MORGAN, LEWIS & BOCKIUS

PHILADELPHIA
LOS ANGELES
MIAMI
LONDON
FRANKFURT

COUNSELORS AT LAW
101 PARK AVENUE
NEW YORK, NEW YORK 10178
TELEPHONE (212) 309-6000
FAX (212) 309-6273

WASHINGTON
NEW YORK
HARRISBURG
SAN DIEGO
BRUSSELS
TOKYO

17107

DEC 10 1990 -1 35 PM

INTERSTATE COMMERCE COMMISSION

17107

DEC 10 1990 -1 35 PM

INTERSTATE COMMERCE COMMISSION

0-344A033

MARK T MCENROE
DIAL DIRECT (212) 309-6

December 10, 1990

DEC 10 1 16 PM '90
MOTOR OPERATING UNIT

Noreta R. McGee
Secretary of the Interstate Commerce Commission
Interstate Commerce Commission
12th Street and Constitution Avenue N.W.
Washington, D.C. 20423

Dear Ms. McGee:

I have enclosed one original and one counterpart of each of the documents described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

These documents are an Equipment Lease, a primary document, dated as of November 20, 1990, and a Security Agreement-Trust Deed, a primary document, dated as of November 20, 1990, each relating to DEC Trust No. 1990-3.

The names and addresses of the parties to the documents are as follows:

Lessor, Debtor:	State Street Bank and Trust Company of Connecticut, National Association, as Trustee under a Trust Agreement, dated as of November 20, 1990 100 Constitution Plaza Hartford, Connecticut 06103
Lessee:	The Detroit Edison Company 200 Second Avenue Detroit, Michigan 48226
Secured Party:	The Connecticut National Bank, as Security Trustee 777 Main Street Hartford, Connecticut 06115

A description of the equipment covered by the documents follows:

428 high side gondola railcars, identification numbers DEEX 5168 through and including DEEX 5210, DEEX 5278 through and including DEEX 5320, DEEX 5377 through and including DEEX 5445,

DEEX 5803 through and including DEEX 6000, and DEEX 8925 through and including DEEX 8999.

A fee of $30.00 is enclosed to cover the filing of each of the Equipment Lease and the Security Agreement-Trust Deed. Please return each of the originals and any extra copies not needed by the Commission for recordation to Mark T. McEnroe, Morgan, Lewis & Bockius, 101 Park Avenue, New York, NY 10178.

A short summary of each of the documents follows:

1. An Equipment Lease, between State Street Bank and Trust Company of Connecticut, National Association, not individually but solely as Trustee under a Trust Agreement dated November 20, 1990, as Lessor, 100 Constitution Plaza, Hartford, CT 06103 and The Detroit Edison Company, as Lessee, 2000 Second Avenue, Detroit, Michigan 48226, dated as of November 20, 1990, and covering 428 high side gondola railcars.

2. A Security Agreement-Trust Deed, between State Street Bank and Trust Company of Connecticut, National Association, not individually but solely as Trustee under a Trust Agreement dated November 20, 1990, as Debtor, 100 Constitution Plaza, Hartford, CT 06103 and The Connecticut National Bank, 777 Main Street, Hartford, Connecticut 06115, as Secured Party, dated as of November 20, 1990 and covering 428 high side gondola railcars.

Very truly yours,

Mark T. McEnroe

/ggg

12/10/90

Interstate Commerce Commission

Washington, D.C. 20423

OFFICE OF THE SECRETARY

Mark T. McEnroe

Morgan,Lewis & Bockius

101 Park Avenue

New York,N.Y. 10178

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 12/10/90 at 1:25pm , and assigned recordation number(s).

17107 17107-A, 171-8 17107-A 17109 17109-A

Sincerely yours,

Sidney L. Strickland, Jr.

Sidney L. Strickland, Jr.
Secretary

EQUIPMENT LEASE

Dated as of November 20, 1990

17107
DEC 10 1990 -1 25 PM
INTERSTATE COMMERCE COMMISSION

Between

STATE STREET BANK AND TRUST COMPANY OF
CONNECTICUT, NATIONAL ASSOCIATION
not individually but solely as Trustee
under a Trust Agreement
dated as of the date hereof

LESSOR

And

THE DETROIT EDISON COMPANY

LESSEE

This Equipment Lease and certain of the sums due and to become due hereunder have been assigned to, and are subject to a security interest in favor of, The Connecticut National Bank, as Security Trustee, pursuant to a Security Agreement-Trust Deed dated as of November 20, 1990, from State Street Bank and Trust Company of Connecticut, National Association, not individually but solely as Trustee under a Trust Agreement dated as of the date hereof, as debtor, to said Security Trustee.

Recordation No._____ Filed and Recorded _____
Interstate Commerce Commission

TABLE OF CONTENTS

Section	Headings	Page
Parties		1
Recitals		1
SECTION 1.	LEASE AND DELIVERY OF EQUIPMENT	2
1.1.	Intent to Lease	2
1.2.	Inspection and Acceptance	2
1.3.	Certificate of Acceptance	2
SECTION 2.	RENTALS AND PAYMENT DATES	3
2.1.	Rent for Equipment	3
2.2.	Rent Payment Dates	3
2.3.	Place and Manner of Rent Payment	3
2.4.	Net Lease	5
2.5.	Adjustment of Rentals	6
SECTION 3.	TERM OF THE LEASE	8
SECTION 4.	OWNERSHIP AND MARKING OF EQUIPMENT	8
4.1.	Retention of Title	8
4.2.	Duty to Number and Mark Equipment	8
4.3.	Prohibition Against Certain Designations	9
SECTION 5.	DISCLAIMER OF WARRANTIES	9
SECTION 6.	INTENTIONALLY OMITTED	9
SECTION 7.	RULES, LAWS AND REGULATIONS.	10
SECTION 8.	USE AND MAINTENANCE OF EQUIPMENT	10
8.1.	Lessee's Use of Equipment	10
8.2.	Lessor's Right to Rebuild the Equipment	11
SECTION 9.	LIENS ON THE EQUIPMENT.	12
SECTION 10.	FILING.	13
10.1.	Filing	13

SECTION 11. INSURANCE; PAYMENT FOR CASUALTY OCCURRENCE. . . 13

11.1. Insurance 13
11.2. Casualty Occurrence and Duty of Lessee to Notify Lessor 16
11.3. Sum Payable for Casualty Loss 17
11.4. Rent Termination 17
11.5. Disposition of Equipment 17
11.6. Replacement of an Item 18
11.7. Risk of Loss 19
11.8. Eminent Domain 19

SECTION 12. ANNUAL REPORTS. 20

12.1. Duty of Lessee to Furnish 20
12.2. Lessor's Inspection Rights 21

SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM. . . 21

SECTION 14. DEFAULT. 23

14.1. Events of Default 23
14.2. Remedies 25
14.3. Cumulative Remedies 29
14.4. Lessor's Failure to Exercise Rights 29
14.5. Notice of Event of Default 30
14.6. Lessee's Right to Quiet Enjoyment 30

SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT. 30

15.1. Lessee's Duty to Return 30
15.2. Specific Performance 31
15.3. Lessor Appointed Lessee's Agent 31

SECTION 16. ASSIGNMENTS BY LESSOR. 31

SECTION 17. ASSIGNMENTS BY LESSEE; USE AND POSSESSION . . . 32

17.1. Lessee's Rights to the Equipment 32
17.2. Use and Possession by Lessee; Permitted Subleases 33
17.3. Merger, Consolidation or Acquisition of Lessee . 34

SECTION 18. PURCHASE OPTIONS; RENEWAL OPTIONS. 34

18.1. Purchase Options 34
18.2. Renewal Options 35
18.3. Determination of Fair Rental Value and Fair Market Value 36
18.4. Delivery of Equipment 36

SECTION 19. EARLY TERMINATION; OPTIONAL TERMINATION. 37

19.1. Early Termination. 37

SECTION 20. COLLATERAL ASSIGNMENT BY LESSEE OF RENTALS UNDER PERMITTED SUBLEASES 39

20.1. Assignment 39
20.2. Rights of Lessee in Permitted Subleases; Segregation of Rental Payments 39
20.3. Further Assignment 40
20.4. Rights under Uniform Commercial Code 40
20.5. Further Assurance 40
20.6. Application of Moneys 41
20.7. Duration 41

SECTION 21. INTEREST ON OVERDUE RENTALS AND AMOUNT PAID BY LESSOR 41

SECTION 22. DEFINITIONS 42

SECTION 23. MISCELLANEOUS 45

23.1. Notices 45
23.2. Right of Lessor to Perform 46
23.3. Execution in Counterparts 47
23.4. Law Governing 47
23.5. Headings and Table of Contents 47
23.6. Severability 47
23.7. Lessor Furnished Insurance 47
23.8. Limitations of Liability 47
23.9. Further Assurances 48

Signatures 50

Attachments to Equipment Lease:

Schedule A -- Description of Items of Equipment
Schedule B -- Certificate of Acceptance Under Equipment Lease
Schedule C -- Lease Supplement No. 1
Schedule D -- Schedule of Stipulated Loss Values
Schedule E -- Schedule of Fixed Rentals

EQUIPMENT LEASE

THIS EQUIPMENT LEASE dated as of November 20, 1990 between State Street Bank and Trust Company of Connecticut, National Association, a national banking association, not in its individual capacity but solely as trustee (the "Lessor") under the Trust Agreement dated as of November 20, 1990 (the "Trust Agreement") for the benefit of CONNELL FINANCE COMPANY, INC., a New Jersey corporation, and its successors and assigns (the "Trustor"), and THE DETROIT EDISON COMPANY, a Michigan corporation (the "Lessee");

R E C I T A L S:

A. The Lessee has entered into a purchase order, prepared on June 7, 1990 with Thrall Car Manufacturing Company (the "Purchase Order") giving it the right, among other things, to acquire the Items of Equipment hereinafter described. The Lessee now desires to lease rather than own such Equipment, and for such purpose to enter into this Equipment Lease with the Lessor and further to cause the Manufacturer to enter into various bills of sale providing for the transfer to the Lessor of title to the Items of Equipment. All such bills of sale are herein referred to as the "Bills of Sale".

B. The Lessee and the Lessor intend to enter into an Assignment of Purchase Order dated as of November 20, 1990 (the "Assignment of Purchase Order") providing for the assignment of certain rights relating to the Equipment from the Lessee to the Lessor.

C. The Lessee and the Lessor intend to enter into a Participation Agreement dated as of November 20, 1990, (as from time to time supplemented or amended, the "Participation Agreement") with the Trustor, The Connecticut National Bank, as security trustee (the "Security Trustee"), and the institutional investors named in Schedule 2 thereto (the "Note Purchasers") providing for the commitment of the Note Purchasers which, together with funds provided by the Trustor, will permit the Lessor to obtain the funds necessary to pay for the equipment (collectively the "Equipment" or "Items of Equipment" and individually an "Item" or "Item of Equipment") described in Schedule A hereto and made a part hereof. The Trustor will commit to invest funds to the Lessor in an amount equal to 27.08388% of the Purchase Price of the Equipment and the Note Purchasers will commit to purchase the Secured Notes due June 14, 2010 (the "Notes") of the Lessor in an amount equal to 72.91612% of the Purchase Price of the Equipment. It is contemplated that

the Participation Agreement will provide that the Notes will be secured by an assignment of the Lessor's right, title and interest in and to this Lease and any rentals under Permitted Subleases and in and to the Equipment pursuant to a Security Agreement-Trust Deed dated as of November 20, 1990 (the "Security Agreement") from the Lessor to the Security Trustee, excluding and reserving the Excepted Rights in the Collateral. Any capitalized term not defined herein shall have the meaning specified in the Participation Agreement.

SECTION 1. LEASE AND DELIVERY OF EQUIPMENT.

1.1. Intent to Lease. The Lessor shall lease to the Lessee and the Lessee shall lease from the Lessor all Items of Equipment, which are delivered and accepted pursuant to Section 1.2 hereof, for the rental and on and subject to the terms and conditions herein set forth.

1.2. Inspection and Acceptance. Subject to Sections 2.1(c) and 2.3 of the Participation Agreement, on the Delivery Date with respect to any Item of Equipment, the Lessee shall cause an inspector (who may be an employee of the Lessee) designated and authorized by the Lessee to inspect the same, and, if such Item of Equipment is found to be in good order and condition in accordance with the requirements of Section 1.3 hereof, the Lessee shall accept such Item of Equipment hereunder by executing, on such date, a Certificate of Acceptance in the form attached hereto as Schedule B with respect to such Item of Equipment. Lessee shall, within 24 hours of executing any such Certificate of Acceptance, send a copy of such executed Certificate of Acceptance to the Trustor at its address listed in Schedule 1 to the Participation Agreement.

1.3. Certificate of Acceptance; Invoice. Five business days prior to a Funding Date with respect to any Item of Equipment, the Lessee shall cause the Invoice relating to such Item(s) of Equipment for which there has been executed a Certificate of Acceptance to be delivered to the Lessor. The Lessee's execution and delivery of a Certificate of Acceptance with respect to an Item of Equipment pursuant to Section 1.2 hereof shall conclusively establish that, as between the Lessor and the Lessee, but without limiting or otherwise affecting the Lessee's or the Lessor's rights, if any, against the Manufacturer thereof, such Item of Equipment is acceptable to and accepted by the Lessee under this Lease, notwithstanding any defect with respect to design, manufacture, condition or in any other respect, and that such Item of Equipment is in good order and condition and conforms to the specifications applicable thereto and to all applicable United States Department of Transportation

and Interstate Commerce Commission requirements and specifications, if any, and to all standards recommended by the Association of American Railroads applicable to new railroad equipment of the character of the Equipment as of the date of this Lease. By execution and delivery of such Certificate of Acceptance, the Lessee represents that it has no knowledge of any such defect.

SECTION 2. RENTALS AND PAYMENT DATES.

2.1. Rent for Equipment. The Lessee agrees to pay the following rent for each Item of Equipment:

(a) Fixed Rental. For each Item of Equipment, the Lessee shall pay to the Lessor 40 semiannual installments of Fixed Rental, payable as set forth in Schedule E; each such payment shall apply to the period ending on the corresponding Fixed Rental Payment Date on Schedule E and beginning after the preceding Fixed Rental Payment Date (or its Term Lease Commencement Date in the case of the first Fixed Rental Payment Date), and shall accrue ratably over such rental period; and

(b) Supplemental Rent. The Lessee shall pay Supplemental Rent to the Person entitled to receive the same, as and when due under the Operative Agreements.

2.2. Rent Payment Dates. The first installment of Fixed Rental for each Item of Equipment shall be due and payable on December 14, 1991 and the balance of said installments shall be payable on each December 14 and June 14 thereafter with the final such installment payable on June 14, 2011. Each payment of Supplemental Rent shall be payable on the date specified in the Operative Agreements, or if not so specified, then on demand. If any of the Fixed Rental Payment Dates is not a Business Day, the Fixed Rental payment otherwise payable on such date shall be payable on the next succeeding Business Day.

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

(a) Each installment of Fixed Rental shall be paid to the Lessor in immediately available funds by Automated Clearing House or wire transfer to the principal office of the Lessor at the address thereof provided for payments in Section 23.1 hereof; provided that in the event either the Lessor or the Security Trustee shall notify the Lessee in writing that the right to receive payment of such

installment shall have been assigned in accordance with Section 16 hereof, the Lessee shall make such payment by Automated Clearing House or wire transfer to the place designated in such notice or as otherwise designated from time to time in writing by such assignee; and provided, further that in the event such notice shall direct the Lessee to divide such installment into not more than two portions and to pay each portion by wire transfer separately to not more than two parties, the Lessee agrees to do so;

(b) The entire amount of any payment of Stipulated Loss Value pursuant to Section 11 or 19 hereof shall be paid to the Lessor in immediately available funds by Automated Clearing House or wire transfer to the principal office of the Lessor at the address thereof provided for payments in Section 23.1 hereof (identifying the same as a payment of Stipulated Loss Value relating to DEC Trust No. 1990-3); provided that in the event either the Lessor or the Security Trustee shall notify the Lessee in writing that the right to receive payment of such Stipulated Loss Value shall have been assigned in accordance with Section 16 hereof, the Lessee shall make such payment by such Automated Clearing House or wire transfer in the manner designated in such notice or as otherwise designated from time to time in writing by such assignee;

(c) The amount of any payment owing to the Lessor pursuant to Sections 11.1 (with respect to public liability insurance) and 23.2 hereof or Sections 9.1 or 9.2 of the Participation Agreement shall be made directly to the party to receive the same without regard to the assignment of this Lease pursuant to Section 16 hereof;

(d) The amount of any interest due in respect of the late payment of any rentals or other amounts pursuant to Section 21 hereof shall be paid to the party and in the manner herein provided to receive said rental or other amount; and

(e) All payments other than those above specified shall be made by the Lessee directly to the party to receive the same unless any such payment has previously been made by the Lessor or its assignee, in which case the Lessee shall reimburse the Lessor or its assignee, as the case may be, directly for such payment.

The Lessee agrees that it will cause all payments due hereunder to be received by 11:00 a.m. New York time on the due date of such payment in Federal or otherwise immediately available funds to the party to whom such payment is to be made, and where not so

specified, such payment shall be made by check of the Lessee drawn on a bank located in the continental United States and mailed to the party to receive the same at the address herein provided or at such other address as the Lessee shall have been previously advised in writing.

2.4. Net Lease. This Lease is a net lease and the Lessee's obligation to pay all Fixed Rental and Supplemental Rent and other amounts payable under the Operative Agreements shall be absolute and unconditional under any and all circumstances and, without limiting the generality of the foregoing, the Lessee shall not be entitled to any abatement of rent or reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due to any present or future claims of the Lessee against the Lessor or the Trustor under this Lease or otherwise or against any assignee of the Lessor pursuant to Section 16 hereof; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss or destruction of or requisitioning of all or any Item of Equipment by condemnation or otherwise, the prohibition of Lessee's use of the Equipment, the interference with such use by any Participant, Trustee, Security Trustee or any other private Person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or lack of right, power or authority of the Lessor to enter into this Lease, the insolvency of the Lessee, the commencement of any proceeding by or against the Lessee for relief under any bankruptcy or similar law for the relief of debtors, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events unless the obligation to pay the same shall be terminated pursuant to Section 11 hereof, or until, pursuant to Section 13 hereof, the Equipment has been returned to the possession of the Lessor (for all purposes of this Lease any Item of Equipment shall not be deemed to have been returned to the Lessor's possession until all of the Lessee's obligations with respect to the return, transportation and storage thereof have been performed). To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Items of Equipment except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor or any assignee pursuant to Section 16 hereof for any reason whatsoever.

2.5. Adjustment of Rentals. (a) The schedules of Stipulated Loss Value and Fixed Rentals attached hereto as Schedules D and E, respectively, have been calculated on the assumptions that:

(i) Items of Equipment shall be funded and settled for pursuant to the Participation Agreement in the amounts set forth below and on the dates indicated:

Funding Dates	Number of Items of Equipment	Purchase Price
February 15, 1991	43	$2,008,100
February 28, 1991	44	2,054,800
March 15, 1991	69	3,222,300
March 30, 1991	70	3,269,000
April 15, 1991	101	4,716,700
April 30, 1991	101	4,716,700
Total	428	$19,987,600

(ii) The Notes will bear interest at 10.13% per annum computed on the basis of a 360-day year of twelve 30-day months, and payments of principal and interest on the Notes will be made semiannually as provided in Section 2.2 of the Participation Agreement;

(iii) The aggregate of all Transaction Costs equal $0.00;

(iv) No change in, or in interpretation of, the Code, including any technical corrections act, regulations, revenue rulings or administrative or judicial interpretations promulgated, enacted, issued, made effective or announced prior to such Funding Date, shall render the assumptions set forth in Section 2 of the Tax Indemnification Agreement or the pricing assumptions not true on any Funding Date.

If any such assumption shall prove to be incorrect, then the Lessor acting in good faith shall recompute such installments or all remaining installments of Fixed Rental and the Stipulated Loss Value table higher or lower to maintain the same Net Economic Return in all cases as originally contemplated by the Trustor in entering into this transaction; provided, that such adjustments shall comply with the Guidelines, Section 467 of the Code and any other published or announced position of the Internal Revenue Service; and provided, further, that each installment of Fixed Rental shall be in an amount sufficient to pay on each installment date the principal of, and interest on,

the Notes due on such date without acceleration, and the Stipulated Loss Value as of any date shall be sufficient to pay the aggregate unpaid principal amount of, and interest and premium, if any, on, the Notes outstanding as of such date; and provided further that, subject to all of the foregoing requirements of this sentence, the Lessor shall, to the extent possible, minimize the net present value of the Fixed Rentals calculated using a discount rate equal to the interest rate applicable under the Notes. Such recomputation shall be based upon the pricing parameters and methodology utilized by the Lessor in computing the amounts thereof originally set forth in this Lease, adjusted for the changed assumptions causing the adjustment. On or before the second payment of Fixed Rental, the Lessor and the Lessee shall execute and deliver a Lease Supplement, substantially in the form of Schedule C hereto, reflecting any revisions to Section 2.3(b) hereof and to Schedules D and E hereof.

(b) Any adjustments made by Lessor will be subject to verification, if so elected by Lessee, by an independent third party mutually agreed upon by Lessor and Lessee (provided that such third party may not be a Person who is, or who recently has been, the auditor or agent for either Lessee or Trustor). The Lessee will pay for such verification unless the adjustment of Fixed Rentals calculated by Lessor is determined by such third party to be incorrect by 25 basis points or more in net present value of the Fixed Rentals determined using the discount rate referenced above or such adjustment of any Stipulated Loss Value is incorrect by five percent, in which case the Lessor will be obligated to pay the costs of such verification. The adjustments determined by such third party shall be final and binding on the parties.

(c) In addition to the foregoing, if the effective yield of the 12 3/8% U.S. Treasury Bond maturing May 2004 as published in The Wall Street Journal 10 Business Days prior to a Funding Date (the "Treasury Rate") is greater than 8.86% or less than 8.46%, the Lessor will prior to such Funding Date adjust Fixed Rentals and Stipulated Loss Values for the Items of Equipment being paid for on such Funding Date up or down so that the Trustor's Net Economic Return is one basis point higher or lower for each basis point the Treasury Rate is above 8.86% or below 8.46%. The provisions of Section 2.5(b), the last two sentences of Section 2.5(a) and the provisions in the second sentence of Section 2.5(a) shall apply to such adjustments.

SECTION 3. TERM OF THE LEASE.

(a) The interim term of this Lease as to each Item of Equipment shall begin on the Funding Date of such Item of Equipment and, subject to the provisions of Sections 11 and 14 hereof, shall terminate on the Term Lease Commencement Date.

(b) The Basic Lease Term as to each Item of Equipment shall begin on the Term Lease Commencement Date and, subject to the provisions of Sections 11, 14 and 19 hereof, shall terminate on June 14, 2011.

SECTION 4. OWNERSHIP AND MARKING OF EQUIPMENT.

4.1. Retention of Title. The Lessor, as between the Lessor and the Lessee, shall and hereby does retain full legal title to the Equipment notwithstanding the delivery thereof to and possession and use thereof by the Lessee or any Sublessee under any Permitted Sublease.

4.2. Duty to Number and Mark Equipment. The Lessee will cause each Item of Equipment to be kept numbered with its identifying number as set forth in Schedule A hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting color upon each side of each Item of Equipment in letters not less than one inch in height as follows:

> "TITLE TO THIS CAR IS VESTED IN A TRUSTEE AND SUBJECT TO A SECURITY INTEREST IN FAVOR OF A SECURITY TRUSTEE AND RECORDED WITH THE INTERSTATE COMMERCE COMMISSION."

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the Lessor to such Item of Equipment, its rights under this Lease and the rights of any assignee under Section 16 hereof. The Lessee will replace promptly any such names and word or words which may be removed, obliterated, defaced or destroyed. The Lessee will not change the identifying number of any Item of Equipment unless and until (i) a statement of new identifying numbers to be substituted therefor shall have been delivered to the Lessor and the Security Trustee by the Lessee and filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited and (ii) the Lessee shall have furnished the Security Trustee and the Lessor an opinion of counsel to the effect that such statement has been so filed, recorded and deposited, such filing, recordation and deposit will protect, preserve and maintain the Lessor's title to, or the Security Trustee's security interest in such Equipment

and no filing, recording, deposit or giving of notice with or to any other federal, state or local government or agency thereof is necessary to protect, preserve and maintain the interests of the Security Trustee and the Lessor in such Equipment while operating in any jurisdiction wherein the Security Agreement or any instrument in respect thereof has been or is required to be filed, registered, deposited or recorded as provided in the Security Agreement. The Lessor agrees to execute all amendments hereto necessary to accomplish such filings, recordings and deposits.

4.3. Prohibition Against Certain Designations. Except as above provided, the Lessee will not allow the name of any Person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Equipment to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates or any sublessees under Permitted Subleases on railroad equipment used by any of them of the same or a similar type for convenience of identification of the right of the Lessee to use the Equipment under this Lease or of any sublessee to use the Equipment under any Permitted Sublease.

SECTION 5. DISCLAIMER OF WARRANTIES.

THE LESSOR LEASES THE EQUIPMENT, AS-IS, WHERE-IS, WITH ALL FAULTS, IN WHATEVER CONDITION IT MAY BE, WITHOUT ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, BY EITHER THE LESSOR OR THE TRUSTOR, AND THE LESSOR AND THE TRUSTOR EACH EXPRESSLY DISCLAIMS ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO (A) THE FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY OF ANY ITEM OR ITEMS OF EQUIPMENT, (B) THE LESSOR'S TITLE THERETO, (C) THE LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF, (D) THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE EQUIPMENT, OR (E) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that all Items of Equipment described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

SECTION 6. INTENTIONALLY OMITTED.

SECTION 7. RULES, LAWS AND REGULATIONS.

The Lessee agrees to comply with all governmental laws, regulations, requirements and rules (including, without limitation, the rules of the United States Department of Transportation, the Interstate Commerce Commission and the Interchange Rules, and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment) with respect to each Item of Equipment subject to this Lease. In case any Alterations are required on any Item of Equipment in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such Alterations at its own expense and title thereto shall be immediately vested in the Lessor.

SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.

8.1. Lessee's Use of Equipment. The Lessee shall use the Equipment solely in coal carrying service and only in the manner for which it was designed and intended and so as to subject it, or permit it to be subjected, only to ordinary wear and tear. Each Item of Equipment shall be located at least 95% of every 12-month period in the United States and at all other times may be located only in Canada. The Lessee shall, at its own cost and expense, maintain and keep the Equipment in good order, condition and repair, in the same working order and repair as when originally delivered to the Lessee, ordinary wear and tear excepted, mechanically suitable for use in interchange, in accordance with federal, state or other applicable regulations and the Interchange Rules and in conformance with any recommended maintenance and warranty procedures of the Manufacturer and any requirements pertaining to insurance policies maintained pursuant to Section 11.1 hereof. In no event shall the Lessee adversely discriminate as to the use or maintenance of any Item of Equipment (including the periodicity of maintenance or recordkeeping in respect of such Item) in contrast to equipment of a similar nature which the Lessee owns or leases. Except as required by the provisions of Section 7 hereof, the Lessee shall not modify or alter or make any additions or improvements to or remove any parts from any Item of Equipment in any manner which will decrease the value, utility, remaining economic life or intended use of such Item of Equipment or which would make such Item of Equipment "limited use property" (as defined in the Guidelines). Any parts installed or replacements made by the Lessee upon any Item of Equipment pursuant to Section 7 hereof or pursuant to its obligation to maintain and keep the Equipment in good order, condition and repair under this Section 8 shall be considered accessions to such Item of Equipment and title thereto

shall, without further act, be immediately vested in the Lessor without cost or expense to the Lessor. Title to any additions or improvements other than those referred to in the preceding sentence which are readily removable without causing material damage to such Item of Equipment shall remain with the Lessee. If the Lessee shall at its cost cause such readily removable additions or improvements to be made to any Item of Equipment, the Lessee agrees that it will either, (i) prior to the return of such Item of Equipment to the Lessor hereunder, remove the same at its own expense in a manner which causes no damage to such Equipment and returns such Equipment to its original state, ordinary wear and tear excepted or (ii) inform the Lessor in writing 120 days prior to lease expiration of all readily removable additions or improvements that the Lessee does not intend to remove, and offer the Lessor the option of either (a) purchasing such additions or improvements at Fair Market Value with payment due upon return of such equipment or (b) instructing Lessee, and Lessee shall comply, to remove such additions or improvements at the Lessee's expense in the same manner required of the Lessee under (i) above. Title of all additions or improvements not removed by the Lessee will automatically vest in the Lessor upon the expiration of the Basic Lease Term. Lessor shall have the right to audit Lessee's maintenance facilities and maintenance procedures at any time during the term of this Lease.

8.2. Lessor's Right to Rebuild the Equipment. Lessor shall have the right upon at least 180 days prior written notice to the Lessee, to take temporary possession of the Equipment, or any Item thereof in increments of at least 10 Items of Equipment, for the purpose of making additions, modifications or improvements thereto not otherwise required to be made by the Lessee pursuant to this Lease, subject to the following terms, provisions and conditions (and notwithstanding any other terms, provisions or conditions of this Lease):

(a) each Item of which the Lessor proposes to take temporary possession pursuant to this Section 8.2 shall be replaced by the Lessor in the Lessee's operations for the entire duration of the Lessor's possession by Replacement Equipment, such replacement to be effected at such time or times and place or places and in such manner as shall not adversely affect or interfere with the business or operations of the Lessee. Replacement Equipment shall have a coal carrying capacity not less than that of the replaced Items, and shall be subject to the prior written approval of the Lessee (which approval shall not be unreasonably withheld). The Lessor shall make Replacement Equipment available for inspection by the

Lessee at least 30 days prior to any proposed replacement under this Section 8.2;

(b) the duration of the Lessor's possession of any Items pursuant to this Section 8.2 shall not exceed the time reasonably required to make the Improvements to such Items. Following completion of the Improvements to any Items, such Items shall be returned by the Lessor to the Lessee in exchange for the applicable Replacement Equipment, such return and exchange to be effected at such time or times and place or places and in such manner as shall not adversely affect or interfere with the business or operations of the Lessee;

(c) Lessor shall bear (i) all costs and expenses associated with making the Improvements and (ii) risk of loss with respect to the Items during the entire duration of the Lessor's possession thereof pursuant to this Section 8.2; and

(d) in no event shall the Lessee incur or be responsible for any additional costs, expenses or liabilities by reason of the Lessor's exercise of its rights under this Section 8.2, including (without limitation) transportation, operation or maintenance costs, all such additional costs, expenses and liabilities being borne solely by Lessor.

SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee shall pay or satisfy and discharge any and all Liens upon any Item of Equipment other than any Lessor's Liens and any Permitted Encumbrances, but the Lessee shall not be required to pay or discharge any such Liens so long as it shall, in good faith and by appropriate legal proceedings, including any proceedings under Section 9.2 of the Participation Agreement, contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor or the security interest or other rights of any assignee under Section 16 hereof in and to the Equipment.

SECTION 10. FILING.

10.1. Filing. Prior to the First Funding Date, the Lessee will cause this Lease and the Security Agreement to be duly filed, registered or recorded with the Interstate Commerce Commission in accordance with Section 11303 of the Interstate Commerce Act and in such other places within or without the United States as the Lessor or the Security Trustee may reasonably request and will furnish the Lessor and the Security Trustee proof thereof. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will refile, reregister or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Security Trustee (including, without limitation, all such acts required pursuant to Sections 6.10 and 6.11 of the Security Agreement), for the purpose of protecting, preserving and maintaining the Lessor's title to, or the Security Trustee's security interest in, any Item of Equipment to the satisfaction of the Lessor or the Security Trustee or their respective counsel or for the purpose of carrying out the intentions of this Lease, and in connection with any such action, will deliver to the Lessor and the Security Trustee proof of such filings and an opinion of the Lessee's counsel reasonably satisfactory to the Lessor and the Security Trustee that such action has been properly taken. The Lessee will pay all costs, charges and expenses incident to any such filing, refiling, recording and rerecording or depositing and redepositing of any such instruments or incident to the taking of such action.

SECTION 11. INSURANCE; PAYMENT FOR CASUALTY OCCURRENCE.

11.1. Insurance. The Lessee will at all times during the term of this Lease and until the Equipment has been returned to the Lessor, at the Lessee's expense, provide public liability and property damage insurance on the Equipment in the same amounts and subject to the same terms and conditions as it provides on its owned and other leased railcar equipment. The physical damage and public liability policies must also (a) insure against such reasonable risks as dictated by prudent industry practice and (b) so long as Lessee's first mortgage bonds maintain a rating of baa3 (or its equivalent) or higher (according to Moody's Investors Service, Inc.) Lessee may insure with such companies as are suitable to Lessee. If, however, the rating of Lessee's first mortgage bonds falls below baa3 (or its equivalent) (according to Moody's Investors Service, Inc.) the insurance contemplated above must be maintained with companies of reputable standing suitable to Lessor or with a Best's insurance

rating of at least A. In addition to, and without limiting, the foregoing, the Lessee will:

(a) maintain physical damage insurance on each Item of Equipment in an amount not less than the Stipulated Loss Value of such Item of Equipment as in effect from time to time, provided that if such coverage provides for deductible amounts such deductible amounts shall be not more than $1,000,000 per occurrence for all Items of Equipment subject to this Lease. Such $1,000,000 maximum may be raised during the term of this Lease with the prior written consent of the Lessor. The policies of insurance covering the Equipment shall provide (i) that the Lessor will be named as Loss Payee for Items of Equipment insured herein, provided that in the event any such insurance shall be in effect with respect to the Equipment prior to the payment in full of all principal of, premium, if any, and interest on the Notes, all payments thereunder shall be made to the Security Trustee under a Mortgagee Loss Payable Clause, and (ii) so long as no Event of Default shall have occurred and be continuing, claims, if any, shall be adjusted with the insurer by Lessee, and if an Event of Default shall have occurred and be continuing, shall be adjusted by the Lessor.

(b) maintain public liability insurance against bodily injury, death or property damage arising out of the use or operation of the Equipment, as well as insurance for contractual liability covering the Lessee's obligations under Section 9.1 of the Participation Agreement, with liability limits of not less than $25,000,000 per claim or occurrence or in the aggregate, provided that such coverage may provide for deductible amounts not exceeding $5,000,000. Such $5,000,000 deductible may be raised during the term of this Lease with the prior written approval of the Lessor. Such policies shall name each party to the Participation Agreement and their successors, assigns, officers and directors as additional named insureds. In the event any such liability is on a claims made basis at any time during the last three years of the term of this Lease, Lessee agrees to continue such coverage in compliance with all terms of this Section 11 for three years after the end of such term, it being agreed that Lessee's obligation under this sentence will survive for such three year period.

Each property policy shall insure the interest of each named insured thereunder other than the Lessee regardless of (A) any breach or violation by the Lessee or any other Person of any warranties, declarations or conditions contained in such policies or elsewhere, except for intentional breaches or violations by or at the direction of the Lessee or (B) the use of any Item of

Equipment for purposes more hazardous than permitted by the terms of the policy. No insurer under a policy provided under this Article 11 shall have any right of recovery or subrogation against the Lessor, the Trustor, the Security Trustee or any holder of Notes or any recourse against any of them for payment of any premiums or for assessments under any policy.

Each policy shall (A) be primary without right of contribution from any insurance carried by the Lessor, the Trustor, the Security Trustee or any holder of the Notes, (B) expressly provide that no cancellation or termination thereof (by non-renewal, lapse of time or otherwise) or material change therein, or any termination arising due to a lapse for non-payment of premium, shall be effective unless at least 30 days' prior written notice shall have been given to the Lessor, the Trustor, the Security Trustee and the holders of the Notes, and (C) provide that the insurer shall waive any rights of subrogation against the Lessor, the Trustor, the Security Trustee, and the holders of the Notes. If any insurance required by this Section 11.1 is or is to be canceled for non-payment of premium, the Lessor, the Trustor, the Security Trustee or any holder of Notes may purchase such insurance at the Lessee's expense.

Fifteen (15) days prior to the expiration or termination of any policy of insurance, Lessee shall deliver to the Lessor, the Trustor, the holders of the Notes and the Security Trustee, certificates of insurance or other evidence of insurance in form and substance satisfactory to the Lessor and the holders of the Notes evidencing renewal of or replacement of such policy.

As between Lessor and Lessee it is agreed that all insurance payments received under policies required to be maintained by Lessee under Section 11.1(a) as the result of the occurrence of a Casualty Occurrence with respect to an Item, if paid to Lessee will be immediately paid over to the Security Trustee until payment in full of the Notes and, thereafter, to Lessor, and in any event will be applied by the Security Trustee or Lessor, as the case may be, as follows:

(i) if such payments are received with respect to an Item which the Lessee has elected not to replace, so much of such payments remaining after reimbursement of Lessor and the Security Trustee for costs and expenses incurred in connection with such Casualty Occurrence and any past-due Fixed Rental or Supplemental Rent shall be applied in reduction of Lessee's obligation to pay such Stipulated Loss Value if not already paid by the Lessee, or, if already paid by the Lessee, shall be applied to reimburse Lessee for its

payment of such Stipulated Loss Value and the balance, if any, of such payment remaining thereafter will be paid over to, or retained by, the Lessee; and

(ii) if such payments are received with respect to an Item which the Lessee has elected to replace, so much of such payments remaining after reimbursement of the Lessor and the Security Trustee for such costs and expenses shall be paid over to the Lessee; provided that the Lessee has fully performed the terms of Section 11.6 with respect to the Casualty Occurrence for which such payments are made and such payments may be applied to the purchase price of such replacement railcar at delivery thereof to Lessor under Section 11.6.

As between the Lessor and the Lessee the insurance payments received under policies required to be maintained by the Lessee hereunder with respect to any property damage to any Equipment not constituting a Casualty Occurrence with respect thereto will be paid to the Lessee upon receipt of evidence of completion of repairs or shall be paid to the Person performing the repair of such damage. Any amount referred to in the next preceding sentence or in clause (i) or (ii) of the preceding paragraph that is payable to the Lessee shall not be paid to the Lessee if at the time of such payment an Event of Default or other event which with notice or lapse of time would become an Event of Default exists, but shall be held by Security Trustee so long as the Lien of the Security Agreement is in effect, and thereafter by the Lessor, as security for the obligations of the Lessee under this Lease and at such time as there is not continuing any such Event of Default or other event, such amount, unless theretofore otherwise applied in exercise of the Lessor's remedies hereunder, shall be paid to the Lessee. Notwithstanding the foregoing, any sums received as a result of any settlements made with respect to an Item of Equipment under Rule 107 of the American Association of Railroads (or any successor rule) in excess of Stipulated Loss Value thereof, shall be paid to or retained by the Lessor.

11.2. Casualty Occurrence and Duty of Lessee to Notify Lessor. In the event a Casualty Occurrence occurs with respect to an Item of Equipment, the Lessee shall promptly and fully (after it has knowledge of such Casualty Occurrence) inform the Trustor, the Lessor and any assignee of the Lessor pursuant to Section 16 hereof (including, without limitation, the Security Trustee and the Note Purchasers) in regard thereto.

Upon the happening of a Casualty Occurrence, the Lessor shall notify the Lessee within 20 days of the Lessor's receipt of such notice from the Lessee that the Lessor elects either (a) to

retain such Item and release the Lessee from further obligations under this Lease with respect to such Item or (b) to give the Lessee the option within 180 days of such occurrence of either paying Stipulated Loss Value on a Fixed Rental Payment Date occurring within such 180 day period (or within 30 days thereafter) or (except in the case of a Casualty Occurrence described in clause (vi) of the definition thereof and except if an Event of Default has occurred and is continuing) substituting a railcar of the same or an improved make and model of at least equal value and utility and of no greater age, provided that the Lessor shall have received an opinion of its tax counsel selected by the Trustor and in form and substance acceptable to the Trustor that neither the Lessee nor the Trustor shall suffer any adverse tax consequences as a result of such Casualty Occurrence and such substitution. Failure by the Lessor to make any election shall be deemed an election of clause (b). Upon payment of the Stipulated Loss Value, or substitution of the railcar, the Lessor's right, title and interest in the applicable Item of Equipment will be transferred to the Lessee as-is, where-is without recourse or warranty (except as to the absence of Lessor's Liens).

11.3. Sum Payable for Casualty Loss. The Lessee, if it elects to pay Stipulated Loss Value, shall on such Fixed Rental Payment Date pay to the Lessor any Fixed Rentals or other sums with respect to such Item due and accrued prior to or on such date then remaining unpaid plus the Stipulated Loss Value of such Item of Equipment as of the date of such payment. In the event the date on which a Casualty Occurrence is deemed to occur hereunder is other than the date on which the affected Item of Equipment is disposed of for federal income tax purposes, Trustor shall adjust the Stipulated Loss Value otherwise payable to take into account such difference, such adjustment to be made in accordance with the assumptions on which such Stipulated Loss Value was originally computed, so as to maintain Trustor's Net Economic Return.

11.4. Rent Termination. Upon (and not until) payment of all sums required to be paid pursuant to Section 11.3 hereof in respect of any Item or Items of Equipment, the obligation to pay Fixed Rental for such Item or Items of Equipment shall terminate upon the Stipulated Loss Value payment date, but the Lessee shall continue to pay Fixed Rental for all other Items of Equipment.

11.5. Disposition of Equipment. The Lessee shall, as agent for the Lessor, dispose of such Item or Items of Equipment having suffered a Casualty Occurrence for which the Lessee is required to pay Stipulated Loss Value as soon as it is able to do so for the fair market value thereof. Any such disposition shall

be on an "as-is", "where-is" basis without representation or warranty, express or implied. As to each separate Item of Equipment so disposed of, so long as no Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default shall have occurred and be continuing, the Lessee may retain all amounts arising from such disposition up to the amount of the Stipulated Loss Value attributable thereto which the Lessee has previously paid to the Lessor pursuant to Section 11.3 hereof. In disposing of such Item of Equipment, the Lessee shall take such action as the Lessor shall reasonably request to terminate any contingent liability which the Lessor might have arising after such disposition from or connected with such Item of Equipment.

11.6. Replacement of an Item. In the event the Lessee elects to substitute another railcar, the Lessee shall, within 30 days after the occurrence of such election, duly convey title to the Lessor, as replacement for the Item with respect to which such Casualty Occurrence occurred, title to another railcar of the same make and model (or a railcar of the same manufacturer of equivalent utility, value and useful life and same or later manufacturing date) free and clear of all Liens whatsoever and having a value and utility at least equal to, and being in as good operating condition as, the Item with respect to which such Casualty Occurrence occurred, but in all events in at least as good condition and repair as required by the terms hereof immediately prior to the occurrence of such Casualty Occurrence. In such case, the Lessee at its own expense, will prior to or at the time of any such conveyance (i) furnish to the Lessor a bill of sale, in form and substance satisfactory to the Lessor, with respect to such replacement railcar, (ii) cause a supplement hereto, in form and substance satisfactory to the Lessor, subjecting such replacement railcar to this Lease, to be duly executed by Lessee and recorded pursuant to Interstate Commerce Act, and any other applicable United States or Canadian statute, (iii) furnish the Lessor and the Security Trustee with such evidence of the Lessee's title to such replacement railcar and of compliance with the insurance provisions of Section 11 hereof with respect to such replacement railcar as Lessor may reasonably request, (iv) assign to the Lessor all warranties with respect to such replacement railcar; and (v) take such other action as the Lessor or the Security Trustee may reasonably request in order that such replacement railcar be duly and properly subject to this Lease, leased hereunder and subject to the Lien of the Security Agreement to the same extent as the Item replaced thereby. Upon full compliance by the Lessee with the terms of this Section 11.6 the Lessor will, at the Lessee's expense, transfer to the Lessee the Item with respect to which such Casualty Occurrence occurred. For all purposes hereof, each such

replacement railcar shall be deemed part of the property leased hereunder and shall be deemed an "Item" as defined herein.

11.7. Risk of Loss. The Lessee shall bear the risk of loss and, except as hereinabove in this Section 11 provided, shall not be released from its obligations hereunder in the event of any Casualty Occurrence to any Item of Equipment from and after the date hereof and continuing until payment of the Stipulated Loss Value and all Fixed Rental installments and other sums due on and prior to the date of payment of such Stipulated Loss Value in respect of such Item of Equipment has been made, such Item or the salvage thereof has been disposed of by the Lessee and the title to such Item or the salvage thereof and all risk of loss and liabilities incident to ownership have been transferred to the purchaser of such Item or the salvage thereof.

11.8. Eminent Domain. In the event that during the term of this Lease (i) the use of any Item of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for an indefinite period or for a stated period which does not exceed the term of this Lease and such requisition or taking does not constitute a Casualty Occurrence under Section 11.2 or (ii) any requisition or taking by any governmental authority occurs other than that set forth in clause (i) which does not constitute a Casualty Occurrence under Section 11.2, the Lessee's obligation to pay all installments of Fixed Rental and other sums with respect to such Items of Equipment shall continue for the duration of such requisitioning or taking. So long as no Event of Default, or event which with the lapse of time or giving of notice, or both, shall have occurred and be continuing, the Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession, and otherwise the same shall be paid to the Lessor as Collateral for the Lessee's obligations under the Operative Agreements.

Any payments (other than insurance proceeds the application of which is provided for in Section 11) received at any time by the Lessor or by the Lessee from any governmental body or other party with respect to a Casualty Occurrence, whether resulting from the condemnation, confiscation, theft or seizure of, or requisition of title to or use of, the Item, or otherwise, if paid to the Lessee shall be immediately paid over to the Security Trustee until payment in full of the Notes and, thereafter, to the Lessor, and in any event will be applied by the Security Trustee or the Lessor, as the case may be, as follows:

(i) if such payments are received with respect to an Item the Lessee has elected not to replace, so much of such payments remaining after reimbursement of Lessor and Security Trustee for costs and expenses incurred in connection with such Casualty Occurrences, and as shall not exceed the Stipulated Loss Value required to be paid by the Lessee pursuant to Section 11, shall be applied in reduction of the Lessee's obligation to pay such Stipulated Loss Value, 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 such Stipulated Loss Value, and the balance, if any, of such payment remaining thereafter will, after the Lessee has paid all other Fixed Rental and Supplemental Rent due and owing, be shared by the Lessor and the Lessee in the ratio of the expected useful life of such Item after the term of this Lease to the remainder of such term, respectively; and

(ii) if such payment is received with respect to an Item which the Lessee has elected to replace, all such payments shall be paid over to the Lessee, provided the Lessee has fully performed the terms of this Section 11 with respect to the Casualty Occurrence for which such payments are made and such payments may be applied to the purchase price of such replacement railcar at delivery thereof to the Lessor under Section 11.6.

Notwithstanding the foregoing, no sums shall be paid to or retained by the Lessee pursuant to this Section 11.8 if an Event of Default, or other event which with notice or lapse of time or both would become an Event of Default, has occurred and is continuing, and such sums shall instead be paid to or retained by Lessor as collateral for Lessee's obligations hereunder.

SECTION 12. ANNUAL REPORTS.

12.1. Duty of Lessee to Furnish. On or before June 14, 1992 and on each June 14 thereafter during the term of this Lease, the Lessee will furnish to the Trustor, the Lessor and any assignee of the Lessor pursuant to Section 16 hereof (including, without limitation, the Security Trustee and each Note Purchaser) upon the request of Lessor or any Participant, not more than once during any twelve month period and no sooner than 30 days after the end of Lessee's fiscal year, (i) an accurate statement as of the preceding December 31 (a) showing the amount, description and numbers of the Items of Equipment then leased hereunder, the amount, description and numbers of all Items of Equipment that may have suffered a Casualty Occurrence during the 12 months ending on such December 31 (or since the date of this Lease, in

the case of the first such statement), at the request of the Lessor, a list of Items of Equipment being repaired (other than running repairs) showing repairs being made to such Items and how long such Items have been out of service, and such other information regarding the condition or repair of the Equipment as the Lessor may reasonably request, provided that in the event Items of Equipment have sustained heavy railroad damage which has not been repaired by such December 31, Lessee shall identify in the statement by number such Items of Equipment, and (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4.2 hereof shall have been preserved or replaced and (ii) a certification stating that no Event of Default, or other event which with notice or lapse of time would become an Event of Default, has occurred and is continuing, or if one has occurred, describing the status thereof.

12.2. Lessor's Inspection Rights. The Lessor, the Trustor and any assignee of the Lessor pursuant to Section 16 hereof (including, without limitation, the Security Trustee and each Note Purchaser) each shall have the right, at their respective sole cost and expense (unless an Event of Default shall have occurred and be continuing in which case the Lessee shall pay the reasonable costs and expenses of each such party), by their respective authorized representatives, to inspect (i) the Equipment, (ii) the Lessee's maintenance facilities and (iii) the Lessee's records with respect to (i) and (ii) above, at reasonable times.

SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM.

Upon the expiration of the term of this Lease with respect to any Item of Equipment, including any optional renewal term pursuant to Section 18 hereof, the Lessee will, at its own cost, expense and risk, deliver possession of such Item of Equipment to the Lessor at the Designated Location, and store such Items of Equipment on tracks, free of charge, for a period not exceeding 90 days after all of the Items of Equipment are located at the Designated Location. The Lessee, at the Lessor's request and expense and at the Lessee's lowest available actual cost, will procure storage (and maintenance and insurance (of the same sort as if required for the 90 day storage period)) at the Designated Location of the Equipment for an additional period of up to 270 days. The Lessee will transport, at its own risk and expense, each Item of Equipment at any time from such Designated Location to any place within 500 miles of Chicago, Illinois on any railroad lines or to any connecting carrier for shipment, all as directed by the Lessor, and at the Lessor's expense and risk, upon not less than 15 days written notice to the Lessee. Storage

of each such Item is to be at the risk and expense of the Lessee for 90 days, and the Lessee agrees to maintain the insurance on such Item required by Section 11.1 hereof for such 90 days, after which time storage of each such Item is to be at the risk and expense of the Lessor. During any storage period(s) Lessee agrees that the Equipment will be collected and stored in groups of no fewer than 115 Items of Equipment at any one storage location, it being agreed that a storage location includes all tracks, sidings, yards, etc., suitable for storage of the Items of Equipment in accordance with this Agreement located within a 15 mile radius of the Designated Location. Lessee further agrees that the Items of Equipment at any given Designated Location will be stored in no more than three (3) contiguous groups. During any such storage period the Lessee will permit the Lessor or any Person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Item, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any Person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. During the first 90 days of such storage period the Lessee, at its expense (and subsequently upon the request and at the expense of the Lessor) shall, in addition to the foregoing, maintain the Equipment in such manner as the Lessee normally maintains similar units of railroad equipment owned or leased by it in similar storage circumstances, which maintenance shall in no event be to a standard lower than that required by industry standards.

In the event any Item of Equipment is not assembled, delivered and stored as hereinabove provided on the day after the expiration of this Lease, the Lessee shall, in addition, pay to the Lessor for each day from and after the expiration date of the Lease an amount equal to the higher of (i) an amount equal to the daily equivalent of the annual Fixed Rental in effect immediately prior to the expiration of the Lease for such Item of Equipment, or (ii) the Fair Rental Value (determined in the manner provided in Section 14.2 hereof) for such Item for each such day or (iii) amounts earned by the Lessee on such Item during such period; provided, however, that none of the foregoing shall limit any of the Lessor's other remedies under Section 14.2 of this Lease for failure to redeliver Equipment when and as required hereby.

Each Item returned to the Lessor pursuant to this Section 13 shall (i) be in a condition with no broken or missing parts and in compliance with all Interchange Rules and all applicable regulatory requirements, in as good an operating condition as when originally delivered, normal wear and tear excepted; (ii) be in a condition suitable for the purpose for

which it was intended; (iii) be in compliance with the maintenance provisions set forth in this Lease; (iv) be free of all accumulations and deposits of the commodities transferred in or on the Equipment; (v) have had removed or painted over any name, logo or other special markings of the Lessee or any sublessees in a workman-like manner and (vi) be free of all Liens except Lessor's Liens.

If the Lessor shall so request, the Lessor and Lessee shall hire an Inspector whose fee shall be born equally by both Lessor and Lessee, to determine whether or not such Item or Items are in compliance with items (i) through (v) listed in the preceding paragraph, provided that (a) the Inspector shall apply reasonable railroad standards in determining the foregoing and (b) the Lessor shall request to hire such inspector within 10 days after such Item is returned to the Lessor. If the Inspector determines that any Item of Equipment is not in compliance with all of the clauses (i) through (v) of the immediately preceding paragraph (x) Lessee shall as promptly as practicable and at its own cost cause such Item to so comply in the opinion of the Inspector and (y) Lessee shall pay to the Lessor a sum equal to the daily Fixed Rental on each such Item of Equipment (based on the higher of either (i) average of the Fixed Rental payments on such Item of Equipment during the immediately preceding year or (ii) the Fair Market Value of such Item of Equipment) not so complying from the date of the return of such Equipment to the Lessor until such Item of Equipment is determined to be in compliance by the Inspector.

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

SECTION 14. DEFAULT.

14.1. Events of Default. Any of the following events shall constitute an Event of Default hereunder (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree, or order of any court or any order, rule, or regulation of any administrative or governmental body):

(a) Default shall be made in the payment of any part of the Fixed Rental, Supplemental Rent, Stipulated Loss Value or Fair Market Value and such default shall

continue through the end of the Business Day following the date the Lessee receives notices from the Lessor or the Security Trustee of such default;

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

(c) The Lessee shall fail to maintain insurance required by Section 11.1 hereof;

(d) The Lessee shall fail to use and maintain the Equipment as required by, or violate any provision of, Section 7 or 8.1 hereof and such failure or violation shall continue for 30 days after the earlier of (i) written notice from Lessor or Security Trustee specifying the default and demanding the same be remedied and (ii) the date on which such default shall first become known to any officer of the Lessee; provided, however, no Event of Default shall occur under this paragraph (d) if (w) the Lessee is diligently attempting to cure such failure or violation, (x) such failure or violation is capable of being cured but cannot be cured within 30 days, (y) such failure or violation does not impair in any material respect the Lessor's interest in the Equipment or the security interest of the Security Trustee under the Security Agreement and (z) the Lessee presents the Trustor and the Security Trustee with a plan for the cure of such failure or violation, which plan shall be acceptable to each of the Trustor and the Security Trustee in each such party's sole discretion and shall specify, among other things, the time period within which such failure or violation shall be cured; and provided further, however, that such failure or violation shall be cured within the time specified in such plan;

(e) Default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in any other Operative Agreement or the Bills of Sale and such default shall continue for 30 days after the earlier of (i) written notice from Lessor or Security Trustee specifying the default and demanding that the same be remedied and (ii) the date on which such default shall first become known to any officer of the Lessee, it being agreed that if Lessee is diligently attempting to cure such default, but after

such 30 days has been unable to so cure such default, Lessee shall have an additional period, not to exceed 30 days, to cure such default;

(f) Any representation or warranty made by the Lessee herein or in the Participation Agreement or in any statement or certificate furnished to the Lessor, the Trustor, the Security Trustee or any Note Purchaser pursuant to or in connection with this Lease or the Participation Agreement is untrue in any respect as of the date of issuance or making thereof;

(g) The Lessee fails generally to pay its debts as such debts become due, or causes an order for relief to be entered against it, or acquiesces in the entering of such an order against it, under applicable federal or state bankruptcy law, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a custodian, trustee or receiver for the Debtor or for the major part of its property;

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

(i) Bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy, insolvency or similar law for the relief of debtors, are instituted by or against the Lessee and, if instituted against the Lessee, are consented to or are not dismissed within 60 days after such institution.

Notwithstanding the foregoing, the failure by the Lessee to pay any Tax which is being contested in accordance with the provisions of Section 9.2 of the Participation Agreement or the Tax Indemnity Agreement shall not constitute an Event of Default so long as the Lessee shall have paid all other amounts required to be paid under Section 9.2 of the Participation Agreement and the Tax Indemnity Agreement in connection with such contest (including, without limitation, all advances and expenses) and shall pay such Tax at the conclusion of the contest to the extent required pursuant to Section 9.2 of the Participation Agreement or the Tax Indemnity Agreement.

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

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

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

(c) By its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be located and take possession of all or any of the Items of Equipment without judicial process, if such can be done without breach of peace and in accordance with due process of law, all without liability to Lessee for or by reason of such entry or taking of possession, whether for the restoration of damage to property caused by such taking or otherwise (no such entry and taking of possession of the Equipment by the Lessor shall be construed (x) as an election by the Lessor to terminate this Lease in the absence of a written notice of termination or (y) to relieve the Lessee of any liability or obligation of this Lease); and/or

(d) Hold, sell, re-lease, possess and/or enjoy any Item of Equipment free from any right of the Lessee, or its successors or assigns, to use such Items for any purpose whatever; and/or

(e) Recover from the Lessee, and Lessee shall be liable for, any and all amounts which may have accrued to the date of termination of this Lease (computing the rental for any number of days less than a full rental period by multiplying the Fixed Rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period); and/or

(f) Whether or not Lessor has exercised other remedies, also to recover forthwith from the Lessee (i) as damages for loss of a bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum with respect to each Item of Equipment which represents the excess of the present worth, at the time of such termination,

of all Fixed Rentals for such Item which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease over the then present worth of the then Fair Rental Value of such Item for such period computed by discounting from the end of such term to the date of such termination Fixed Rentals which the Lessor reasonably estimates to be obtainable for the use of such Item during such period, such present worth to be computed in each case on a basis of an 8% per annum discount, compounded semiannually from the respective dates upon which Fixed Rentals would have been payable hereunder had this Lease not been terminated, or (y) an amount equal to the excess if any of the Stipulated Loss Value of such Item of Equipment as of the Fixed Rental Payment Date on or immediately preceding the date of termination over the Fair Market Value thereof at such time as determined below plus interest at 12.13% per annum on such Stipulated Loss Value for the period, if any, from such Fixed Rental Payment Date to such date of termination; provided, however, that in the event the Lessor shall have sold any Item of Equipment, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this part (i) with respect thereto may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor, on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Stipulated Loss Value of such Item of Equipment as of the Fixed Rental Payment Date on or immediately preceding the date of termination plus interest at 12.13% per annum on such Stipulated Loss Value for the period, if any, from such Fixed Rental Payment Date to such date of termination over the net proceeds of such sale, and (ii) any damages and expenses, other than for a failure to pay Fixed Rental, in addition thereto, including attorneys' fees, which the Lessor shall have sustained by reason of the breach of any covenant or covenants of the Operative Agreements; provided that this clause (f) shall not permit Lessor to recover the liquidated damages described above plus any Fixed Rental payments for periods after the payment of such liquidated damages; and/or

(g) Whether or not Lessor has exercised other remedies, also to require Lessee to purchase all, but not less than all, of the Items of Equipment, as damages for loss of a bargain and not as a penalty, for

a purchase price equal to the Stipulated Loss Value of such Items of Equipment as of the Fixed Rental Payment Date on or immediately preceding the date of purchase plus the Fixed Rental due on such Fixed Rental Payment Date plus interest at 12.13% per annum on such Stipulated Loss Value for the period, if any, from such Fixed Rental Payment Date to such date of purchase plus any damages and expenses, other than for a failure to pay Fixed Rental, in addition thereto, including attorneys' fees, which the Lessor shall have sustained by reason of the breach of any covenant or covenants of the Operative Agreements, and, upon payment in full of such purchase price and all other amounts due from Lessee under the Operative Agreements, Lessor shall convey such Items of Equipment to the Lessee as-is, where-is, without recourse or warranty, except as to the absence of Lessor's Liens; provided that this clause (g) shall not permit Lessor to recover the liquidated damages described above plus any Fixed Rental payments for periods after such Fixed Rental Payment Date; and/or

(h) exercise the right to cause a receiver to be appointed in any action against Lessee to take possession of the Equipment or to collect the rental thereon; provided that neither the appointment of such receiver nor any other action taken by Lessor shall constitute an election by the Lessor to terminate this Lease unless written notice of termination is given to Lessee; and/or

(i) whether or not this Lease is terminated, upon not less than 10 days prior notice (which the parties hereby deem to be commercially reasonable notice) to Lessee, sell the Equipment or any part thereof at public or private sale, to the highest cash bidder (or to a noncash bidder determined by Lessor in its sole discretion to have made a more favorable offer), free and clear of any rights of Lessee and without any duty to account to Lessee with respect to such sale or for the proceeds thereof (except as otherwise required under this Lease); and/or

(j) apply to the obligations of the Lessee hereunder or under any other Operative Agreement, in any such order as Lessor shall elect, any amounts held as security hereunder for Lessee's obligations.

The Fair Rental Value or Fair Market Value, as the case may be, of the Items of Equipment shall be determined on the

basis of, and shall be equal in amount to, the value which would be obtained for the Equipment in question as-is, where-is, in an arm's-length transaction between an informed and willing lessee or buyer, as the case may be (other than a lessee or buyer, as the case may be, currently in possession), and an informed and willing lessor or seller, as the case may be, under no compulsion to lease or sell, as the case may be; provided that any sale in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the Fair Market Value of such Item and any rental in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the Fair Rental Value of such Item. If the Lessor and the Lessee are unable to agree upon a determination of the Fair Rental Value or the Fair Market Value of such Items of Equipment within 20 days after receipt by Lessee of written notice setting forth the method to be used to calculate damages pursuant to Section 14.2(b), such value shall be determined in accordance with the foregoing definition by an Appraiser. The Appraiser shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee. The determination so made shall be conclusively binding upon both the Lessor and the Lessee. The expenses and fees of the Appraiser shall be borne by the Lessee.

14.3. Cumulative Remedies. The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims of any right to assert any offset against the rent payments due hereunder, and agrees to make the rent payments regardless of any offset or claim which may be asserted by the Lessee on its behalf in connection with the lease of the Equipment.

14.4. Lessor's Failure to Exercise Rights. The failure or delay of the Lessor to exercise the rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies. It being understood that once an Event of Default is cured, even if such Event of Default has been cured after the grace period specified in Section 14.1, Lessor can no longer declare an Event of Default as a result of the event or condition which caused such Event of Default, unless such event or condition recurs.

14.5. Notice of Event of Default. The Lessee also agrees to furnish to the Lessor, the Trustor, the Security Trustee and each Note Purchaser, promptly upon any officer becoming aware of any event or condition which constituted or constitutes an Event of Default under this Lease or which, after notice or lapse of time, or both, would constitute such an Event of Default, written notice specifying such event or condition and the nature and status thereof.

14.6. Lessee's Right to Quiet Enjoyment. So long as no Event of Default has occurred and is continuing, the Lessee and any of its sublessees under Permitted Subleases shall have the right of quiet enjoyment to the Equipment.

SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT.

15.1. Lessee's Duty to Return. If the Lessor or any assignee of the Lessor pursuant to Section 16 hereof shall terminate this Lease pursuant to Section 14 hereof, the Lessee shall forthwith deliver possession of the Equipment to the Lessor pursuant to the terms of Section 13 hereof; provided that the Lessor shall have the right to store each such redelivered Item of Equipment at the Designated Location free of charge and at the Lessee's risk for a period commencing on the date of the actual delivery thereof to such Designated Location and terminating on a date 365 days after the actual delivery of such Item of Equipment to such Designated Location.

All amounts earned in respect of the Equipment after the date of termination of this Lease shall be paid to the Lessor or in the event this Lease has been assigned pursuant to Section 16 hereof, to such assignee, and, if received by the Lessee, shall be promptly turned over to the Lessor, or in the case of such assignment, to such assignee. In the event any Item of Equipment is not assembled, delivered, stored and returned to the Lessor in the condition mandated by paragraph 3 of Section 13 and as hereinabove provided on the day of the termination of this Lease, the Lessee shall, in addition, pay to the Lessor or, in the case of such assignment, to such assignee, for each day thereafter an amount equal to the amount, if any, by which the higher of (i) an amount equal to the daily equivalent of the annual Fixed Rental in effect immediately prior to the expiration of the Lease for such Item of Equipment, or (ii) 125% of the Fair Rental Value for such Item of Equipment for each such day exceeds the amount, if any, received by the Lessor or such assignee (either directly or from the Lessee) for such day for such Item pursuant to the preceding sentence.

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

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

SECTION 16. ASSIGNMENTS BY LESSOR.

This Lease and all rent and all other sums due or to become due hereunder may be assigned in whole or in part by the Lessor without the consent of the Lessee. Without limiting the foregoing, the Lessee further acknowledges and agrees that (i) the rights of any such assignee in and to the sums payable by the Lessee under any provision of this Lease shall not be subject to any abatement whatsoever and shall not be subject to any defense, set-off, counterclaim or recoupment whatsoever whether by reason of failure of or defect in the Lessor's title, or any interruption from whatsoever cause in the use, operation or possession of the Equipment or any part thereof, or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other Person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that the Lessee shall be unconditionally and absolutely obligated to pay such assignee all of the rents and other sums which are the subject matter of the assignment, (ii) said assignee shall, if an Event of Default shall have occurred and be continuing, to the extent set forth in the Security Agreement, have the right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of said assignee) which by the terms of this Lease are permitted or provided to be exercised by the Lessor including, without limitation, the right to proceed pursuant to Section 14.2 hereof, but if no Event of Default shall have occurred and be continuing, said assignee, the Lessor and the Trustor may each exercise their respective rights, privileges and remedies stated in this Lease

to be provided for their respective benefits, and (iii) all obligations of the Lessor to the Lessee under this Lease shall be and remain enforceable by the Lessee against, and only against, the Lessor.

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

SECTION 17. ASSIGNMENTS BY LESSEE; USE AND POSSESSION.

17.1. Lessee's Rights to the Equipment. So long as no Event of Default shall have occurred and be continuing, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease, but, without the prior written consent of the Lessor, the Lessee shall not assign, transfer or encumber its leasehold interest under this Lease in any of the Equipment; provided that, so long as no Event of Default or any event which with the lapse of time or the giving of notice, or both, would constitute an Event of Default shall have occurred and be continuing, the Lessee may at any time, (a) assign or transfer its leasehold interest in whole or in part in the Equipment to affiliated companies in its own consolidated tax group or to any entity with which Lessee shall have become merged or consolidated or which shall have acquired all or substantially all of the properties of the Lessee, so long as Lessee remains primarily liable on the Lease, and so long as there are at no time more than four lessees of the Equipment and such assignee or transferee (i) shall have duly assumed the obligations of Lessee under this Lease and (ii) will not, upon such assignment or transfer, be in Default under this Lease and (b) assign its rights and obligations in this Lease to other entities, provided that the Lessee remains primarily liable on this Lease, and such assignee or transferee (i) shall have duly assumed the obligations of Lessee under this Lease and (ii) will not, upon such assignment or transfer, be in Default under this Lease and such assignment shall be subject to the Lessor's written consent which consent shall not be unreasonably withheld. In the event of an assignment as contemplated by (a) or (b) above, the Lessor shall have received an instrument or instruments reasonably satisfactory to it, the Trustor and the Note Purchasers under which such assignee assumes the obligations of the Lessee hereunder. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Equipment, except to the extent permitted by the provisions of Section 17.2 hereof.

17.2. Use and Possession by Lessee; Permitted Subleases. So long as no Event of Default shall have occurred and be continuing, the Lessee shall be entitled to the possession and use of the Equipment. The Lessee shall also be entitled so long as no Event of Default or any event which with the lapse of time or giving of notice, or both, would constitute such Event of Default shall have occurred or be continuing, to enter into Permitted Subleases; provided, however, that the Lessee shall not locate or permit the location of any Item of Equipment (including, without limitation, the regular operation and maintenance thereof) in any location which is not a Perfected Jurisdiction, provided, further, that, (i) all subleases and the rights and interest of any sublessee thereunder shall in all events be subject and subordinate to this Lease and the rights and interests of the Lessor and its respective successors and assigns hereunder, and shall confirm such subordination by a provision therein satisfactory to the Lessor and each Note Purchaser, and (ii) the Permitted Sublease shall require that the sublessee shall use and maintain the equipment in conformance with this Lease. No modification to this Lease may be made by any sublessee, and there will be no sub-subleasing. No assignment or sublease entered into by the Lessee hereunder shall relieve the Lessee of any liability or obligation hereunder which shall be and remain those of a principal and not a surety.

In the event that as a result of the location at which and/or the manner in which any Item or Items of Equipment are used the Lessor or the Trustor is required to qualify as a foreign corporation in any jurisdiction within or without the United States as a result of the use or location of any Equipment therein (on the assumption that the Lessor or the Trustor, respectively, is not otherwise doing business in such jurisdiction), the Lessee will promptly notify the Lessor and the Trustor thereof and assume the liability for any expenses obligations, losses, damages, penalties, claims, actions, suits, costs and expense incurred by Lessor or Trustor in so qualifying. The Lessee will not use or locate any Equipment, or permit any Equipment to be used or located, in any jurisdiction within or without the United States which would result in subjecting the Lessor or the Trustor to any Regulations to which it was not subject prior to entering into this Lease which Regulations the Lessee is not able to perform and satisfy entirely on its own without any adverse effect on the Lessor or the Trustor, the Lessee hereby agreeing to perform and satisfy all such Regulations on behalf of Lessor and Trustor. It is understood that nothing contained in this Section 17.2 shall be deemed to change the allocation of tax burdens addressed in Section 9.2 of the Participation Agreement and in the Tax Indemnity Agreement.

17.3. Merger, Consolidation or Acquisition of Lessee. Nothing in this Section 17 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any solvent corporation organized under the laws of any state of the United States or the District of Columbia into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all of the property of the Lessee, provided that (a) (i) immediately prior and after giving effect to any such merger, consolidation or acquisition, no Event of Default, or event which with notice or the passage of time, or both, would become an Event of Default, shall have occurred and be continuing and (ii) such assignees, successors or transferees shall have duly assumed the obligations of the Lessee hereunder and under the Participation Agreement and the Tax Indemnity Agreement pursuant to an agreement reasonably satisfactory to the Lessor, the Trustor and the Security Trustee and (b) such merger, consolidation or acquisition shall not alter in any way the Lessee's obligations to the Lessor hereunder which shall be and remain those of a principal and not a guarantor.

The Lessee will preserve and keep in full force and effect its corporate existence, rights and franchises and all licenses and permits necessary to the performance of its obligations hereunder, except as otherwise provided in the preceding paragraph.

SECTION 18. PURCHASE OPTIONS; RENEWAL OPTIONS.

18.1. Purchase Options. Provided that no Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred at any time during the term of this Lease, whether or not such Event of Default was subsequently cured, the Lessee shall have the right to purchase part or all of the Items of Equipment then leased hereunder at the expiration of the Basic Lease Term hereof, at a price equal to 65% of the Purchase Price of such Items of Equipment. Such right to purchase shall be in accordance with the Equipment Selection Process. The Lessee shall give the Lessor written notice not less than six months nor more than nine months prior to the end of the Basic Lease Term of this Lease of its election to exercise the purchase option provided for in this Section, which notice shall be irrevocable. Payment of the option price, plus all other Fixed Rental and Supplemental Rent then due and owing shall be made at the place of payment specified in Section 2.3 hereof in immediately available funds against delivery of a bill of sale transferring and assigning to the Lessee all right, title and interest of the Lessor in and to the Equipment and containing a warranty against

Lessor's Liens. The Lessor shall not be required to make any other representation or warranty as to the condition of the Equipment or any other matters, and may specifically disclaim any such representations or warranties.

18.2. Renewal Options. Provided that no Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred at any time during the term of this Lease, whether or not such Event of Default was subsequently cured, the Lessee shall in accordance with the Equipment Selection Process, have one option to renew this Lease for one two-year period as to part or all of the Items of Equipment then leased hereunder, determined as follows:

(a) the Lessee shall give the Lessor written notice not less than six months nor more than nine months prior to the end of the Basic Lease Term, of its election to exercise a renewal option for a two year period, which notice shall be revocable, with the renewal term and each semiannual installment of Fixed Rental payable during any such renewal term to be in an amount equal to the Fair Rental Value of the renewed Items;

(b) promptly following receipt of Lessee's written election to renew the Lease given pursuant to clause (a), an appraiser or appraisers shall be chosen pursuant to Section 18.3 for the purpose of determining the Fair Rental Value;

(c) promptly following the selection of such appraiser(s), and in any event not less than ninety (90) days prior to the end of the Basic Lease Term, the appraiser(s) shall make its determination pursuant to the procedure set forth in Section 18.3;

(d) the Stipulated Loss Value payable during the renewal term in respect of any Item of Equipment shall be an amount equal to the higher of the Fair Market Value of such Item as of the beginning of the renewal term as determined as aforesaid by such appraiser(s) or 35% of the Purchase Price of such Item;

(e) the renewal term shall commence immediately upon the expiration of the Basic Lease Term; and

(f) such notice of renewal may be revoked by Lessee in writing at any time up to 180 days prior to the end of the Basic Lease Term and any failure to so

revoke shall render such notice irrevocable at such time.

18.3. Determination of Fair Rental Value and Fair Market Value. For purposes of Section 18 hereof, the Fair Rental Value or Fair Market Value for any Item of Equipment shall be determined on the basis of, and shall be equal in amount to, the value which would be obtained in an arm's-length transaction between an informed and willing lessee or buyer, as the case may be (other than a lessee or buyer, as the case may be, currently in possession and other than a used equipment dealer) and an informed and willing lessor or seller, as the case may be, under no compulsion to lease or sell, as the case may be; provided that, (i) such determination shall not take into account the reduction in value of such Item of Equipment resulting from the location of such Equipment, and (ii) the appraiser shall assume that the Equipment is in its actual condition, but is in no worse condition than that required by the third paragraph of Section 13, it being agreed that the appraiser can determine the actual condition of the Equipment by inspecting a random sample of the Equipment selected by the appraiser. If the Lessor and the Lessee are unable to agree upon a determination of the Fair Rental Value or the Fair Market Value of such Items of Equipment within 10 days of Lessor's receipt of Lessee's renewal notice, such value shall be determined by any independent appraiser mutually agreed upon by the Lessor and the Lessee or if no such mutual agreement is reached within 15 days, two independent qualified appraisers, one chosen by the Lessor and one chosen by the Lessee, or, if such appraisers cannot agree on the amount of such value within 15 days of appointment, the two appraisers so appointed shall within 30 days of appointment, appoint a third independent appraiser. If no such third appraiser is appointed within 30 days of appointment of the two appraisers, either party may apply to the American Arbitration Association to make such appointment, and both parties shall be bound by any such appointment. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the amount of such value within 60 days after his or their appointment. If the parties shall have appointed a single appraiser, his determination of values shall be final. If three appraisers shall be appointed, the values determined by the three appraisers shall be averaged, the determination which differs most from such average shall be excluded, the remaining two determinations shall be averaged and such average shall be final. The expenses and fees of all such appraisers shall be borne by the Lessee.

18.4. Delivery of Equipment. Unless the Lessee has elected to purchase the Items of Equipment then leased hereunder as provided in this Section 18, all of such Items of Equipment

shall be returned to the Lessor at the end of the Basic Lease Term or then applicable renewal term in accordance with Section 13 hereof and Lessee shall notify the Lessor in writing promptly after each Item of Equipment has been so delivered, such notice to identify such Item of Equipment and the location thereof.

SECTION 19. EARLY TERMINATION; OPTIONAL TERMINATION.

19.1. Early Termination. Provided that no Event of Default, or any event which with the lapse of time, or the giving of notice, or both would constitute such an Event of Default, has occurred at any time during the term of this Lease, whether or not such Event of Default was subsequently cured, the Lessee may, upon not less than 180 days' prior and irrevocable written notice to the Lessor and the Security Trustee, terminate this Lease on a Fixed Rental Payment Date in accordance with the Equipment Selection Process with respect to part or all of the Items of Equipment at any time after June 14, 1998 if (i) such Items of Equipment are considered in the reasonable opinion of a responsible officer of the Lessee to be obsolete or surplus to the needs of the Lessee in the conduct of its business and (ii) if Lessee is relying on such Items being surplus, rather than obsolete, Lessee has not purchased, leased or otherwise acquired, for a period of one year prior to, and Lessee covenants that it will not purchase, lease or otherwise acquire, for a period of one year after, the termination date for such Items, items of equipment substantially similar to and having substantially the same capabilities of, the Items of Equipment leased hereunder. Such written notice shall designate the date on which termination is to become effective and shall be accompanied by a certificate of a responsible officer of the Lessee setting forth the determination that such Items of Equipment have become obsolete or surplus to the needs of the Lessee and a statement in reasonable detail of the basis for such determination. Within 90 days of Lessee's notice of termination, Lessor shall have the right to elect to retain the Equipment being terminated, in which case Lessee shall have no further obligation to pay Fixed Rentals after the termination date or any portion of Stipulated Loss Value with respect to such Equipment. If Lessor does not so elect, the Lessee, at Lessor's option and request, will use its best efforts to obtain an offer to purchase such Equipment from a third party unrelated to the Lessee and not acting for or on behalf of the Lessee. The Lessor will be, in such case, entitled to the higher of the net proceeds of such sale, if any, and the Stipulated Loss Value of such Equipment as of the date of termination. The Lessor has the right but not the obligation to purchase such Equipment in the event of such sale on the same terms and conditions and price as offered by the unrelated third party and will receive the same consideration as any other

prospective purchaser. In the case of a Lessor purchase pursuant to the preceding sentence, Lessor retains its rights to the higher of the net proceeds of such sale and the Stipulated Loss Value of such Equipment as of the date of termination. Lessee is obligated to return such Equipment in the same condition as dictated by the maintenance and return provisions of Section 13 hereof. The Lessee shall certify to the Lessor in writing the amount of each bid so received and the name and address of the party submitting such bid promptly upon receipt thereof. The Lessor may obtain bids, but shall be under no duty to solicit bids, inquire into the efforts of the Lessee to obtain bids or otherwise take any action in connection with arranging such sale.

On the termination date indicated in such notice, the Lessee shall pay, in immediately available funds, to the Lessor the installment of Fixed Rental due on such date if not already paid, plus the amount, if any, by which the Stipulated Loss Value for such Equipment as of such date exceeds the proceeds of such sale net of all out-of-pocket costs incurred by the Lessor and the Trustor in connection therewith. On the termination date, the Lessor shall either retain or sell to the highest bidder all of the Lessor's rights, title and interest in such Equipment as-is, where-is without recourse or warranty except as to the absence of Lessor's Liens.

Upon payment to the Lessor by the Lessee of the amounts required by this Section 19.1, and payment of all other Supplemental Rent then due, this Lease shall terminate with respect to such Equipment. Whether or not any such excess is payable by the Lessee, the Lessee shall have no right to receive or share in any portion of the proceeds of any sale of such Equipment pursuant to this Section 19.1. If no bid is received, this Lease shall continue in full force and effect with respect to such Equipment, provided that the Lessee shall have no further right to give notice of termination of this Lease pursuant to this Section 19.1 if the Lessee shall have exercised such right on three prior occasions and such right may be exercised not more than once every twelve consecutive months. The Lessee agrees that in the event the Lease shall continue in full force and effect with respect to such Equipment, it will reimburse the Lessor, the Trustor, the Security Trustee and the Note Purchasers for all out-of-pocket costs incurred by such parties in connection therewith.

SECTION 20. COLLATERAL ASSIGNMENT BY LESSEE OF RENTALS UNDER PERMITTED SUBLEASES.

20.1. Assignment. As collateral security for the payment of any and all of the obligations and liabilities of the Lessee due under the Operative Agreements, the Lessee does hereby grant a security interest in and assigns to the Lessor all of the right, title and interest which it has acquired or may have acquired in all rentals payable or receivable under and pursuant to each and all Permitted Subleases arising from, by virtue of, or in connection with, the Equipment, whether now existing or hereafter entered into, as and only to the extent that any Permitted Sublease relates to the Equipment, including, without limitation, the immediate and continuing right to receive all such rental payments now or hereafter payable or receivable pursuant to any Permitted Sublease; it being the intent and purpose hereof that the assignment and transfer to the Lessor of said rights shall be effective and operative immediately and shall continue in full force and effect at all times during the period from and after the date of this Lease until the end of the term of this Lease.

20.2. Rights of Lessee in Permitted Subleases; Segregation of Rental Payments. Notwithstanding any other provision hereof, so long as no Event of Default or any event which with the lapse of time or the giving of notice, or both, would constitute an Event of Default under this Lease shall have occurred and is continuing, the Lessee shall have the right to receive all rentals and other sums payable under any Permitted Subleases; provided, however, that if any such Event of Default or event shall have occurred at any time under this Lease and such Event of Default is continuing, the Lessor may elect that the Lessee shall (i) receive and retain any rental payments under any Permitted Subleases, all or any portion of which payments are attributable to or receivable with respect to the Equipment or any Item or Items thereof, in trust for the benefit of the Lessor or any assignee pursuant to Section 16 hereof, (ii) deposit any such payment in the original form in which received into a separate account established for such purpose, into which no payments other than those described in clause (i) above shall be deposited, except in the case that the original form of such payment shall include both rentals under any Permitted Sublease attributable to any Equipment and additional rentals not so attributable, then the entire amount of such payment under such Permitted Sublease shall be deposited into such separate account, (iii) remit from such separate account all amounts due and owing to the Lessor in respect of any Item of Equipment, and (iv) only after the full portion required to be remitted to the Lessor pursuant to clause (iii) above shall, at any given time, have

been so remitted, remit the balance in such separate account to a general account of the Lessee.

Upon request, Lessee agrees promptly to furnish Lessor with the names and addresses of all sublessees under Permitted Subleases together with such other information as the Lessor may request. In addition to the rights of the Lessor pursuant to this Section 20, Lessee hereby grants Lessor Lessee's power of attorney to collect in the event of the occurrence of an Event of Default hereunder, all rental payments due to Lessee under any Permitted Subleases assigned to Lessor pursuant to Section 20.1 hereof. In such event, unless Lessor shall have made the election provided for in the immediately preceding paragraph, Lessee agrees to cooperate with Lessor in the notification of all sublessees under Permitted Subleases of such power of attorney and to execute any and all documents reasonably requested by Lessor in connection therewith. Upon the occurrence of such event, Lessee also agrees to pay to Lessor any mileage allowances paid to Lessee by railroads respecting Items of Equipment under such Permitted Subleases. All funds collected by Lessor pursuant to the above shall be applied by Lessor in satisfaction of Lessee's obligations under the Operative Agreements.

The Lessee agrees that any rental payments received under any Permitted Sublease shall be first applied to, and shall be deemed to be payable in respect of, the Items of Equipment which may be leased under such Permitted Sublease, notwithstanding any default or deficiency in such rental payment by the sublessee under such Permitted Sublease.

20.3. Further Assignment. The Lessee acknowledges and agrees that (i) all rights and interests of the Lessor pursuant to this Section 20 may be assigned by the Lessor to any assignee in accordance with Section 16 hereof, and (ii) the assignment provided for in this Section 20 shall not in any way obligate the Lessor or any of its successors or assigns to perform or satisfy any of the obligations or liabilities of the Lessee under any Permitted Sublease.

20.4. Rights under Uniform Commercial Code. Upon the occurrence of any Event of Default under this Lease, the Lessor shall, in addition to all other rights and remedies provided for herein, have in connection with the assignment provided for in this Section 20, all the rights of a secured party under the Uniform Commercial Code of New York (regardless of whether such Code is the law of the jurisdiction where the rights or remedies are asserted).

20.5. Further Assurance. Without limiting the foregoing the Lessee hereby agrees that it will deliver to the

Lessor a copy of each form of sublease used at any time and the original executed counterpart of any riders or schedules delivered under any Permitted Subleases in respect of the Equipment or any Item thereof, clearly marked to indicate that such counterpart is the original counterpart for purposes of the Uniform Commercial Code, and shall clearly mark on any multiple executed counterparts of such riders or schedules in its possession that they do not constitute the original counterpart for purposes of the Uniform Commercial Code; provided, the Lessee shall not be required to deliver any such rider or schedule if less than five Items of Equipment are leased thereunder, provided, further, that the Lessee agrees to the extent practicable to establish procedures for the delivery of separate riders or schedules segregating the Items of Equipment from other rail cars which may be leased to any sublessee thereunder or where not so segregated, noting the security interest granted hereunder in respect of such Items. The Lessee further covenants that it will, upon the written request of the Lessor execute and deliver such further instruments and do and perform such other acts and things as are necessary to effectively invest in and secure to the Lessor and its assigns the interests assigned pursuant to this Section 20 or other rights or interests due or hereafter to become due.

20.6. Application of Moneys. All distributions and payments to the Lessor shall be applied by the Lessor to the payment and reduction of the obligations and liabilities of the Lessee under this Lease and in accordance with the terms and provisions of the Security Agreement.

20.7. Duration. The satisfaction or discharge of any part of the obligations or liabilities of the Lessee under this Lease shall not in any way satisfy or discharge the assignment provided for in this Section 20, but such assignment shall remain in full force and effect so long as any amount remains unpaid on any such obligations or liabilities.

SECTION 21. INTEREST ON OVERDUE RENTALS AND AMOUNT PAID BY LESSOR.

Anything to the contrary herein contained notwithstanding, any nonpayment of any amounts due hereunder or under any other Operative Agreement, or amounts expended by the Lessor on behalf of the Lessee, shall result in the additional obligation on the part of the Lessee to pay also an amount equal to 12.13% per annum (or the maximum rate of interest permitted by law, whichever is less) on the overdue rentals and amounts expended for the period of time during which they are overdue or expended and not repaid.

SECTION 22. DEFINITIONS.

The following terms shall have the following meanings for all purposes of this Agreement:

"Alterations" shall mean any alteration, addition, replacement or modification on any Item of Equipment.

"Appraiser" shall mean any independent nationally recognized appraiser chosen by the Lessor.

"Basic Lease Term" shall, as to each Item of Equipment, commence on June 14, 1991 and, subject to the provisions of Sections 11, 14 and 19 hereof, shall terminate on June 14, 2011.

"Business Day" shall mean any day other than a Saturday, Sunday or other day on which banks are permitted or required to close in New York, New York or Hartford, Connecticut.

"Casualty Occurrence" shall mean with respect to any Item of Equipment, any of the following events: (1) actual or constructive loss of an Item of Equipment in the reasonable opinion of a responsible officer of the Lessee; (2) theft or disappearance of an Item of Equipment for a period in excess of 90 days; (3) an Item of Equipment becomes worn out, destroyed, or, in the reasonable good faith opinion of Lessee, irreparably damaged or uneconomical to repair; (4) title to an Item of Equipment shall be taken by any governmental entity by condemnation or otherwise; (5) use of an Item of Equipment shall be taken or requisitioned (a) by the U.S. government for a period in excess of the lesser of one year or the remaining term of the Lease, or (b) by any other governmental entity for a period in excess of the lesser of 180 days or the remaining term of the Lease; or (6) the use of an Item of Equipment in the normal course of interstate rail transportation shall have been prohibited for a continuous period in excess of six months as a result of any rule, regulation, order or other action by the U.S. government or any agency or instrumentality thereof.

"Designated Location" shall mean any point of interchange selected by the Lessor within 500 miles of Chicago, Illinois either (i) mutually agreed upon by both the Lessee and Lessor or (ii) on the lines of a Class I railroad.

"Equipment Selection Process" shall mean, with respect to the determination of the specific number of Items to be terminated, released or purchased by the Lessee pursuant to this Lease or any other Operative Agreement, an attempt by the

Lessee and the Lessor to reach a mutual agreement based upon the Lessee's written request of specified Items of Equipment and absent such mutual agreement, a random selection process to select such Items of Equipment provided that, the Lessee must select at least 115 Items or all of the Items subject to this Lease, and the Lessor shall after any termination, release or purchase be left owning either zero or at least 115 Items.

"Event of Default" shall mean any event as set forth in Section 14.1 hereof.

"Fair Market Value" and "Fair Rental Value" shall be determined in accordance with the provisions of Sections 14.2 or 18.3 hereof, as applicable.

"Fixed Rental" shall mean, for each Item of Equipment, the 40 semiannual installments of fixed rental, payable as set forth in Schedule E as the same may be adjusted pursuant to Section 2.5 hereof, and any Fixed Rental payable during a renewal term as provided in Section 18.2.

"Fixed Rental Payment Date" shall mean the date a Fixed Rental is due as set forth in Schedule E and as provided in Section 18.2.

"Guidelines" shall mean the guidelines set forth in Revenue Procedure 75-21, 1975-1 C.B. 715, as further set forth in Revenue Procedure 75-28, 1975-1 C.B. 752, and as modified in Revenue Procedure 76-30, 1976-2 C.B. 647 and Revenue Procedure 79-48, 1979-2 C.B. 529.

"Improvements" shall mean any additions, modifications or improvements made by the Lessor to the Equipment not otherwise required to be made by the Lessee pursuant to this Lease.

"Indemnified Person" shall mean the Lessor, in both its individual and fiduciary capacities, the Trustor and any assignee of the Lessor pursuant to Section 16 hereof (including, without limitation, the Security Trustee and the Note Purchasers) and their respective successors and assigns and agents, officers, directors and employees.

"Inspector" shall mean an inspector acceptable to both the Lessee and Lessor.

"Interchange Rules" shall mean 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.

"Lessor's Liens" shall mean Liens upon any Item of Equipment, arising as a result of (i) claims against the Lessor or the Trustor not related to the transactions contemplated by the Operative Agreements or to its ownership of the Equipment, (ii) any act or omission of the Lessor or the Trustor which is not related to the transactions contemplated by the Operative Agreements or is in violation of any of the terms of the Operative Agreements or (iii) claims against the Lessor or the Trustor with respect to Taxes against which the Lessee is not required to indemnify the Lessor pursuant to Section 9.2 of the Participation Agreement or the Tax Indemnity Agreement.

"Net Economic Return" shall mean the Trustor's nominal after-tax yield, periodic earnings from the beginning of the investment period calculated in accordance with FASB 13, aggregate after-tax cash flow and aggregate after-tax cash flow as a percentage of the Trustor's equity investment, all using the multiple investment sinking fund method; and internal rate of return and return on assets as calculated by it.

"Perfected Jurisdiction" shall mean the United States and any Canadian jurisdiction with respect to which all instruments required by the laws of any such jurisdiction have been executed, acknowledged, delivered, filed, registered and recorded as required by the laws of that jurisdiction to protect the rights of the Lessor and the Security Trustee under this Lease and the Security Agreement as evidenced by an opinion of counsel reasonably satisfactory to the Lessor, the Trustor, each Note Purchaser so long as it shall continue to be a holder of Notes, and the Security Trustee.

"Permitted Sublease" shall mean a sublease of any Item of Equipment (A) for (a) any term but no longer than the then remaining term of this Lease if to a Person controlling, controlled by, or under the common control with the Lessee, (b) any term equal to or less than three years and no longer than the remaining term of this Lease if to other than a Person controlling, controlled by or under common control with the Lessee or (c) any term but no longer than the remaining term of this Lease if to other than a Person controlling, controlled by or under common control with the Lessee, with the prior written consent of the Trustor and the Security Trustee, which consent will not be unreasonably withheld and (B) which contains a clause which reads as follows: "Sublessee acknowledges that this Sublease has been assigned as collateral by Sublessor to State Street Bank and Trust Company of Connecticut, National Association, as Owner Trustee, and that said Trustee or its assigns may enforce this Sublease in its own name and collect rentals hereunder."

"Prime Rate" shall mean the per annum rate of interest from time to time announced by Citibank, N.A. as its prime rate or other corporate base rate, as the same may change from time to time.

"Purchase Order" shall have the definition set forth in Recital A hereto.

"Replacement Equipment" shall mean a unit of railroad equipment substantially similar to an Item which replaces such Item pursuant to Section 8.2 hereof.

"Stipulated Loss Value" shall mean, with respect to an Item of Equipment and a given date, an amount equal to that percentage of the Purchase Price of such Item of Equipment set forth in Schedule D attached hereto opposite such date, as the same may be adjusted pursuant to Section 2.5 hereof or the Tax Indemnity Agreement; plus any premium then due on the Notes.

"Supplemental Rent" shall mean an amount or amounts equal to (i) all fees and expenses, including counsel fees, of the Security Trustee and its successors (other than the initial fees and expenses payable by the Lessor pursuant to Section 2.6 of the Participation Agreement) incurred in connection with its services as Secured Party under the Security Agreement, (ii) all taxes, if any, in connection with any issuance and sale of the Notes other than taxes on the original issuance and sale thereof which are payable by the Lessor pursuant to Section 2.6 of the Participation Agreement, (iii) all fees and expenses of the Trustee and its successors (other than the initial fees and expenses payable by the Lessor pursuant to Section 2.6(h) of the Participation Agreement) incurred in connection with its services as Lessor under this Lease and (iv) all other amounts, including, without limitation, the premium, if any, payable with respect to the Notes and any amounts described in Section 21 hereof, which the Lessee is obligated to pay under the Operative Agreements other than Fixed Rental.

SECTION 23. MISCELLANEOUS.

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

If to the Lessor: State Street Bank and Trust Company of Connecticut, National Association as Trustee under DEC Trust No. 1990-3
100 Constitution Plaza
Hartford, Connecticut 06103
Attention: Corporate Trust Department
Telecopy: (203) 244-6999

(with copies to the Trustor)

If to the Trustor: At the address provided therefor in Schedule 1 to the Participation Agreement.

If to the Security Trustee: The Connecticut National Bank, as Security Trustee
777 Main Street
Hartford, Connecticut 06115
Attention: Corporate Trust Department
(1990 Detroit Edison Leveraged Lease Transaction)
Telecopy: (203) 240-7920

If to the Lessee: The Detroit Edison Company
2000 Second Avenue
Detroit, Michigan 48226
Attention:

If to a Note Purchaser: At the address provided therefor in Schedule 2 to the Participation Agreement.

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

23.2. Right of Lessor to Perform. If the Lessee shall fail to comply with any of its covenants herein contained, either the Lessor, the Trustor or, in the case of an assignment by the Lessor pursuant to Section 16 hereof, the assignee thereunder (including, without limitation, the Security Trustee and each Note Purchaser) may, but shall not be obligated to, make advances

to perform the same and to take all such action as may be necessary to obtain such performance. Any payment so made by any such party and all cost and expense (including, without limitation, attorneys' fees and expenses) incurred in connection therewith shall be payable by the Lessee to the party making the same upon demand as additional rent hereunder, with interest at the rate specified in Section 21.

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

23.4. Law Governing. This Lease shall be construed in accordance with the laws of the State of New York without regard to principles of conflicts of law; provided, however, that the parties shall be entitled to all rights conferred by any applicable Federal statute, rule or regulation.

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

23.6. Severability. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be as to such jurisdiction ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction.

23.7. Lessor Furnished Insurance. Without limiting any obligation of the Lessee to maintain insurance in effect pursuant to Section 11.1 hereof, the Lessor or the Trustor may, at its own election and expense, maintain for its own benefit such additional public liability and/or property damage insurance as it shall deem appropriate so long as such insurance shall not impair the enforcement of or collection upon any policies maintained pursuant to said Section 11.1 or adversely affect Lessee's cost of or ability to obtain such policies.

23.8. Limitations of Liability. It is expressly understood and agreed that this Lease is executed by State Street Bank and Trust Company of Connecticut, National Association, not in its individual capacity or personally but solely as Trustee under the Trust Agreement in the exercise of the power and authority conferred and vested in it as such Trustee, that each and all of the representations, undertakings and agreements

herein made on the part of the Lessor are each and every one of them made and intended not as personal representations, undertakings and agreements by State Street Bank and Trust Company of Connecticut, National Association or the Trustor, or for the purpose or with the intention of binding State Street Bank and Trust Company of Connecticut, National Association or the Trustor in its individual capacity or personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Trust Agreement, that this Lease is executed and delivered by State Street Bank and Trust Company of Connecticut, National Association solely in the exercise of the powers expressly conferred upon State Street Bank and Trust Company of Connecticut, National Association as Trustee under the Trust Agreement, that actions to be taken by the Lessor pursuant to its obligations hereunder may, in certain instances, be taken by the Lessor only upon specific authority of the Trustor, that nothing herein contained shall be construed as creating any liability on State Street Bank and Trust Company of Connecticut, National Association or the Trustor, in its individual capacity or personally, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of, State Street Bank and Trust Company of Connecticut, National Association or the Trustor, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Lessee and by any Person claiming by, through or under the Lessee, provided, however, that nothing contained in this Section 23.8 shall be construed to limit the liability of the Lessor in its individual capacity for any breach of any representations or warranties of the Lessor in its individual capacity set forth herein or to limit the liability of the Lessor for gross negligence or willful misconduct. Any obligation of the Lessor hereunder may be performed by the Trustor, and any such performance shall not be construed as revocation of the trust created by the Trust Agreement. Nothing contained in this Lease shall restrict the operation of the provisions of the Trust Agreement with respect to its revocation or the resignation or removal of the Trustee thereunder.

23.9. Further Assurances. The Lessee will, at its expense, promptly and duly execute and deliver to the Lessor and to such other Persons as the Lessor shall reasonably designate such further documents and assurances and take such further action as the Lessor 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 (i) the rights and remedies created or intended to be created in favor of the Lessor hereunder and (ii) the Lien of the Security Agreement including, without limitation, if requested by the Lessor, at the expense of the Lessee, the execution and delivery of supplements or

amendments hereto, in recordable form and the recording or filing of counterparts hereof or thereof, or of financing statements with respect hereto, in accordance with the laws of such jurisdictions as the Lessor may from time to time deem advisable.

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

STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION not in its individual capacity but solely as trustee under DEC Trust No. 1990-3

By: _____
Its: VICE PRESIDENT

[CORPORATE SEAL]

ATTEST:

By: _____
Its: ASSISTANT SECRETARY

THE DETROIT EDISON COMPANY

By: _____
Its:

[CORPORATE SEAL]

ATTEST:

By: _____
Its:

STATE OF CONNECTICUT)
) SS
COUNTY OF HARTFORD)

On this 30 day of November, 1990, before me personally appeared Lese Amato and Dennis Fisher, to me personally known, who being by me duly sworn, say that they are the VICE PRESIDENT and Assistant Secretary of State Street Bank and Trust Company of Connecticut, National Association, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors on this day, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

By Maryanne C. Young
Notary Public

[NOTARIAL SEAL]

MARYANNE C. YOUNG
NOTARY PUBLIC
MY COMMISSION EXPIRES MARCH 31, 1992

My commission expires:

STATE OF)
) SS
COUNTY OF)

On this ___ day of November, 1990, before me personally appeared _____ and _____, to me personally known, who being by me duly sworn, say that they are the _____ and _____, respectively, of THE DETROIT EDISON COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors on this day, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

By_____
Notary Public

[NOTARIAL SEAL]

My commission expires:

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

STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION not in its individual capacity but solely as trustee under DEC Trust No. 1990-3

By:_____
Its:

[CORPORATE SEAL]

ATTEST:

By:_____
Its:

THE DETROIT EDISON COMPANY

By: [signature]
Its: VP & TREASURER

[CORPORATE SEAL]

ATTEST: [signature]

By:_____
Its: ASSISTANT SECRETARY

STATE OF)
) SS
COUNTY OF)

On this ___ day of _____, 199_, before me personally appeared _____ and _____, to me personally known, who being by me duly sworn, say that they are the _____ and _____ of State Street Bank and Trust company of Connecticut, National Association, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that sid instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors on this day, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

_____
Notary Public

[NOTARIAL SEAL]

My commission expires:

STATE OF MICHIGAN)
) SS
COUNTY OF WAYNE)

On this 26th day of November, 1990. before me personally appeared L. L. Loomans and Elaine M. Godfrey, to me personally known, who being by me duly sworn, say that they are the VP & Treasurer and Asst. Secretary of THE DETROIT EDISON COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors on this day, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Janet A. Scullen
Notary Public
Acting in Wayne County

JANET A. SCULLEN
Notary Public, Macomb County, MI
My Commission Expires Mar. 30, 1993

[NOTARIAL SEAL]

My commission expires: 3-30-93

DESCRIPTION OF ITEMS OF EQUIPMENT TO BE LEASED

428 aluminum bodied rotary dump high side gondola railcars, DEEX Numbers 5168 through 5210, 5278 through 5320, 5377 through 5445, 5803 through 6000, and 8925 through 8999, manufactured by Thrall Car Manufacturing Company.

SCHEDULE A
(To Equipment Lease)

DEC Trust 1990-3

CERTIFICATE OF ACCEPTANCE
UNDER EQUIPMENT LEASE

TO: State Street Bank and Trust Company of Connecticut, National Association as Trustee under DEC Trust No. 1990-3 (the "Lessor")

I, a duly appointed and authorized representative of THE DETROIT EDISON COMPANY (the "Lessee") under the Equipment Lease dated as of November 20, 1990 between the Lessor and the Lessee, do hereby certify that I have inspected, received, approved and accepted delivery under the Lease of the Items of Equipment listed on Schedule A attached hereto, on the date hereof (the "Delivery Date") and for the Purchase Price listed on said Schedule A:

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

"TITLE TO THIS CAR IS VESTED IN A TRUSTEE AND SUBJECT TO A SECURITY INTEREST IN FAVOR OF A SECURITY TRUSTEE AND RECORDED WITH THE INTERSTATE COMMERCE COMMISSION"

The execution of this Certificate will in no way relieve or decrease the responsibility of Thrall Car Manufacturing Company, as manufacturer, for any warranties it has made with respect to the Equipment.

Dated: _____, 1990

_____
Inspector and Authorized Representative of the Lessee

(DEC Trust No. 1990-3)

SCHEDULE B
(to Equipment Lease)

SCHEDULE A to
Certificate of
Acceptance

Item Serial #	Delivery Date	Purchase Price

LEASE SUPPLEMENT NO. __

This LEASE SUPPLEMENT NO. __, dated as of _____, between State Street Bank and Trust Company of Connecticut, National Association, a national banking association, not individually but solely as Trustee under DEC Trust No. 1990-3 (the "Lessor"), and THE DETROIT EDISON COMPANY, a Michigan corporation (the "Lessee");

WITNESSETH:

The Lessor and the Lessee have heretofore entered into an Equipment Lease dated as of November 20, 1990 (the "Lease"). The terms used herein not otherwise defined are used with the meanings specified in the Lease.

The Lease provides for the execution and delivery of a Lease Supplement substantially in the form hereof for, among other things, the purpose of confirming any change in Fixed Rental payments and Stipulated Loss Value.

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

1. Schedules D and E to the Lease, showing Stipulated Loss Values and Fixed Rentals, are hereby amended to read in full as attached hereto.

2. Any and all notices, requests, certificates and other instruments executed and delivered after the execution and delivery of this Lease Supplement may refer to the "Equipment Lease dated as of November 20, 1990" or the "Lease dated as of November 20, 1990" without making specific reference to this Lease Supplement, but nevertheless all such references shall be deemed to include this Lease Supplement unless the context shall otherwise require.

3. This Lease Supplement shall be construed in connection with and as part of the Lease, and all terms, conditions and covenants contained in the Lease, except as herein modified, shall be and remain in full force and effect.

4. This Lease Supplement may be executed in any number of counterparts, each executed counterpart constituting an original but all together one and the same instrument.

SCHEDULE C
(to Equipment Lease)

IN WITNESS WHEREOF, the Lessor and the Lessee have caused this Lease Supplement to be duly executed as of the day and year first above written and to be delivered as of the date first above written.

STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION

not individually but solely as trustee under DEC Trust No. 1990-3

SEAL

By_____
Its:

ATTEST:

_____
Its:_____

THE DETROIT EDISON COMPANY

SEAL

By_____
Its:

ATTEST:

_____
Its: _____

Consented to as of the date first above written.

THE CONNECTICUT NATIONAL BANK
as Security Trustee

CORPORATE SEAL

By_____
Its:

ATTEST:

_____
Its:

STATE OF _____)
) SS
COUNTY OF _____)

On this _____ day of _____, 199_, before me personally appeared _____ and _____ _____, to me personally known, who being by me duly sworn, say that they are the _____ _____ and _____ of State Street Bank and Trust Company of Connecticut, National Association, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors on this day, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

_____
Notary Public

NOTARIAL SEAL

My commission expires:

STATE OF _____)
)SS
COUNTY OF _____)

On this _____ day of _____, 199_, before me personally appeared _____ and _____, to me personally known, who being by me duly sworn, say that they are the _____ and _____ of THE DETROIT EDISON COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors on this day, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

_____
Notary Public

NOTARIAL SEAL

My commission expires:

SCHEDULE OF STIPULATED LOSS VALUE

The Stipulated Loss Value for an Item of Equipment payable on any Fixed Rental Payment Date thereafter shall mean an amount equal to the percent of the Purchase Price of such Item set forth opposite such date in the following schedule:

Term Lease Commencement Date or Fixed Rental Payment Date on which Stipulated Loss Value is Paid	Percentage of Purchase Price Payable as Stipulated Loss Value
14 JUN 1991	107.22184
14 DEC 1991	108.95807
14 JUN 1992	109.20867
14 DEC 1992	110.57703
14 JUN 1993	110.24678
14 DEC 1993	111.22792
14 JUN 1994	110.41926
14 DEC 1994	111.12952
14 JUN 1995	109.92694
14 DEC 1995	110.45195
14 JUN 1996	108.90913
14 DEC 1996	109.28104
14 JUN 1997	107.38117
14 DEC 1997	107.59785
14 JUN 1998	105.32591
14 DEC 1998	105.44314
14 JUN 1999	102.87466
14 DEC 1999	102.99869
14 JUN 2000	100.21448
14 DEC 2000	100.34988
14 JUN 2001	97.37064
14 DEC 2001	97.51869
14 JUN 2002	92.40652
14 DEC 2002	92.57290
14 JUN 2003	87.12541
14 DEC 2003	87.30662
14 JUN 2004	81.52531
14 DEC 2004	81.82041
14 JUN 2005	75.64558
14 DEC 2005	76.14039
14 JUN 2006	69.51585
14 DEC 2006	70.24361
14 JUN 2007	63.13824
14 DEC 2007	64.13766
14 JUN 2008	56.51848
14 DEC 2008	57.83346
14 JUN 2009	49.66546
14 DEC 2009	51.34570
14 JUN 2010	42.59155
14 DEC 2010	44.01630
14 JUN 2011	35.00000

SCHEDULE OF FIXED RENTALS

Each payment of Fixed Rental shall pertain to the six month period immediately preceding the Fixed Rental Payment Date.

Fixed Rental Payment Date	Percentage of Purchase Price Payable at Fixed Rental
12/14/91	3.693201385
6/14/92	5.051595089
12/14/92	3.624398727
6/14/93	5.120397747
12/14/93	3.548626398
6/14/94	5.196170075
12/14/94	3.465178311
6/14/95	5.279618163
12/14/95	3.373276932
6/14/96	5.371519542
12/14/96	3.272065931
6/14/97	5.472730543
12/14/97	3.160602273
6/14/98	5.584194200
12/14/98	3.037847315
6/14/99	5.706949158
12/14/99	2.903813965
6/14/00	5.840982509
12/14/00	2.797447067
6/14/01	5.947349407
12/14/01	2.690853129
6/14/02	7.997231484
12/14/02	2.501696052
6/14/03	8.186388561
12/14/03	2.323661770
6/14/04	8.364422792
12/14/04	2.064678150
6/14/05	8.623406412
12/14/05	1.732478587
6/14/06	8.955606026
12/14/06	1.366627159
6/14/07	9.321457404
12/14/07	0.963715003
6/14/08	9.724369559
12/14/08	0.519987842
6/14/09	10.168096720
12/14/09	0.031311113
6/14/10	10.656773450
12/14/10	0.000000000
6/14/11	10.688084562

SCHEDULE E
(to Equipment Lease)