any Payment Date shall mean an amount determined by multiplying Lessor's Cost for such Railcar by the percentage specified in Schedule 2 to such Lease and Indenture Supplement opposite such Payment Date; provided, however, that, notwithstanding any provision of the Lease (including but not limited to the 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 Railcar payable on such Payment Date (if and to the extent Basic Rent is then being paid in "arrears", as provided in the applicable Lease and Indenture Supplement) 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 and breakage costs, if any, as determined pursuant to the Indenture.

"Supplemental Rent" shall mean any and all amounts (other than Interim Rent and 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 except in the case of Section 403 of the Indenture and all amounts payable by the Lessee pursuant to Section 9(c) 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)(9) of the Participation Agreement.

"Tax Indemnification Agreement" shall mean the Tax Indemnification Agreement dated as of September 1, 1990 between the Lessee and the Owner Participant and substantially in the form of Exhibit E to the Participation Agreement, 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 Railcar subjected to the terms of the Lease pursuant to a given Lease and Indenture Supplement as of any Payment Date shall

mean an amount determined by multiplying Lessor's Cost for such Railcar by the percentage specified in Schedule 3 to such Lease and Indenture Supplement opposite such Payment Date; provided, however, that, 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 Railcar payable on such Payment Date (if and to the extent Basic Rent is then being paid in "arrears", as provided in the applicable Lease and Indenture Supplement) and plus the premium and breakage costs, 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 and breakage costs, if any, as determined pursuant to the Indenture.

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

"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 the Notes.

"Trust Agreement" shall mean the Trust Agreement dated as of September 1, 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.

"Type" shall mean, with respect to Railcars, 60-Foot Boxcars, 50-Foot Boxcars, Medium Covered Hopper Cars,

Jumbo Covered Hopper Cars, Open Top Hopper Cars, or Small Covered Hopper Cars.

"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 and (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 Delaware banking corporation (or any successor as trustee under the Trust Agreement) in its individual capacity.