

Counterparts - E. Williams

ALVORD AND ALVORD
ATTORNEYS AT LAW
918 SIXTEENTH STREET, N.W.
SUITE 200
WASHINGTON, D.C.

ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

20006-2973

OF COUNSEL
URBAN A. LESTER

(202) 393-2266

FAX (202) 393-2156

RECORDATION NO. 20448-A, B FILED 1125
JAN 31 1997 - 11 20 AM

January 31, 1997

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a), are two (2) copies of a Master Rail Lease Agreement, dated as of December 27, 1996, and an Trust Indenture and Security Agreement, dated as of January 21, 1997, a both secondary documents as defined in the Board's Rules for the Recordation of Documents.

The enclosed documents relate to the Memorandum of Lease which was previously filed with the Board under Recordation Number 20448.

The names and addresses of the parties to the enclosed documents are:

Master Rail Lease Agreement

Lessor: Pitney Bowes Credit Corporation
201 Merritt Seven
Norwalk, Connecticut 06856

Lessee: Illinois Central Railroad Company
455 North Cityfront Plaza Drive
Chicago, Illinois 60611

Mr. Vernon A Williams
January 31, 1997
Page 2

Trust Indenture and Security Agreement

Borrower Pitney Bowes Credit Corporation
201 Merritt Seven
Norwalk, Connecticut 06856

Secured Party First Security Bank, National Association
79 South Main Street
Salt Lake City, Utah 84111

A description of the railroad equipment covered by the enclosed document is:

six hundred (600) covered hopper railcars IC 799200 through IC 799799

Also enclosed is a check in the amount of \$44 00 payable to the order of the
Surface Transportation Board covering the required recordation fees

Kindly return stamped copies of the enclosed documents to the undersigned.

Very truly yours,



Robert W Alvord

RWA/bg
Enclosures

SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C. 20427-0001

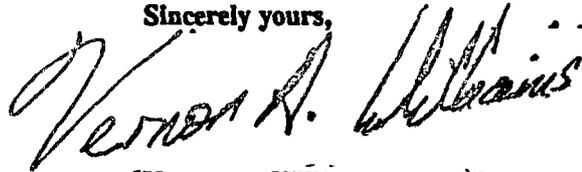
1/31/97

Robert W. Alvord
Alvord And Alvord
918 Sixteenth Street, NW., Ste. 200
Washington, DC., 20006-2973

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 1/31/97 at 11:20AM, and assigned recordation number(s). 20448-A, 20448-B and 20455-A.

Sincerely yours,

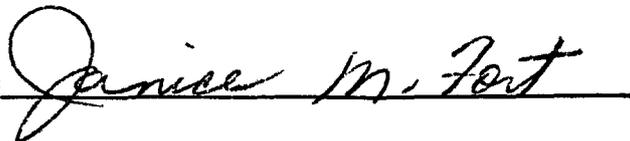


Vernon A. Williams
Secretary

Enclosure(s)

\$ 66.00 The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

Signature



MASTER RAIL LEASE AGREEMENT

MASTER RAIL LEASE AGREEMENT NO. 7783699

Master Rail Lease Agreement dated as of December 27, 1996, between PITNEY BOWES CREDIT CORPORATION ("Lessor") having its principal place of business located at 201 Merritt Seven, Norwalk, Connecticut 06856-5151 and Illinois Central Railroad Company ("Lessee") having its principal place of business located at 455 North Cityfront Plaza, Chicago, Illinois 60611 (the "Lease").

1. LEASE AGREEMENT: Lessor hereby leases to Lessee and Lessee hereby rents from Lessor all the machinery, equipment and other personal property ("Equipment") described in Lease Schedule(s) which are or may from time to time be executed by Lessor and Lessee in connection herewith ("Schedules"), upon the terms and conditions set forth in this Lease, as supplemented by the terms and conditions set forth in the appropriate Schedule identifying such items of Equipment. All of the terms and conditions of this Lease shall govern the rights and obligations of Lessor and Lessee except as specifically modified in writing. Each Schedule shall be deemed an independently assignable and separate lease agreement upon the terms and conditions stated herein and therein. Each Schedule incorporating by reference the terms of this Lease shall constitute chattel paper for purposes of the Uniform Commercial Code. Capitalized terms used herein and not defined herein shall have the same meaning as ascribed in the Schedule.

2. TERM, CONDITIONS PRECEDENT: The obligations under this Lease shall commence upon the written acceptance thereof by Lessor and shall end upon full performance and observance of each and every term, condition and covenant set forth in this Lease, each Schedule hereto and any extensions hereof. Lessor shall not be obligated to execute any Schedule hereunder if there shall have occurred any change in applicable law that would have a material adverse impact (in Lessor's sole judgment) on the transactions contemplated hereby or if there shall have occurred any material adverse change (in Lessor's sole judgment) in the financial condition or business of Lessee. Prior to Lessor's execution of any Schedule, Lessee shall provide Lessor with incumbency certificates, Board of Directors resolutions, in-house legal opinions, Uniform Commercial Code financing statements and other filings and publications as may be appropriate with respect to Lessor's interest in the Equipment including filings with the United States Surface Transportation Board (the "STB"), and any other documents as Lessor shall reasonably request, each in a form reasonably acceptable to Lessor. The rental term of the Equipment listed in each Schedule shall commence on the Commencement Date and shall continue for the Original Rental Term stated in such Schedule. Upon Lessee's acceptance of the Equipment listed on the Schedule, Lessee shall execute and deliver to Lessor the Acceptance Notice for such Schedule. Lessor at its option may terminate any Schedule as to which the Equipment listed therein has not been delivered to Lessee prior to the Outside Commitment Date specified in such Schedule.

3. RENTAL PAYMENTS: The Rental Amount and all other sums due and payable under this Lease or any Schedule for the Equipment described in each Schedule shall be due and payable on the dates set forth therein or as otherwise provided herein. Such amounts shall be payable at the office of Lessor, 201 Merritt Seven, Norwalk, Connecticut 06856-5151 unless Lessor otherwise designates in writing to Lessee another address in the continental United States. The receipt of any check or other item on account of any payment hereunder will not be considered as payment thereof until such check or other item is honored when presented for payment. If any payment is due on any day on which banks in the State of Illinois or Connecticut are not authorized to be open or are required to be closed, such due date

for payment shall be extended to the next business day. Delay in the presentation of checks or other items received by Lessor from Lessee shall not be treated as delays in payment by Lessee.

4. DELIVERY AND INSTALLATION: Lessee will select the type, quantity and supplier of each item of Equipment and in reliance thereon such Equipment will then be ordered by Lessor from such supplier or Lessor will accept an assignment of Lessee's purchase order, in form and substance reasonably satisfactory to Lessor. Lessor shall have no liability for any delivery of Equipment or failure by the supplier to fill the purchase order or meet the conditions thereof. Lessee at its expense, will pay all transportation, packing, duties, insurance, installation, testing and other charges in connection with the delivery and installation of the Equipment. The obligations of Lessee under this Lease are subject to Lessor having disbursed to the supplier of the Equipment the Equipment Cost identified on each Schedule upon delivery of the items identified in Section 2.

5. WARRANTIES: LESSOR, NOT BEING THE MANUFACTURER OF THE EQUIPMENT NOR THE MANUFACTURER'S AGENT, MAKES NO EXPRESS OR IMPLIED WARRANTY OF ANY KIND WHATSOEVER WITH RESPECT TO THE EQUIPMENT EXCEPT AS EXPRESSLY PROVIDED HEREIN IN SECTION 23, INCLUDING BUT NOT LIMITED TO: THE MERCHANTABILITY OF THE EQUIPMENT OR ITS FITNESS FOR ANY PARTICULAR PURPOSE; THE DESIGN OR CONDITION OF THE EQUIPMENT; THE QUALITY OR CAPACITY OF THE EQUIPMENT, THE WORKMANSHIP IN THE EQUIPMENT; COMPLIANCE OF THE EQUIPMENT WITH THE REQUIREMENTS OF ANY LAW, RULE, SPECIFICATION OR CONTRACT PERTAINING THERETO, PATENT INFRINGEMENT; OR LATENT DEFECTS, IT BEING AGREED THAT THE EQUIPMENT IS LEASED "AS IS" AND THAT ALL SUCH RISKS, AS BETWEEN LESSOR AND LESSEE, ARE TO BE BORNE BY LESSEE AT ITS SOLE RISK AND EXPENSE LESSEE ACCORDINGLY AGREES NOT TO ASSERT ANY CLAIM WHATSOEVER AGAINST LESSOR BASED THEREON. LESSEE FURTHER AGREES, REGARDLESS OF CAUSE, NOT TO ASSERT ANY CLAIM WHATSOEVER AGAINST LESSOR FOR LOSS OF ANTICIPATORY PROFITS OR CONSEQUENTIAL DAMAGES BASED ON ANY OF THE FOREGOING. Lessor shall have no obligation to install, erect, test, adjust, service, or maintain the Equipment. Lessee shall look to the manufacturer and/or seller for any claims related to the Equipment. LESSEE'S OBLIGATIONS TO PAY THE RENTAL AMOUNTS OR OTHER OBLIGATIONS UNDER THIS LEASE SHALL BE AND ARE ABSOLUTE AND UNCONDITIONAL. Lessor hereby acknowledges that any manufacturer's and/or seller's warranties are for the benefit of both Lessor and Lessee. Lessor shall make available to Lessee all manufacturer and/or seller warranties with respect to the Equipment and, if and to the extent assignment thereof to Lessee is not permitted by the manufacturer or seller, Lessor shall take such actions as Lessee may reasonably request to provide Lessee with the benefit of such warranties, in each case so long as no Event of Default has occurred and is continuing.

6. TITLE TO AND LOCATION OF EQUIPMENT: Title to each item of Equipment leased hereunder shall remain with Lessor at all times, and Lessee shall have no right, title or interest therein except as expressly set forth in this Lease. Lessee, at its expense, will protect and defend Lessor's title to the Equipment and will keep the Equipment free and clear from any and all claims, liens, encumbrances and legal processes except Lessor Liens and Permitted Encumbrances. The term "Lessor Liens" means any claim, lien, security interest, charge or other encumbrance or legal process created by, through or under Lessor, including without limitation any arising through, under or as a result of acts or omissions of the Lessor expressly prohibited by this Lease and Impositions (as defined below) against Lessor which Lessee is not required to pay or indemnify Lessor; and the term "Permitted Encumbrances" means (i) the

interest of the Lessee under the Lease; (ii) any liens for taxes, fees and other governmental and similar assessments or charges not yet due and payable or with respect to which the amount, legality, validity or application of which is being contested in good faith by Lessee and which do not represent in Lessor's sole reasonable judgment, a reasonable possibility of a loss, seizure or forfeiture of the Equipment, (iii) any liens of mechanics, suppliers, materialmen and laborers for work or services performed or materials furnished in connection with the Equipment or any item thereof which are not more than 60 days past due or the amount, legality, validity or application of which is being contested in good faith by Lessee and which do not represent in Lessor's sole reasonable judgment, a reasonable possibility of a loss, seizure or forfeiture of the Equipment; and (iv) the rights of any permitted sublessee or assignee in respect of the Equipment. Lessor assumes no liability and makes no representation as to the treatment by Lessee of this Lease, the Equipment or the Rental Amounts for financial statement or tax purposes. Each item of Equipment shall at all times be and remain separate personal property. Lessee agrees not to permit the Equipment to become an accession to any realty or, except as permitted under this Lease, other personal property without the prior written approval of Lessor. The Equipment shall be delivered to the location specified in the Schedule with respect thereto.

7. USE OF EQUIPMENT, INSPECTION AND REPORTS: Lessee may possess and use the Equipment in accordance with this Lease, provided that any such use is in conformity with all applicable laws, any insurance policies required hereunder, and any warranties of the manufacturer with respect to the Equipment, and further provided that Lessee shall not use or permit the Equipment to be used to contain or transport any explosive, hazardous, toxic, dangerous or environmentally threatening waste, material or matter in violation of any applicable law or insurance policy. Lessee shall not use the Equipment for any purpose other than that for which it was designed. Lessor shall have the right, upon reasonable prior notice to Lessee and during Lessee's regular business hours, to inspect the Equipment at the premises of Lessee or to the extent reasonable wherever the Equipment may be located. Unless an Event of Default is continuing, Lessor shall endeavor not make more than one request in any year to inspect the Equipment. Unless an Event of Default is continuing, inspections shall be made at such locations and times as Lessee may designate in good faith as not to interfere with the conduct of Lessee's business and Lessee's use of the Equipment. Any person inspecting any of the Equipment or otherwise entering Lessee's property or any other location where the Equipment may be located or stored shall enter it its sole risk and shall be subject at all times to any operating and safety requirements of Lessee and any other operator or owner of such location. Any injury, death or property damage arising out of such entry, occupancy or inspection shall be the entire responsibility of such person and Lessor, and Lessor will indemnify and hold harmless the Lessee and any other operator or owner of any such location from any and all liabilities on account of such injury, death or damage. Lessee shall promptly notify Lessor of all details arising out of any alleged unpermitted encumbrances on the Equipment or any accident which might reasonably be expected to result in a claim against Lessor allegedly resulting from the use or operation thereof. Lessee will maintain or cause to be maintained all records, logs, reports, and compliance certificates relating to the care, use and maintenance of the Equipment and shall make such records available for inspection at Lessor's request during regular business hours upon reasonable prior notice. In addition, Lessee will make available (or will cause to be made available) to Lessor such information in Lessee's possession or control as Lessor shall request from time to time in order to enable Lessor to fulfill its Federal, state, local and foreign tax return obligations and shall furnish for inspection and copying such original records or copies of available records necessary to satisfy tax audit requirements and to conduct effectively any tax contest. Except as otherwise permitted under Section 8 hereof (and except for modifications and additions which can be removed from the Equipment without material damage), Lessee shall make no additions or modifications to any item of Equipment, without Lessor's prior written consent, such consent not to be unreasonably withheld. Subject to the following

sentence, all modifications and additions not required by Section 8 shall remain property of Lessee and may be removed by Lessee at any time prior to the termination of the Lease. Lessee agrees that, if requested by Lessor, it will, prior to the return of such item of Equipment to Lessor hereunder, remove any such addition or modification and restore the Equipment to its condition immediately prior to such addition or modification, ordinary wear and tear excepted, except those additions or modifications required pursuant to Section 8 hereof.

8. OPERATING RULES AND REGULATIONS: Lessee agrees to comply with all applicable local, state and Federal governmental laws, regulations and requirements relating to the operation and/or use of the Equipment, including any applicable Interchange Rules and other rules of the Association of American Railroads ("AAR"), Federal Railroad Administration ("FRA"), and the STB or any successors thereto except to the extent such laws, rules or regulations are being contested by Lessee in good faith and so long as no Event of Default is continuing and such contest does not in Lessor's sole reasonable judgment result in a reasonable possibility of a loss, seizure or forfeiture of the Equipment and provided such Equipment is returned for any reason to Lessor it shall have been brought into compliance with all such laws, rules and regulations. In case any equipment or appliance on any Equipment shall be required to be changed, modified or replaced, or any additional or other equipment or appliance is required to be installed on such Equipment in order to comply with any such applicable laws, regulations, requirements and rules, except to the extent such laws, rules or regulations are being contested by Lessee in good faith and so long as no Event of Default is continuing and such contest does not in Lessor's sole reasonable judgment result in a reasonable possibility of a loss, seizure or forfeiture of the Equipment and provided such Equipment is returned for any reason to Lessor it shall have been brought into compliance with all such laws, rules and regulations. Lessee agrees to make such changes, additions and replacements promptly at its own expense and title thereto shall be immediately vested in Lessor.

9. FURTHER ASSURANCES: Lessee shall execute and deliver to Lessor upon Lessor's request such instruments and assurances as Lessor in the reasonable exercise of its discretion deems necessary for the confirmation or perfection of this Lease and Lessor's rights hereunder. In furtherance thereof, Lessor may file or record a memorandum of this Lease or a financing statement with respect thereto so as to give notice to any interested parties. If Lessee refuses to execute such a financing statement, Lessor is authorized to file a financing statement concerning the Equipment signed only by Lessor in accordance with the Uniform Commercial Code or one signed by Lessor as Lessee's attorney in fact. Lessor, at Lessee's expense, will cause a memorandum of this Lease and any Schedules hereto to be filed with the STB in accordance with applicable law.

10. RISKS OF LOSS: All risk of loss, damage, theft or destruction (each of the foregoing being hereinafter referred to as a "Loss") to each item of Equipment shall be borne by Lessee. No such Loss of the Equipment, in whole or in part, shall impair the obligations of Lessee under this Lease all of which shall continue in full force and effect and Lessee, at Lessee's option, shall either (a) place the affected Equipment in good repair, condition and working order within 90 days of Lessee obtaining knowledge of the event of Loss or (b) replace the same with identical equipment or other similar equipment reasonably acceptable to the Lessor within 90 days of Lessee obtaining knowledge of the event of Loss or (c) pay Lessor on the next regular Rental Payment date after Lessee obtaining knowledge of the event of Loss (but in any event within 90 days of Lessee obtaining knowledge of the event of Loss) the Stipulated Loss Value ("Stipulated Loss Value") plus an amount (the "Reinvestment Premium") covering such affected Equipment in accordance with the Stipulated Loss Value Rider attached to the applicable Schedule plus any other amounts due and owing with respect to the affected Equipment, less the net amount of the recovery, if any, actually received by Lessor from insurance or otherwise for such Loss. After

compliance with the foregoing to Lessor's satisfaction and provided Lessee is not in default under this Lease, Lessee shall be subrogated to Lessor's rights with respect to any insurance policies maintained by Lessee with respect to such Loss. No insurance, if any, separately maintained by Lessor being contributory. Upon payment of such amounts to Lessor, Lessee's obligation to pay rent to Lessor with respect to such affected Equipment hereunder shall terminate and the affected Equipment will no longer be leased pursuant to the Lease and Lessor at the option of Lessee will transfer all of Lessor's right, title and interest in such Equipment to Lessee on an "AS IS, WHERE IS" basis and without any representation or warranty other than that Lessor is transferring to lessee such title as Lessor received from the supplier and such Equipment is free and clear of all Lessor Liens

The "Reinvestment Premium" shall mean the excess, if any, of (a) the net present value of the sum of (i) all rent remaining to be paid through the Maximum Term of the Lease, that would have been payable for the Equipment if this Lease had been extended through and inclusive of the Maximum Term, and (ii) the Purchase Option Price at the end of the Maximum Term (each a "Discounted Payment" and together, the sum of (i) and (ii) being referred to as the "Discounted Payments"), each discounted at a rate equal to the then current yield for direct obligations of the United States Treasury having a maturity equal to the average life of the Discounted Payments over (b) the Stipulated Loss Value applicable to the Equipment at such time of determination.

11. INSURANCE: Until the Equipment is returned to Lessor as provided in this Lease, Lessee will, at its own expense, insure the Equipment at all times against all such hazards including but not limited to, fire, theft and extended coverage insurance, naming Lessor as loss payee thereunder. Such policies of insurance shall be reasonably satisfactory to Lessor as to form, amount and insurer, and shall provide for at least thirty (30) days written notice of cancellation or material adverse alteration to Lessor. Lessee shall furnish certificates, policies or endorsements to Lessor as proof of such insurance. During the continuance of an Event of Default, Lessee appoints Lessor as attorney-in-fact for Lessee in making, adjusting or settling any claims under any insurance policies insuring the Equipment. During the continuance of an Event of Default, Lessee assigns to Lessor all of its right, title and interest to any insurance policies insuring the Equipment, including all rights to receive the proceeds of insurance and directs any insurer to pay all such proceeds directly to Lessor and authorizes Lessor to endorse Lessee's name on any draft for such proceeds, but only as to payments as to the Equipment and provided further, however, that if no Event of Default is continuing all such amounts shall be paid to Lessee and may be used by Lessee to pay for or reimburse Lessee for its payment of any costs or expenses incurred in repairing, replacing or restoring the Equipment which suffered such loss or damage. During the continuance of an Event of Default, the proceeds of any fire, theft and extended coverage insurance with respect to the Equipment shall be payable solely to Lessor and shall be applied by Lessor toward the payment of Lessee's obligations hereunder and any balance of the proceeds shall be the property of Lessee, provided that at Lessor's option such proceeds may be used for the repair or replacement of the affected Equipment. Notwithstanding the foregoing, Lessee may elect to satisfy the requirements of all-risk insurance by electing to self-insure in accordance with its normal practices on a non-discriminatory basis. Lessee will notify Lessor in writing of such election.

Lessee will, at its expense, carry public liability insurance with respect to the Equipment and the use thereof, in the amount of \$50,000,000 with such insurers as are reasonably satisfactory to Lessor, and such insurance policies shall also name Lessor and any security assignee as additional insured as its interest may appear thereunder. Lessee may carry a deductible of \$10,000,000 per occurrence as long as Lessee maintains an investment grade rating with both Standard & Poors and Moody's. Should Lessee's

rating drop below investment grade, by either agency, Lessee's deductible shall automatically be reduced to \$5,000,000.

12. EXPENSES, FEES AND TAXES: In addition to the Rental Amounts, Lessee shall pay promptly when due, all costs, expenses, fees, fines or penalties, charges and taxes (including sales, use, excise, personal property, ad valorem, documentary, gross receipts, stamp, income withholding and other taxes) whatsoever, whether payable by Lessor or Lessee, all of the foregoing being herein collectively called "Impositions" incurred in connection with the titling, licensing, registration, use, rental, shipment, transportation, delivery, purchase, ownership or operation of the Equipment, and on or relating to this Lease and any Schedule except as provided below and except that Lessee shall not be required to pay or discharge any of the foregoing (i) which arise from or result from the willful misconduct or gross negligence of the Lessor, (ii) to the extent arising from the violation of Lessor of any law, rule or regulation applicable to its business generally (unless due to a misrepresentation or violation under this Lease by the Lessee), (iii) to the extent arising from the breach by the Lessor of any express representation, warranty, covenant or agreement in favor of the Lessee, or (iv) to the extent arising in connection with any Lessor Liens. Lessor shall promptly notify Lessee of any claim which may give rise to any right to indemnification under this Section and, provided that no Event of Default is continuing and providing no adverse consequences to Lessor's right, title or interest in the Equipment, Lessee shall be entitled to contest the same in good faith and control the defense thereof, except that Lessor may engage counsel, paid for by Lessee. Any settlement which does not unconditionally release an indemnified party or would in Lessor's sole reasonable opinion have a materially adverse impact on Lessee, requires Lessor's prior written approval not to be unreasonably withheld or delayed. To the extent that Lessor shall realize any savings on account of such indemnified liability or otherwise obtain any repayments, refunds or other amounts with respect to payments made to Lessor by Lessee pursuant to this Section or which reduce the amount the Lessee should have paid pursuant to this Section, Lessor shall promptly pay Lessee the amount of such savings or such repaid, refunded or other amount received by it. In case any report or return is required to be filed with respect to any taxes for which Lessee is responsible, Lessee will, to the extent legally permissible, file such report or return or notify Lessor in writing to the extent Lessor must file such report or return in sufficient time for Lessor to make such filing of the required report or return. All reports and returns filed by Lessee will be in Lessee's name and account number and will show Lessor as owner of the Equipment. To the extent reasonably requested by Lessor, Lessee will promptly supply Lessor a copy of such reports or returns. Lessee shall promptly reimburse Lessor for any taxes charged to or assessed against Lessor, except for taxes based on or measured by the net income of Lessor that are imposed by (1) the United States of America or (2) any State of the United States of America or any political subdivision of any such state. Lessee's obligations hereunder are only applicable to events or occurrences existing or arising during the term of this Lease with respect to such Equipment, and if required until the Equipment has been returned to Lessor in accordance herewith and, with respect to such period of time, shall survive any expiration or other termination of this Lease.

13. LESSOR'S PERFORMANCE OF LESSEE'S OBLIGATIONS: If Lessee shall fail to duly and promptly perform any of its obligations under this Lease with respect to the Equipment, Lessor may at its option (upon notice to Lessee if Lessee is not diligently attempting to perform such obligations after such notice, unless, in Lessor's sole reasonable opinion that there is a reasonable possibility of a loss, seizure or forfeiture of the Equipment) perform any act or make any payment necessary to perform such unperformed obligations which Lessor deems necessary for the maintenance and preservation of the Equipment and Lessor's title thereto, including payments for satisfaction of liens, repairs, taxes, levies and insurance and all sums so reasonably paid or incurred by Lessor, together with interest as provided

below, and any reasonable legal fees incurred by Lessor in connection therewith shall be additional rent under this Lease and payable by Lessee to Lessor within 15 days of submission of supporting detail with respect thereto. The performance of any act or payment by Lessor as aforesaid shall not be deemed a waiver or release of any obligation or default on the part of Lessee

14. LATE CHARGES: Should Lessee fail to duly pay any part of any Rental Amount or other sum to be paid to Lessor under this Lease, including, without limitation, any Stipulated Loss Value plus Reinvestment Premium, then Lessee shall pay interest on such delinquent payment from the due date until paid at a rate equal to the lower of 1-1/2% per month or the highest legal contract rate of interest

15. INDEMNIFICATION: Lessee assumes liability for, and hereby agrees to indemnify, protect and keep harmless Lessor, its agents, employees, officers, directors, successors and assigns (including a security assignee) from and against any and all liabilities, obligations, losses, damages, injuries, claims, demands, penalties, actions, costs and expenses, including reasonable legal fees, of whatsoever kind and nature, arising out of (i) the use, condition (including, but not limited to, latent and other defects and whether or not discoverable by Lessee or Lessor), operation, ownership, selection, delivery, leasing or return of any item of Equipment, regardless of where, how and by whom operated; (ii) any failure on the part of Lessee to perform or comply with any conditions of this Lease; (iii) any investigation, litigation or proceeding involving or connected with the Equipment or the use thereof which is related to any environmental cleanup, audit, compliance or other matter relating to the protection of the environment or the release by Lessee or any user of the Equipment of any Hazardous Material; and (iv) the presence on or under or the escape, seepage, leakage, spillage, discharge, emission or Release from any Equipment of any Hazardous Material; provided, however, that Lessee shall not be required to indemnify an Indemnitee for any of the foregoing (i) which arise from or result from the willful misconduct or gross negligence of the Lessor, (ii) to the extent arising from the violation of Lessor of any law, rule or regulation applicable to its business generally (unless due to a misrepresentation or violation under this Lease by the Lessee), (iii) to the extent arising from the breach by Lessor of any express representation, warranty, covenant or agreement in favor of Lessee, (iv) to the extent arising in connection with any Lessor Lien, and (v) which is an Imposition explicitly excluded by the express provisions of Section 12 above. Lessor shall promptly notify Lessee of any claim which may give rise to any right to indemnification under this Section and, provided that no Event of Default is continuing, Lessee shall be entitled to contest the same in good faith and control the defense thereof except that Lessor may engage counsel, paid for by Lessee. Any settlement which does not unconditionally release Lessor or which in Lessor's sole reasonable opinion would have a materially adverse impact on the financial condition of Lessee, requires Lessor's prior written approval not to be unreasonably withheld or delayed. To the extent that Lessor shall realize any savings on account of such indemnified liability or otherwise obtain any repayments, refunds or other amounts with respect to payments made to Lessor by Lessee pursuant to this Section or which reduce the amount the Lessee should have paid pursuant to this Section, Lessor shall promptly pay Lessee the amount of such savings or such repaid, refunded or other amount received by it. "Hazardous Material" shall mean (a) any hazardous substance, as defined by CERCLA; (b) any "hazardous waste", as defined by the Resource Conservation and Recovery Act, as amended; (c) any petroleum product; (d) any pollutant or contaminant or hazardous, dangerous or toxic chemical, material or substance within the meaning of any applicable federal, state, local or foreign law, regulation, ordinance or requirement (including consent decrees and administrative orders) relating to or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance or material, all as amended or hereafter amended. "Release" shall mean a "release", as such term is defined in CERCLA. "CERCLA" shall mean the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended. Lessee's obligations hereunder are only applicable to events or occurrences existing or arising

during the term of this Lease with respect to such Equipment and if required until the Equipment has been returned to Lessor in accordance herewith and, with respect to such period of time, shall survive any expiration or other termination of this Lease. Lessee is an independent contractor and nothing contained in this Lease shall authorize Lessee or any other person to operate any item of Equipment so as to incur or impose any liability or obligation for or on behalf of Lessor.

16. NO OFFSET: This Lease is a net lease and, as between Lessor and Lessee, Lessee shall be responsible for all costs and expenses of every nature whatsoever arising out of or in connection with or related to this Lease or the Equipment and all payments (rental and otherwise) shall be paid by Lessee irrespective of: any set-off, counterclaim, recoupment, defense or other right which Lessee may have against Lessor, the supplier of the Equipment, or any other party; any defect in the title, condition, design or operation of, or lack of fitness for use of, or any damage to, or loss of, all or any part of the Equipment from any cause whatsoever; the existence of any liens with respect to the Equipment or the invalidity, unenforceability or rejection of this Lease or any other document related hereto. Nothing in this Section or in any other provision of this Lease shall preclude (i) Lessee from recouping any excess amount paid to Lessor because of any error by Lessee or Lessor in the calculation of any amount due hereunder or (ii) any separate, independent claim (not by way of set-off, abatement or reduction of any amount at any time payable by Lessee hereunder or by any counterclaim, defense or other right which Lessee may have against Lessor) by Lessee for the breach of any representation, warranty, covenant, undertaking or agreement made in this Lease for the benefit of Lessee by Lessor.

17. ASSIGNMENT BY LESSEE: Lessee acknowledges and agrees the Equipment will be used in the general operation of Lessee's freight rail business on Lessee's own system, on lines over which the Lessee has trackage rights and upon lines of other railroads in the United States, Canada and Mexico, foreign use not to exceed 20% in any calendar year, in the usual interchange of traffic or in through of run-through service provided that if Lessee shall use the Equipment outside of the United States it will make any necessary filings as reasonably requested by Lessor. Except as provided above, WITHOUT LESSOR'S PRIOR WRITTEN CONSENT, LESSEE MAY NOT, BY OPERATION OF LAW OR OTHERWISE, (A) ASSIGN, TRANSFER, PLEDGE, HYPOTHECATE OR OTHERWISE DISPOSE OF THIS LEASE OR ANY INTEREST THEREIN OR (B) SUBLET OR LEND THE EQUIPMENT OR PERMIT SAME TO BE USED BY ANYONE OTHER THAN LESSEE OR LESSEE'S EMPLOYEES OR LESSEE'S SUBSIDIARIES OR AFFILIATES, PROVIDED, HOWEVER, THAT LESSEE MAY SUBLEASE ANY ITEM OF EQUIPMENT TO OTHER PERSONS OR ENTITIES FOR USE ON LINES OVER WHICH SUCH USERS HAVE TRACKAGE RIGHTS AND UPON LINES OF RAILROADS IN THE UNITED STATES, CANADA AND MEXICO, PROVIDED THAT ANY SUCH SUBLEASE SHALL EXPRESSLY BE MADE SUBORDINATE TO THE RIGHTS OF LESSOR UNDER THIS LEASE, AND USE OUTSIDE OF THE UNITED STATES DOES NOT EXCEED 20% IN ANY CALENDAR YEAR, AND SUCH SUBLEASE SHALL NOT BE LONGER IN TERM THAN THE TOTAL OUTSTANDING REMAINING TERM (INCLUDING RENEWALS) UNDER THIS LEASE AND LESSEE MAY TRIP LEASE THE EQUIPMENT TO ITS CUSTOMERS IN THE NORMAL COURSE OF LESSEE'S BUSINESS. IRRESPECTIVE OF ANY PERMITTED SUBLEASE OR TRIP LEASE, LESSEE AGREES TO REMAIN PRIMARILY LIABLE TO LESSOR UNDER ALL TERMS AND CONDITIONS OF THIS LEASE.

18. ASSIGNMENT BY LESSOR: Lessee acknowledges and understands that the terms and conditions of each Schedule have been fixed by Lessor in anticipation of its ability to sell and/or assign its interest or grant a security interest in each Schedule and/or the Equipment listed therein in whole or in part to a buyer or a security assignee. Lessor may also sell and/or assign its rights as owner and lessor of

the Equipment under any Schedule to an assignee which may be represented by a bank or trust company acting as a trustee for such assignee. Lessee hereby consents to and shall promptly acknowledge such sale, assignment or assignments as shall be designated by written notice given by Lessor to Lessee and further covenants and agrees that any such buyers or assignees shall have and be entitled to exercise any and all discretions, rights and powers of Lessor hereunder or under any Schedule, but such buyers or assignees, which only obtain a security interest in Lessor's interest in this Lease and in the Equipment, shall not be obligated to perform any of the obligations of Lessor hereunder or under any Schedule. Lessee will unconditionally pay all Rental Amounts and any and all other amounts payable by Lessee hereunder to such assignees, as the case may be, notwithstanding any defense or claim of whatever nature, whether by reason of breach of such Schedule or otherwise, which it may or might now or hereafter have against Lessor. Notwithstanding the foregoing, any such buyers or assignees shall (i) be a United States Person within the meaning of Section 7701(a) of the Code, and (ii) be required to comply with the provisions of this Lease in the exercise of any rights and remedies under this Lease, all such sales and assignment shall be subject to the provisions of Section 32 and no such sale or assignment shall increase the obligations of the Lessee beyond those which the Lessee would have had under this Lease absent such sale or assignment. Except if an Event of Default has occurred and is continuing, any buyer or assignee other than a security assignee shall be a financial institution with a tangible net worth, determined in accordance with generally accepted accounting principles, of at least \$50,000,000. Any buyer not meeting the above criteria will require Lessee's prior written consent such consent not to be unreasonably withheld or delayed.

19. MAINTENANCE AND REPAIRS: Lessee, at all times and at its own expense, shall maintain and service the Equipment, or cause the Equipment to be maintained and serviced, in good repair and operating condition, ordinary wear and tear from normal and proper use thereof alone excepted. In any event, the Equipment shall at all times satisfy the following criteria: (a) the Equipment will conform at all times to the operating regulations of the United States Department of Transportation, STB, AAR, FRA, or their successors, or those of any other government agency having jurisdiction over the use and operation of the Equipment; (b) the Lessee shall cause the Equipment to be maintained on the same scheduling basis that Lessee employs for similar equipment, whether owned or leased.

20. RETURN OF EQUIPMENT: Upon the expiration of any Schedule, in the event Lessee does not exercise its purchase option under the Schedule hereof, Lessee will, at its expense, (a) insure and deliver all but not less than all of the Equipment to Lessor at no more than eight open interchange points on the tracks of the Lessee as the Lessor may reasonably designate in writing not less than 90 days prior to such expiration (or in the absence of such designation as Lessee may reasonably designate) or, if Lessor has at least 90 days prior to such expiration notified Lessee in writing that it elects to have Lessee store such Equipment; or (b) furnish or arrange for the transport and storage of such Equipment on Lessee's premises or other location selected by Lessee, in either case until such Equipment has been sold, leased or otherwise disposed of by Lessor, such period not to exceed one hundred twenty (120) days. All movement and storage of each item of Equipment in accordance with (a) or (b) above is to be at the risk and expense of Lessee. At any time during such one hundred twenty (120) day period, Lessee shall cause such Equipment to be transported to no more than eight open interchange points on the Lessee's lines designated by Lessor in writing upon reasonable advance notice, provided that Lessee shall not be required to transport any single item of Equipment more than once. All such movement is to be at the risk and expense of Lessor.

All Equipment so delivered by Lessee shall be: (i) in good repair and operating condition, ordinary wear and tear excepted, free of any special advertising, lettering or other marking other than Lessee's (or any

permitted sublessee's) receiving and reporting marks and insignia, cleansed (interior and exterior) of any silt, sludge or other debris, free of rust and corrosion except as is ordinary for Equipment of such age and type and painted according to a standard paint scheme and otherwise in the condition in which it is required to be maintained hereunder; (ii) at Lessor's request, Lessee shall remove any interior linings and shall have all surfaces cleaned and prepared for new linings, (iii) all wheels shall have a minimum thickness and diameter equal to at least 50% of the original manufacturer's specifications, as when first accepted by Lessee; and (iv) all damaged or broken parts will be repaired promptly according to AAR specifications and procedures. Lessor or its representative will promptly inspect the Equipment in the presence of a representative of the Lessee and subject to the other provisions or inspection at particular locations contained in this Lease to verify that each item of Equipment has been returned in compliance with the terms and conditions hereunder. Additional wear and tear beyond the extent permitted herein shall be deemed excessive wear and tear and Lessee, at its option, shall be responsible to either promptly make such repairs as are required to correct excessive wear and tear, or to forward the affected items of Equipment to a repair facility, which facility shall have been previously approved in writing by Lessor, for such repairs and pay the costs of such repairs at the then current market prices. Unless such Equipment is returned to Lessor in proper condition within 30 days of the scheduled return of the Equipment, Lessee shall pay rent therefor at the then prevailing rate applicable under this Lease.

In the Event of Default by Lessee under this Lease, Lessee will return all Equipment to Lessor in the same manner.

21. EVENTS OF DEFAULT: Lessee shall be in default under this Lease upon the happening of any of the following events or conditions ("Events of Default") (a) Lessee fails to pay any Rental Amount on or before the fifth day following the date when the same becomes due and payable; or (b) Lessee fails to pay any other indebtedness or obligation now or hereafter owed by Lessee to Lessor under this Lease and the continuance of such default for 10 consecutive days; or (c) default in the performance of any covenant contained in Sections 11, 17 or 24(a) hereof; or (d) default in the performance of any other obligation, covenant or liability contained in this Lease or any other agreement or document with Lessor, and the continuance of such default for 30 consecutive days after written notice thereof by Lessor to Lessee, provided that no such default shall become an Event of Default if not curable within 30 days so long as Lessee is diligently pursuing such cure and such cure is effected within 180 days of the date of such written notice, unless, in Lessor's sole reasonable opinion, there is a reasonable possibility of a risk of loss, seizure or forfeiture of the Equipment; or (e) any warranty, representation or statement made or furnished to Lessor by or on behalf of Lessee in connection with this Lease, the Equipment, Lessee's financial condition and business operations, proves to have been false in any material respect when made or furnished; or (f) liquidation, dissolution, termination of existence, discontinuance of its business, insolvency, business failure, or appointment of a receiver of any part of the property of, or assignment for the benefit of creditors by Lessee or the commencement of any proceedings under any bankruptcy, reorganization or arrangement laws by or against Lessee; or (g) Lessee shall use or permit the Equipment to be used to contain or transport any hazardous, toxic, dangerous or environmentally threatening waste, material or matter in violation of Section 7 hereof.

22. REMEDIES OF LESSOR: If an Event of Default specified in subsection 21(f) above shall occur and be continuing, this Lease shall immediately terminate without any declaration or other action by Lessor and Lessee shall immediately pay the Stipulated Loss Value plus the Reinvestment Premium for all Equipment to Lessor along with all other sums due and payable hereunder. During the continuance of any other Event of Default and at any time thereafter (subject to any applicable grace provisions) Lessor

may upon written notice to Lessee, exercise one or more of the following remedies as Lessor in its sole discretion shall elect: (a) declare all unpaid rentals due under this Lease, together with the equivalent per diem rent from the date of the last regular rental installment to the date of such declaration, to be immediately due and payable; (b) terminate this Lease as to any or all items of Equipment; (c) take possession of the Equipment wherever found, and for this purpose enter upon any premises of Lessee and remove the Equipment, without any liability or suit, action or other proceeding by Lessee; (d) cause Lessee at its expense to promptly return the Equipment to Lessor in accordance with Section 20 hereof and in the condition required to be maintained hereunder; (e) use, hold, sell, lease or otherwise dispose of the Equipment or any item thereof on the premises of Lessee or any other location without affecting the obligations of Lessee as provided in this Lease; (f) sell or lease the Equipment or any part thereof, at public auction or by private sale or lease at such time or times and upon such terms as Lessor may determine, free and clear of any rights of Lessee and, if notice thereof is required by law, any notice in writing of any such sale or lease by Lessor to Lessee not less than 10 days prior to the date thereof shall constitute reasonable notice thereof to Lessee, (g) proceed by appropriate action either by law or in equity to enforce performance by Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof; (h) exercise any and all rights accruing to a lessor under any applicable law upon a default by a lessee. In addition, Lessor shall be entitled to recover immediately as liquidated damages for loss of a bargain and not as a penalty an amount equal to the Stipulated Loss Value plus the Reinvestment Premium for all Equipment on the date of Lessor declaring this Lease in default, together with interest as provided herein. Lessor may, but shall not be required to, sell Equipment at private or public sale, in bulk or in parcels, with or without notice, without having the Equipment present at the place of sale; or Lessor may, but shall not be required to, lease, otherwise dispose of or keep idle all or part of the Equipment; and Lessor may use Lessee's premises for any or all of the foregoing without liability for rent, costs, damages or otherwise. The proceeds of sale, lease or other disposition, if any, shall be applied as follows (1) to all Lessor's costs, charges and expenses including without limitation reasonable legal fees incurred in enforcing this Lease and in taking, removing, holding, repairing and selling, leasing or otherwise disposing of Equipment; then, (2) to the extent not previously paid by Lessee, to pay Lessor the Stipulated Loss Value plus the Reinvestment Premium for all Equipment and all other sums, including any unpaid rent and any indemnification then remaining unpaid thereon; then (3) to reimburse to Lessee any Stipulated Loss Value plus Reinvestment Premium previously paid directly by Lessee to Lessor as liquidated damages; then (4) any surplus shall be retained by Lessee; Lessee shall pay any deficiency in (1) and (2) forthwith. In no event shall Lessor be obligated to sell, lease or otherwise dispose of any item of repossessed Equipment. None of the remedies under this Lease are intended to be exclusive, but each to the extent permitted by law shall be cumulative and in addition to any other remedy referred to herein or otherwise available to Lessor in law or in equity. Any repossession or subsequent sale or lease by Lessor of any item of Equipment shall not bar an action for a deficiency as herein provided, and the bringing of an action or the entry of judgment against Lessee shall not bar Lessor's right to repossess any or all items of Equipment. Lessee agrees to pay all costs and expenses of Lessor, including reasonable legal fees, incurred with respect to the collection of any amounts payable hereunder and the enforcement of any of the provisions hereof, whether or not an action at law is commenced with respect hereto. Notwithstanding the foregoing, if Lessor receives the Stipulated Loss Value plus all other amounts then due and payable plus the Reinvestment Premium from the Lessee, Lessor shall convey the Equipment to Lessee, or such person or entity as Lessee shall designate, "AS IS, WHERE IS," AND WITHOUT RECOURSE OR WARRANTY OF ANY KIND, except that Lessor is transferring to Lessee such title as Lessor received from the supplier, free and clear of any Lessor Liens.

23. REPRESENTATIONS AND WARRANTIES: Each party hereby represents, warrants and covenants that, with respect to this Lease and any related documents: (a) the execution, delivery and

performance thereof by such party has been duly authorized by all necessary corporate or organizational action, (b) the individual executing such documents is duly authorized to do so, (c) the Lease and any related documents constitute legal, valid and binding agreements of such party enforceable in accordance with their respective terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditor's rights generally and by general principles of equity; (d) such party need not obtain the consent or approval of any party in order to enter into this Lease or to perform such party's obligations hereunder, (e) such party is in good standing in the state of its incorporation or organization and is qualified to do business in each state where it is necessary to be so qualified except to where the failure to be so qualified would not have a material adverse effect on this Lease the Equipment or the operations or financial condition of such person; (f) any and all financial statements or other information with respect to Lessee supplied to the other in connection with this Lease and the transactions contemplated hereby are true and complete; (g) Lessee will not use the Equipment in a manner which will result in foreign source income for Lessor

In addition, Lessee represents, warrants and covenants the following. (i) the execution, delivery and performance by Lessee of the Lease and the documents relating thereto and compliance by Lessee with all the provisions thereof do not and will not contravene in any material respect any law or regulation, or any order of any court or governmental authority or agency applicable to or binding on Lessee or any of its properties, or contravene the provisions of, or constitute a default by Lessee under, or result in the creation of any liens (except for Permitted Liens) upon the property of Lessee, under its certificate of incorporation or by-laws or any material indenture, mortgage, contract or other agreement or instrument to which Lessee is a party or by which Lessee or any of its property is bound or affected; (ii) other than as disclosed in filings made by Lessee with the Securities Exchange Commission, there are no proceedings pending, or to the knowledge of Lessee, threatened against Lessee in any court or before any governmental authority or arbitration board or tribunal which individually or in the aggregate would materially and adversely impair the ability of Lessee to perform its obligations under the Lease and the documents related thereto; (iii) as of the date hereof, no Default or Event of Default under the lease has occurred and is continuing; (iv) no consent, approval or authorization of any governmental authority is required on the part of Lessee in connection with the valid execution and delivery and performance of the Lease and the documents related thereto and Lessee has complied with all applicable provisions of law requiring the designation, declaration, filing, registration and/or qualification with any governmental authority in connection with the execution and delivery and performance of said instruments; and (v) the Bill of Sale shall convey to Lessor good and marketable title to the Equipment being delivered hereunder, free and clear of all Liens except Permitted Encumbrances or Lessor Liens.

24. SPECIAL COVENANTS: (a) Lessee will not (i) enter into any transaction of merger or consolidation or any commitment with respect thereto; (ii) sell, transfer, or otherwise dispose of all or any material portion of its assets; or (iii) change the form of organization of its business except that (i) the subsidiaries of Lessee may merge into the Lessee so long as Lessee is the surviving corporation and so long as the rating of Lessee is not negatively impacted and (ii) Lessee may merge or consolidate with, or sell all or substantially all of its assets to, any person or entity if survivor or acquirer assumes Lessee's obligations under this Lease and has a tangible net worth, determined in accordance with generally accepted accounting principles, of not less than \$300,000,000 and the Standard & Poor's and Moody's ratings of the survivor or acquirer is no less than Lessee's ratings prior to the merger, consolidation or sale. (b) Lessee will furnish to Lessor (i) as soon as available, but in any event not later than 120 days after the end of each fiscal year of Lessee, a consolidated balance sheet of Lessee as at the end of such fiscal year, and consolidated statements of income, retained earnings and cash flows of Lessee for such fiscal year together with comparative figures for the immediate preceding fiscal year, all in reasonable

detail, prepared in accordance with generally accepted accounting principles applied on a basis consistently maintained throughout the period involved and audited by independent certified public accountants; (ii) as soon as available, but in any event not later than 90 days after the end of each of the first three quarterly periods of each fiscal year of Lessee, a consolidated balance sheet of Lessee as at the end of such quarterly period and consolidated statements of income, retained earnings and cash flows of Lessee for such quarterly period and for the portion of the fiscal year then ended, all in reasonable detail, prepared in accordance with generally accepted accounting principles applied on a basis consistently maintained throughout the period involved and certified by the chief financial officer of Lessee; and (iii) promptly, such additional financial and other information as Lessor may from time to time reasonably request.

Other than to potential buyers or assignees who agree to hold such information confidential to the same extent as the Lessor is required under the Lease, Lessor shall hold all information received or obtained from Lessee pursuant to or in connection with the Lease as confidential information of Lessee and shall not disclose to any person or entity any such information without Lessee's prior written consent; provided the foregoing shall not apply to (a) any information which now or hereafter is in the public domain other than as a direct or indirect result of a breach of this provision by Lessor or (b) to the extent that such disclosure is required by law or legal process, provided that prior to any disclosure required by law or legal process Lessor shall give as much notice thereof as is reasonably possible to Lessee hereto.

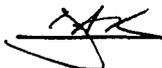
25. TAX BENEFITS: Lessee and Lessor agree that the intent of the transaction contemplates hereby is that Lessee be the owner of the Equipment for tax purposes. Lessor confirms that it does not intend to and will not claim any depreciation deductions or other deductions or credits with respect to the Equipment under the Internal Revenue Code of 1986, as amended (the "Code"), or any state tax laws. Neither Lessee nor Lessor make any representation or warranty, as to the availability of any such deductions or credit to Lessee or Lessor or any other party or as to the tax or accounting treatment to be accorded to the transactions contemplated hereby. Nevertheless, in the event this Lease is finally determined by applicable taxing authorities to be a lease of the Equipment for income tax purposes and if any item of income, credit or deduction with respect to the Equipment shall not be treated as derived from, or allocable to, sources within the United States for a given taxable year (any such event hereinafter referred to as a "Foreign Loss"), the Lessee shall pay to Lessor as an indemnity, on the next succeeding Rental Amount, or in any event within thirty days after written demand to Lessee by Lessor, such amount as, after deduction of all taxes required to be paid by Lessor in respect to the receipt of such amounts under the laws of any Federal, state or local government or taxing authority of the United States, shall equal the sum of: (i) the excess of (x) the foreign tax credits which Lessor would have been entitled to for such year had no such Foreign Loss occurred over (y) the foreign tax credits to which Lessor was limited as a result of such Foreign Loss and (ii) the amount of any interest, penalties or additions to tax payable as a result of such Foreign Loss.

26. SEVERABILITY: Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof. To the extent permitted by applicable law, Lessee hereby waives any provision of law which prohibits or renders unenforceable any provisions hereof in any respect.

27. NOTICES: All notices, reports, and other documents provided for herein shall be sent by courier service or certified or registered United States mail postage prepaid or sent by facsimile, or personally delivered, addressed to Lessor or Lessee at their respective addresses set forth above or such other

addresses as either of the parties hereto may designate in writing to the other from time to time for such purpose and shall be deemed to be given two business days after deposit with a nationally recognized overnight carrier service, five business days after deposit in the US mails, upon verbal confirmation of in the case of facsimile transmission or upon personal delivery on a business day during normal working hours.

28. **AMENDMENTS AND WAIVERS:** Except as in writing executed by Lessor and Lessee this Lease and the Schedules executed by Lessor and Lessee constitute the entire, complete and exclusive statement of the terms of the agreement between Lessor and Lessee with respect to the Equipment and the subject matter of this Lease. Lessor may, however, insert the model, running number, reporting mark and serial number of any item of Equipment on the appropriate Schedule after delivery thereof. No express or implied waiver by Lessor of any Event of Default hereunder shall in any way be, or be construed to be, a waiver of any future or subsequent Event of Default whether similar in kind or otherwise. **NO TERM OR PROVISION OF THIS LEASE MAY BE CHANGED, WAIVED, AMENDED, RESCINDED OR TERMINATED EXCEPT BY A WRITTEN AGREEMENT SIGNED BY BOTH LESSOR AND LESSEE.**

Lessee Initial 

29. **CONSTRUCTION:** This Lease shall in all respects be governed by and construed in accordance with the laws of the State of New York. The titles of the sections of this Lease are for convenience only and shall not define or limit any of the terms or provisions hereof. Time is of the essence of this Lease in each of its provisions.

30. **GRANT OF SECURITY INTEREST:** Lessor and Lessee acknowledge that this Lease is a lease intended as security under the Uniform Commercial Code. Accordingly, as collateral security for the prompt and complete payment and performance when due of all the obligation of Lessee hereunder, and in order to induce Lessor to enter into this Lease, Lessee hereby grants, assigns, pledges, transfers, conveys and hypothecates to Lessor, a continuing first priority security interest in and to, all of its present and future right, title and interest in, to and under the following: (a) Each item of Equipment and all additions, attachments and accessions thereto and any and all replacements and substitutions therefor, in each case which are deemed to become Lessor's property under this Lease; and (b) Any and all proceeds of any of the foregoing.

31. **PARTIES:** The provisions of this Lease shall be binding upon, and inure to the benefit of, the assigns, representatives and successors of Lessor and Lessee.

32. **COVENANT OF QUIET ENJOYMENT:** During the term of this Lease and so long as no Event of Default under this Lease shall have occurred and be continuing, the Lessor covenants and agrees that the Lessee shall have the right to uninterrupted use and enjoyment of such Equipment on the terms and conditions provided herein without any interference from the Lessor or those claiming by, through, under or against the Lessor, including, but not limited to any assignee or lender or mortgagee of the Lessor.

33. **TRANSFERS:** In connection with any title transfer of Equipment being made to Lessee hereunder, Lessor shall also assign and transfer, to the extent assignable, any and all manufacturer's and suppliers' warranties relating to such Equipment which were obtained by Lessor from the supplier or manufacturer, on the same basis as the Equipment being transferred.

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Lease to be duly executed as of the date first set forth above

LESSOR: PITNEY BOWES CREDIT CORPORATION LESSEE ILLINOIS CENTRAL RAILROAD COMPANY

BY. 

BY 

NAME: MICHAEL J. LEVH
(Please print)

NAME. D.A. KOMAN
(Please print)

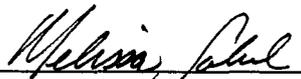
TITLE. Vice President
Credit/Operations

TITLE. TREASURER
(Must be signed by authorized corporate officer or partner)

CERTIFICATION

THE ATTACHED COPY OF MASTER RAIL LEASE AGREEMENT DATED AS OF
DECEMBER 27, 1996 BETWEEN PITNEY BOWES CREDIT CORPORATION AS LESSOR
AND ILLINOIS CENTRAL RAILROAD COMPANY AS LESSEE (THE "LEASE") IS A
TRUE AND EXACT COPY OF SUCH AGREEMENT.

EXECUTED THIS 30th DAY OF JANUARY, 1997


Melissa Sobel

Sworn to before me on this 30th day of January, 1997.


Notary Public

MARIE R. BERARDI
Notary Public, State of New York
No. 01BE4506262
Qualified in New York County
Commission Expires July 31, 1997

Counterpart No 1 of 2 Counterparts Only Counterpart No 1 shall be deemed the original for chattel paper and security interest purposes

LEASE SCHEDULE

LEASE SCHEDULE NO 001

Lease Schedule No 001 dated as of December 27, 1996 to Master Rail Lease Agreement No 7783699 dated as of December 27, 1996 between PITNEY BOWES CREDIT CORPORATION as Lessor and ILLINOIS CENTRAL RAILROAD COMPANY as Lessee (the "Lease") THE TERMS AND CONDITIONS OF THE LEASE ARE HEREBY INCORPORATED HEREIN AND MADE A PART HEREOF BY REFERENCE

Outside Commitment Date December 31, 1996

- 1 Equipment Description (600) Six Hundred 5,150 cubic foot covered hopper freight cars bearing running numbers IC799200 to IC799799

[REMAINING DATA ON THIS PAGE INTENTIONALLY OMITTED.]

[DATA ON THIS PAGE INTENTIONALLY OMITTED.]

LESSEE REPRESENTS AND WARRANTS THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN ITS BUSINESS OR FINANCIAL CONDITION SINCE 09/30/96.

PITNEY BOWES CREDIT CORPORATION
as Lessor

ILLINOIS CENTRAL RAILROAD COMPANY
as Lessee

BY: 

BY: 

NAME: MICHAEL J. LEYH
Vice President

NAME: D.A. KOMAN

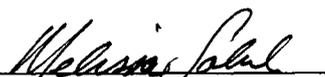
TITLE: Credit/Operations

TITLE: TREASURER

CERTIFICATION

THE ATTACHED COPY OF LEASE SCHEDULE No. 001 DATED AS OF DECEMBER 27, 1996 TO MASTER RAIL LEASE AGREEMENT No 7783699 DATED AS OF DECEMBER 27, 1996 BETWEEN PITNEY BOWES CREDIT CORPORATION AS LESSOR AND ILLINOIS CENTRAL RAILROAD COMPANY AS LESSEE (THE "LEASE") IS A TRUE AND EXACT COPY OF SUCH SCHEDULE, EXCEPT THAT CERTAIN DATA HAVE BEEN INTENTIONALLY OMITTED, AS INDICATED THEREIN.

EXECUTED THIS 30th DAY OF JANUARY, 1997


Melissa Sobel

Sworn to before me on this 30th day of January, 1997.


Notary Public

MARIE R. GERARDI
Notary Public, State of New York
No. 01BE4506262
Qualified in New York County
Commission Expires July 31, 1997