RECORDATION NO. 8751 Filed & Recorded

MAR 18 1977 -10 10 AM

INTERSTATE COMMERCE COMMISSION

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY

EMPLOYEE OWNED

BERNARD J. ALLEN
DIANE KOHLER-RAUSCH
JOAN A. SCHRAMM
ASSISTANT SECRETARIES

DIRECT DIAL NUMBER
312/454-6534

March 14, 1977

File No.: A-9990

RECORDATION NO. 8751-A Filed & Recorded

MAR 18 1977 -10 10 AM

INTERSTATE COMMERCE COMMISSION

7-077A039

Date MAR 18 1977
Fee $ 10.00
ICC Washington, D. C.

MESSENGER

Interstate Commerce Commission
Washington, D. C.
Attn: Mr. Robert L. Oswald, Secretary

RECORDATION NO. 8751-B Filed & Recorded

MAR 18 1977 -10 10 AM

INTERSTATE COMMERCE COMMISSION

Gentlemen:

Enclosed for recordation pursuant to Section 20c of the Interstate Commerce Act are counterparts of the following:

(1) Reconstruction and Conditional Sale Agreement dated as of 1/1/77, among American National Bank and Trust Company of Chicago, Chicago and North Western Transportation Company, and Exchange National Bank of Chicago, owner trustee.

RECORDATION NO. 8751-C Filed & Recorded

MAR 18 1977 -10 10 AM

INTERSTATE COMMERCE COMMISSION

A — (2) Lease of Railroad Equipment dated as of 1/1/77, between Chicago and North Western Transportation Company, Lessee, and Exchange National Bank of Chicago.

B — (3) Assignment of Lease and Agreement, dated as of 1/1/77, between Exchange National Bank of Chicago, Lessor/Vendee, and American National Bank and Trust Company of Chicago, as Agent/Vendor.

C — (4) Security Agreement, dated as of 1/1/77, between Exchange National Bank of Chicago and The Detroit Bank and Trust Company.

D — (5) Transfer Agreement, dated as of 1/1/77, between Exchange National Bank of Chicago and American National Bank and Trust Company of Chicago.

Louis W. Thornhill

The addresses of the parties to the aforementioned agreements are:

RECORDATION NO. 8751-D Filed & Recorded

MAR 18 1977 -10 10 AM

INTERSTATE COMMERCE COMMISSION

Chicago and North Western Transportation Company
400 West Madison Street
Chicago, Illinois 60606

RECEIVED
MAR 18 10 07 AM '77
I.C.C.
FEE OPERATION BR.

American National Bank and
Trust Company of Chicago
33 North LaSalle Street
Chicago, Illinois 60690

Exchange National Bank of
Chicago
130 South LaSalle Street
Chicago, Illinois 60690

The Detroit Bank and Trust
Company
Fort and Washington Boulevard
Detroit, Michigan 48231

The equipment covered by the aforementioned agreement consists of those GP-7 1500 horsepower diesel-electric locomotives (the part of 25 locomotives) on which reconstruction was begun after the Reconstruction Cut-Off Date.

Enclosed are checks totalling $200.00 for the required recordation fees. Please accept for recordation one counterpart of each of the enclosed agreements, stamp the remaining counterparts with your recordation number, and return them to the delivering messenger along with your fee receipt.

Very truly yours,

Diane Kohler-Rausch

Diane Kohler-Rausch
Assistant Secretary

dk:db
encls.

cc: R. D. Smith
Z. Steiger

Interstate Commerce Commission

Washington, D.C. 20423

OFFICE OF THE SECRETARY

March 18, 1977

Diane Kohler-Rausch
Chicago and Northwestern Transportation Company
400 West Madison Street
Chicago, IL 60606

Dear Madam:

The enclosed document(s) was recorded pursuant to the provisions of Section 20(c) of the Interstate Commerce Act, 49 U.S.C. 20(c), on 3-18-77 at 10:10 , AM and assigned recordation number(s) 8751 and 8751 A, 8751-B, 8751-C and 8751-D.

Sincerely yours,

Robert L. Oswald
Secretary

Enclosure(s)

SE-30
(5/76)

8751
RECORDATION NO. ..... Filed & Recorded

MAR 18 1977 -11 10 AM

INTERSTATE COMMERCE COMMISSION

RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT

Dated as of January 1, 1977

among

AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO, not in its individual capacity but solely as Agent,

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY

and

EXCHANGE NATIONAL BANK OF CHICAGO

as Owner Trustee

RECONSTRUCTION AND CONDITIONAL
SALE AGREEMENT

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* This Table of Contents has been included in this document for convenience only and does not form a part of, or affect any construction or interpretation of, this document.

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RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT dated as of January 1, 1977, among AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO, not in its individual capacity but solely as Agent (hereinafter called the Vendor) under a Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement), CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware corporation, in its capacity as builder (hereinafter called the Builder) and EXCHANGE NATIONAL BANK OF CHICAGO, not in its individual capacity but solely as Trustee (hereinafter called the Vendee) under a Trust Agreement dated as of January 1, 1977 (hereinafter called the Trust Agreement), with certain trust beneficiaries (hereinafter collectively called the Beneficiaries).

The Vendee proposes to acquire all right, title and interest in certain railroad equipment (hereinafter called the Hulks) from First National Bank and Trust Company of Evanston pursuant to a Hulk Purchase Agreement dated as of January 1, 1977 (hereinafter called the Hulk Purchase Agreement), in substantially the form of Exhibit D hereto. To finance the purchase of the Hulks, the Vendee proposes to enter into a Loan Agreement dated as of January 1, 1977 (hereinafter called the Loan Agreement), with the Beneficiaries and The Detroit Bank & Trust Company (hereinafter called the Interim Lender).

As security for entering into the Participation Agreement and the Loan Agreement, the Interim Lender will acquire from the Vendee security title to the Hulks pursuant to a Security Agreement (hereinafter called the Security Agreement) in substantially the form of Annex B to the Loan Agreement. The Vendee proposes to subject the Hulks to a second security interest pursuant to a Transfer Agreement (hereinafter called the Transfer Agreement) in substantially the form of Exhibit A hereto, in favor of the Vendor for the purpose of causing the same to be reconstructed as described herein. Thereafter, the Vendee will discharge the Security Agreement and, pursuant hereto, purchase the Hulks as so reconstructed (the reconstructed equipment described in Schedule A hereto being hereinafter called the Equipment).

The Hulks will be delivered to the Builder and

the Builder has agreed with the Vendor to cause the Hulks to be reconstructed in accordance with specifications of the Builder and as required hereby to enable delivery of the Equipment to be made to the Vendee in accordance herewith.

The Vendee and the Chicago and North Western Transportation Company, in its capacity as lessee (hereinafter in such capacity called the Lessee and the Lessee and the Builder being hereinafter sometimes called the Railroad) are entering into a Lease of Railroad Equipment, dated as of the date hereof (hereinafter called the Lease), substantially in the form of Exhibit B hereto, pursuant to which the Vendee is leasing the Equipment to the Lessee, subject to this Agreement, and the Vendee is assigning for security purposes its rights in, to and under the Lease to the Vendor pursuant to an Assignment of Lease and Agreement dated as of the date hereof (hereinafter called the Lease Assignment) and a Consent and Agreement (hereinafter called the Consent), in substantially the forms of Exhibit C hereto. The rights acquired by the Vendor pursuant to this Agreement shall be and are acquired for the benefit of the Investors identified in the Participation Agreement for whom the Vendor is acting as Agent pursuant to the terms of such Participation Agreement.

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements hereinafter set forth, the parties hereto do hereby agree as follows:

ARTICLE 1. Reconstruction and Sale. Pursuant to this Agreement, the Builder will cause the Hulks to be reconstructed into the Equipment as described in Schedule A hereto and will deliver the Equipment to the Vendee on behalf of the Vendor and the Vendee will accept delivery of and pay for the Equipment as hereinafter provided, each unit of which shall be standard gauge railroad equipment reconstructed in accordance with the specifications in Schedule A hereto and in accordance with such modifications thereof as may be agreed upon in writing by the parties hereto (which specifications and modifications, if any, are by reference made a part of this Agreement as fully as though expressly set forth herein and are hereinafter called the Specifications). The Builder warrants to the Vendor and the Vendee that the design, quality and component parts of the Equipment will conform, on the date of delivery of each thereof, to all Department of Transportation and Interstate Commerce Commission requirements and specifications, and to all

standards recommended by the Association of American Railroads reasonably interpreted as being applicable to railroad equipment of the character of the Equipment as of the date of this Agreement.

Notwithstanding any other provision hereof, the Builder will not, and shall not be obligated to, reconstruct, or begin to reconstruct, a Hulk unless the Builder reasonably believes that the reconstruction of such Hulk can be completed, and delivery made to the Vendee, on or before December 31, 1977; provided, however, if the Builder does not intend to reconstruct certain Hulks pursuant to this paragraph, the Builder shall immediately notify the Vendor and the Vendee that it is not commencing reconstruction on any more Hulks after the date specified in such notice (the next business day following the date specified in such notice being hereinafter called the Reconstruction Cut-Off Date).

If on October 1, 1977, the number of hulks, if any, which remain to be reconstructed or delivered pursuant to this Agreement and the Reconstruction and Conditional Sale Agreement dated as of February 1, 1977 (hereinafter called the Prior Reconstruction and Conditional Sale Agreement), among the Vendor, the Builder and First National Bank and Trust Company of Evanston, exceeds six (such number of hulks in excess of six being hereinafter called the Undelivered Units), then such Undelivered Units shall be refinanced by the Vendee (or at the Railroad's option purchased by the Railroad) on such date; provided, however, such refinancing shall not be at a rate in excess of the lowest borrowing costs of NAC Leasing Corporation for similar 90-day secured borrowings.

The Builder agrees to keep the Hulks and component parts removed therefrom segregated from its own property and reasonably identified as property of the Vendee during reconstruction of the Hulks.

ARTICLE 2. Inspection and Delivery. The Builder will deliver the units of the Equipment, on behalf of the Vendor, to the Vendee at such point or points within the United States of America specified in Schedule A hereto (or such other place or places designated from time to time by the Builder) on or prior to December 31, 1977, freight charges, if any, prepaid; provided, however, that delivery of any unit of the Equipment shall not be made until this Agreement, the Transfer Agreement, the Lease and the Lease Assignment have been filed pursuant to Section 20c of the Inter-

state Commerce Act. The Builder agrees not to commence any reconstruction of any Hulk if the Builder (A) does not reasonably anticipate that such Hulk will be fully reconstructed within 90 days following such commencement of reconstruction and in any case on or before December 31, 1977, or (B) has received written notice from the Vendee, the Vendor or the Beneficiaries (a) of the occurrence of any event of default as defined in Article 14 hereof or any event (including the commencement of any proceeding or the filing of any petition of the nature specified in subparagraphs (c) and (d) of Article 14 hereof) which, with lapse of time, failure to take affirmative action and/or demand, could constitute an event of default hereunder shall have occurred, or (b) that any of the conditions contained in Paragraphs 6 or 7 of the Participation Agreement have not been met or waived or (c) that the Vendee is no longer obligated under the terms of Hulk Purchase Agreement to accept delivery of and to pay for any additional Hulks thereunder for any of the reasons therein provided.

The Builder's obligation as to time of delivery is subject, however, to delays resulting from causes beyond the Builder's reasonable control, including but not limited to acts of God, acts of government such as embargoes, priorities and allocations, war or war conditions, riot or civil commotion, sabotage, strikes, differences with workmen, accidents, fire, flood, explosion, damage to plants, equipment or facilities, delays in receiving necessary materials or delays of carriers or subcontractors.

During reconstruction, the Equipment shall be subject to inspection and approval by the authorized inspectors of the Vendee (who may be employees of the Lessee) and the Builder shall grant to such authorized inspectors reasonable access to its plant. The Builder agrees to inspect all materials used in the reconstruction of the Equipment in accordance with the standard quality control practices of the Builder. Upon completion of each unit or of a number of units of the Equipment, such unit or units shall be presented to an inspector of the Vendee for inspection at the place specified for delivery of such unit or units, and if each such unit conforms to the Specifications, requirements and standards applicable thereto, such inspector or an authorized representative of the Vendee (who may be an employee of the Lessee) shall execute and deliver to the Builder a certificate of acceptance (hereinafter called the Certificate of

Acceptance) stating that such unit or units have been inspected and accepted on behalf of the Vendee and are marked in accordance with Article 8 hereof; provided, however, that the Builder shall not thereby be relieved of its warranties set forth or referred to in Article 12 hereof.

Unless otherwise excused pursuant to the second paragraph of this Article 2 or unless the Vendor and the Vendee shall otherwise agree in writing, any Hulk the reconstruction of which shall not have begun before the Reconstruction Cut-Off Date shall be excluded from this Agreement (such Hulk being hereinafter called an Excluded Unit); provided, however, on or before December 31, 1977, the Builder shall purchase the Excluded Units at a purchase price equal to the sum of (a) the Hulk Purchase Price of such Excluded Units plus (b) an amount equal to the sum of (x) the interest due or accrued as of such date on the outstanding principal amount of the loan under the Loan Agreement (with respect to such Excluded Units) and (y) any other direct costs incurred to refinance the Excluded Units. The Vendee shall arrange for the refinancing of the reconstruction and cost of any Hulk (other than an Excluded Unit) which is not reconstructed and settled for on or before December 31, 1977, under this Agreement, and the Vendee shall lease to the Builder, as Lessee, and the Builder, as Lessee, shall lease from the Vendee each such Hulk, following reconstruction and settlement therefor, after December 31, 1977, under a lease substantially in the form of the Lease, so as to enable the Vendee to maintain under such lease a net after tax return equal to the Lessor's Net Return (as defined in § 6 of the Lease).

ARTICLE 3. Purchase Price and Payment. The cost of the Hulks (the "Hulk Purchase Price") and the estimated base reconstruction cost per unit of the Equipment are set forth in Schedule A hereto. The term "Reconstruction Cost" as used herein shall mean the base reconstruction cost per unit set forth in Schedule A hereto (which includes freight charges on Hulks delivered to the Builder), as increased or decreased by agreement among the Builder, the Vendor and the Vendee, but the aggregate Reconstruction Cost shall in no event exceed the lesser of (i) the actual cost to the Builder of doing the reconstruction work plus a reasonable overhead and profit factor or (ii) $91,476 per unit of Equipment. The term "Purchase Price" as used herein means the sum of the Hulk Purchase Price and the Reconstruction Cost.

For the purpose of settlement therefor, the Equip-

ment shall be divided into not more than three groups of units of the Equipment unless the Vendee, the Vendor and the Builder shall otherwise agree (each such group being hereinafter called a Group). The term "Closing Date" with respect to any Group shall mean such date not later than December 31, 1977 (herein sometimes called the Cut-Off Date and the Closing Date on which settlement is made under this Agreement for the last Units of Equipment which the Builder is obligated to rebuild under Article 1 of this Agreement being hereinafter called the Final Closing Date), occurring not more than five business days following presentation by the Builder to the Vendee of the invoice (addressed to the Vendor and the Vendee) and the Certificate or Certificates of Acceptance for such Group, as shall be fixed by the Builder by written notice delivered to the Vendee and the Vendor at least six business days prior to the Closing Date designated therein; provided, however, that the first such Closing Date shall not be prior to the Final Closing Date (as defined in the Prior Reconstruction and Conditional Sale Agreement) or July 31, 1977, whichever is later. The term "business days" as used herein means calendar days, excluding Saturdays, Sundays, holidays and any other day on which banking institutions in Chicago, Illinois, or New York, New York, are authorized to remain closed.

The Vendee hereby acknowledges itself to be indebted to the Vendor in the amount of, and hereby promises to pay (and the Builder and the Interim Lender are hereby constituted third party beneficiaries of such obligation) in Chicago Clearing House funds to the Vendor at such place as the Vendor may designate, the Purchase Price of each Group of the Equipment, as follows:

(a) in 24 semiannual instalments, as hereinafter provided, an amount (herein called the Conditional Sale Indebtedness) equal to the lesser of (y) 75% of the aggregate of the Purchase Prices of the units of the Equipment in the Group for which settlement is then being made as set forth in the Invoice or Invoices therefor (said invoice prices being hereinafter called the Invoiced Purchase Prices) or (z) the Available Investors' Funds (as defined in the eighth paragraph of this Article 3); and

(b) on the Closing Date with respect to each Group an amount (herein called the Down Payment) equal to the aggregate Purchase Price of such Group, less the amount

payable pursuant to subparagraph (a) of this paragraph; provided, however, that the Vendee shall not be required to make such payment until there shall have been delivered to the Vendor on or prior to such date the documents required to be delivered thereto pursuant to the eighth paragraph of this Article 3.

The instalments of the Conditional Sale Indebtedness shall be payable on each April 1 and October 1 commencing April 1, 1978, to and including October 1, 1989 (or, if any such date is not a business day, on the next succeeding business day), each such date being hereinafter called a Payment Date. The unpaid balance of the Conditional Sale Indebtedness shall bear interest from the Closing Date upon which such Conditional Sale Indebtedness was incurred at the rate of 9-1/4% per annum, and such interest shall be payable, to the extent accrued, on October 1, 1977, and each Payment Date. The instalments payable on each Payment Date shall be calculated on the basis that each instalment is substantially equal to all the other instalments and that the final instalment will have fully amortized the Conditional Sale Indebtedness and all interest accrued thereon. Promptly following the earlier of the last Closing Date or the Cut-Off Date, the Vendee will furnish to the Vendor and the Builder a payment schedule showing the respective amounts of principal and interest payable on each Payment Date.

Interest under this Agreement shall be determined on the basis of a 360-day year of twelve 30-day months, except that interest payable on October 1, 1977, shall be computed on a daily basis using a 360-day year.

The Vendee will pay interest at the rate of 10-1/4% per annum, to the extent legally enforceable, upon all amounts remaining unpaid after the same shall have become due and payable pursuant to the terms hereof, anything herein to the contrary notwithstanding.

All payments provided for in this Agreement shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. The Vendee shall not have the privilege of prepaying any portion of the Conditional Sale Indebtedness prior to the date it becomes due, provided, however, that the Conditional Sale Indebtedness may be prepaid as provided for in Article 6 hereof.

On the Closing Date with respect to each Group, the Vendor shall pay in Chicago Clearing House funds (A) to the Interim Lender to prepay the Notes (as defined in the Participation Agreement) an amount equal to the sum of (1) the number of units of Equipment being settled for on such Closing Date multiplied by $35,000, and (2) the amount of interest (pursuant to such Notes) allocable to the principal amount of the Notes being prepaid pursuant to clause (A)(1), and (B) to the Builder an amount equal to the Invoiced Purchase Prices less the amount payable pursuant to clause (A)(1) of this paragraph; provided, however, all such payments pursuant to clauses (A)(1) and (B) shall be payable only from the proceeds of (x) the amounts (herein called the Available Investors' Funds) available to the Vendor under and pursuant to the terms of the Participation Agreement to make payments on such Closing Date in amounts equal to the Conditional Sale Indebtedness and (y) the Down Payment payable by the Vendee pursuant to clause (b) of the third paragraph of this Article 3 and all such payments pursuant to clause (A)(2) shall be payable only from the proceeds of the interim rental payment payable by the Lessee on such Closing Date pursuant to the fourth sentence of Section 3 of the Lease; provided further, however, that there shall have been delivered to the Vendor the following documents, in form and substance satisfactory to it and its special counsel:

(a) the Certificate or Certificates of Acceptance contemplated by Article 2 hereof and Section 1 of the Lease with respect to the Equipment in such Group;

(b) invoices of the Builder for the reconstruction of the Equipment in the Group, and invoices of First National Bank and Trust Company of Evanston for the Hulks with payment noted thereon, accompanied by or having endorsed thereon the approval of the Vendee of the price stated therein and a certification by the Builder that the Invoiced Purchase Prices have been calculated as provided in the first paragraph of this Article 3 and do not exceed the prices that would be charged by an independent builder for comparable equipment; and

(c) a favorable opinion of counsel for the Builder, dated as of such Closing Date, stating that at the time of delivery of the units of the Equipment in such Group on behalf of the Vendor to the Vendee hereunder, title to such units was free of all claims, liens, security interests and other encumbrances of the Builder or

of anyone claiming through the Builder.

On the Cut-Off Date, the Vendor shall pay to the Interim Lender for the account of the Vendee an amount equal to the interest, if any, paid by the Lessor in order to refinance the Undelivered Units; provided, however, such payment shall be payable only from the rental payments received from the Lessee pursuant to clause (2) of the first paragraph of § 3 of the Lease.

The obligation of the Vendor to make payments pursuant to the next preceding paragraph is expressly conditioned on the Vendee having made the Down Payment to the Vendor required by subparagraph (b) of the third paragraph of this Article 3. If on any Closing Date the Down Payment exceeds 25% of the Purchase Price of any Group, the Vendee may, by written notice to the Vendor and the Builder, postpone such Closing Date for a period of not more than 30 days. Notwithstanding anything to the contrary herein expressed or implied, the parties hereto agree that the Vendor shall have no obligation with respect to the reconstruction of the Hulks and delivery of the Equipment hereunder to the Vendee.

Notwithstanding any other provision of this Agreement (including, but not limited to, any provision of Articles 14 and 15 hereof), but not limiting the effect of Article 21 hereof, the Vendor agrees that the liability of the Vendee or any assignee of the Vendee or the Beneficiaries for all payments to be made by it under this Agreement, with the exception only of the payments to be made pursuant to subparagraph (b) of the third paragraph of Article 3 and the obligations set forth in the proviso in the third paragraph of Article 11 hereof, shall not exceed an amount equal to, and shall be payable only out of, the "income and proceeds from the Equipment", and such payments shall be made by the Vendee only to the extent that the Vendee (which term as used in this paragraph includes the Vendor to the extent payments under the Lease are made to the Vendor as contemplated therein and any assignee of the Vendee) shall have actually received sufficient "income or proceeds from the Equipment" to make such payments. In addition, the Vendor agrees that the Vendee (i) makes no representation or warranty, and is not responsible for, the due execution, validity or enforceability of the Lease or any document relating thereto (except for the due authorization, execution and delivery thereof by the Vendee) or of any of the Lessee's obligations thereunder and (ii) shall have no obligation or liability whatsoever to see to or be responsible for the performance by the Lessee

of any of its agreements, representations, indemnities, obligations or other undertakings under the Lease; it being understood that as to all such matters the Vendor will look solely to the Vendor's rights under this Agreement against the Equipment and to the Vendor's rights under the Lease against the Lessee and the Equipment. As used herein, the term "income and proceeds from the Equipment" shall mean (i) if one of the events of default specified in Article 14 hereof shall have occurred and while it shall be continuing, so much of the following amounts as are indefeasibly received by the Vendee at any time after any such event and during the continuance thereof: (a) all amounts of rental and amounts in respect of Casualty Occurrences (as hereinafter defined in Article 6 hereof) paid for or with respect to the Equipment pursuant to the Lease and any and all other payments received under Section 9 or any other provision of the Lease and (b) any and all payments or proceeds received by the Vendee under the Lease or received by the Vendee for or with respect to the Equipment as the result of the sale, lease or other disposition thereof and after deducting all costs and expenses of such sale, lease or other disposition (it being understood and agreed that all payments of "income and proceeds from the Equipment" received pursuant to this subclause (i) in excess of the unpaid Conditional Sale Indebtedness and all other payments due to the Vendor under this Agreement shall be paid to the Vendee) and (ii) at any other time only that portion of the amounts referred to in the foregoing clauses (a) and (b) as are indefeasibly received by the Vendee and as shall be required to discharge the portion of the Conditional Sale Indebtedness (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon, due and payable on the date such amounts were required to be paid pursuant to the Lease or as shall be required to discharge any other payments then due and payable under this Agreement; it being understood that "income and proceeds from the Equipment" shall in no event include amounts referred to in the foregoing clauses (a) and (b) which were received by the Vendee prior to the existence of such an event of default which exceeded the amounts required to discharge that portion of the Conditional Sale Indebtedness (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon due and payable on the date on which amounts with respect thereto received by the Vendee were required to be paid to it pursuant to the Lease or which exceeded any other payments due and payable under this Agreement at the time such amounts were due and payable under the Lease.

Notwithstanding anything to the contrary contained in Articles 14 and 15 hereof, the Vendor agrees that in the event it shall obtain a judgment against the Vendee for an amount in excess of the amounts payable by the Vendee pursuant to the limitations set forth in this paragraph, it will, accordingly, limit its execution of such judgment against the Vendee to amounts payable pursuant to the limitations set forth in this paragraph. It is further agreed by the parties hereto that nothing contained herein limiting the liability of the Vendee shall derogate from the right of the Vendor to proceed against the Equipment as provided for herein for the full unpaid Purchase Price of the Equipment and interest thereon and all other payments and obligations hereunder or to proceed against the Lessee under the Lease or the Consent. Except as provided in the next preceding paragraph, in no event shall the Beneficiaries or their property (other than the Trust Estate) be involved by the Vendor or the Vendee in any litigation arising out of or in connection with the obligations or liabilities of the Vendee under this Agreement. The Beneficiaries are constituted third party beneficiaries to this covenant.

ARTICLE 4. Title to the Equipment. The Vendor shall and hereby does retain a security interest in the Hulks delivered to the Builder hereunder for reconstruction and shall continue to retain such security interest during the entire period that the Hulks are being reconstructed and thereafter in the Equipment until the Vendee shall have made all its payments under this Agreement in respect of the Equipment and shall have kept and performed all its agreements herein contained in respect thereof, notwithstanding any provision of this Agreement limiting the liability of the Vendee and notwithstanding the delivery of the Equipment to and the possession and use thereof by the Vendee and the Lessee as provided in this Agreement and the Lease. Any and all additions, modifications and improvements to the Hulks and the Equipment, and any and all parts installed on and additions and replacements made to any unit of the Hulks prior to their delivery and acceptance hereunder, shall constitute accessions thereto and shall be subject to all the terms and conditions of this Agreement and included in the term "Equipment" as used in this Agreement, except for any additions, modifications and improvements which, under the provisions of Section 9 of the Lease, are owned by the Lessee. In order to secure the obligations of the Vendor and Vendee hereunder and to secure the obligations of the Beneficiaries pursuant to their respective Letter Agreements (as

defined in the Participation Agreement), the Builder shall have a security interest in each reconstructed or partially reconstructed unit of Equipment (and in the corresponding Hulk), but such security interest in both the Hulk and the unit shall be discharged upon payment in full to the Builder for the Reconstruction Cost of such unit of Equipment.

Except as otherwise specifically provided in Article 6 hereof, when and only when the Vendor shall have been paid the full Conditional Sale Indebtedness, together with interest and all other payments as herein provided, and all the Vendee's obligations herein contained shall have been performed, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee without further transfer or action on the part of the Vendor. However, the Vendor, if so requested by the Vendee at that time, will (a) execute and deliver to the Vendee a bill or bills of sale for the Equipment releasing its security interest therein to the Vendee, free of all claims, rights, liens, security interests and other encumbrances created or retained hereby, (b) execute and deliver to the Vendee for filing, recording or depositing in all necessary public offices, such instrument or instruments in writing as may be necessary or appropriate in order then to make clear upon the public records the title of the Vendee to such Equipment and (c) pay to the Vendee any money paid to the Vendor pursuant to Article 6 hereof and not theretofore applied as therein provided. The Vendee hereby waives and releases any and all rights, existing or that may be acquired, in or to the payment of any penalty, forfeit or damages for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file any such certificate of payment in compliance with any law or statute requiring the filing of the same, except for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file such certificate within a reasonable time after written demand by the Vendee.

ARTICLE 5. Taxes. All payments to be made by the Vendee hereunder will be free of expense to the Vendor for collection or other charges and will be free of expense to the Vendor with respect to the amount of any local, state, federal or foreign taxes (other than gross receipts taxes [except gross receipts taxes in the nature of or in lieu of sale, use or rental taxes], taxes measured by net income, excess profits taxes and similar taxes) or license fees, assessments, charges, fines or penalties hereafter levied or imposed upon or in

connection with or measured by this Agreement or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called impositions), all of which such impositions the Vendee assumes and agrees to pay on demand in addition to the Purchase Price of the Equipment. The Vendee will also pay promptly all impositions which may be imposed upon the Equipment delivered to it or for the use or operation thereof or upon the earnings arising therefrom (except as provided above) or upon the Vendor solely by reason of its ownership thereof (except as provided above) and will keep at all times all and every part of the Equipment free and clear of all impositions which might in any way affect the security interest of the Vendor or result in a lien upon any part of the Equipment; provided, however, that the Vendee shall be under no obligation to pay any impositions of any kind so long as it or the Lessee is contesting in good faith (after written notice to the Vendor) and by appropriate legal or administrative proceedings such impositions and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect the security interest or property or rights of the Vendor in or to the Equipment or otherwise under this Agreement. If any impositions shall have been charged or levied against the Vendor directly and paid by the Vendor, the Vendee shall reimburse the Vendor upon presentation of an invoice therefor, and any amounts so paid by the Vendor shall be secured by and under this Agreement; provided, however, that the Vendee shall not be obligated to reimburse the Vendor for any impositions so paid unless the Vendor shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for the Vendor) or unless the Vendee shall have approved in writing the payment thereof.

ARTICLE 6. Maintenance and Repair; Casualty Occurrences. The Vendee agrees that, at its own cost and expense, it will maintain and keep each unit of the Equipment in good operating order, repair and condition.

In the event that any unit of the Equipment shall be or become worn out, lost, stolen, destroyed or, in the opinion of the Lessee, irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise by the United States Government or any political subdivision thereof for a period which shall exceed the then remaining term of this Agreement or for an indefinite period, but only when such period shall exceed the term hereof, or by any other governmental entity resulting in loss of pos-

session by the Lessee for a period of 90 consecutive days or until the end of the term of the Lease (each such occurrence being herein called a Casualty Occurrence), the Vendee shall, promptly after it shall have determined that such unit has suffered a Casualty Occurrence, cause the Vendor to be fully informed in regard thereto. Notwithstanding any such Casualty Occurrence, the Vendee shall continue making payment of all instalments of principal and interest in respect of such unit until the next succeeding date for the payment of interest on the Conditional Sale Indebtedness (hereinafter called a Casualty Payment Date). On such date the Vendee shall, subject to the provisions of the last paragraph of Article 3 hereof, pay to the Vendor a sum equal to the Casualty Value (as hereinafter defined in this Article) of such unit suffering a Casualty Occurrence as of the date of such payment and shall file, or cause to be filed, with the Vendor a certificate setting forth the Casualty Value of such unit. Any money paid to the Vendor pursuant to this paragraph shall be applied (after the payment of the interest and principal due on such date) to prepay without penalty or premium, ratably in accordance with the unpaid balance of each instalment, the Conditional Sale Indebtedness and the Vendee will promptly furnish to the Vendor and the Lessee a revised schedule of payments of principal and interest thereafter to be made, in such number of counterparts as the Vendor may request. In the event of the requisition for use by the United States Government or any political subdivision thereof of any unit of the Equipment, all of the Vendee's obligations hereunder with respect to such unit shall continue to the same extent as if such requisition had not occurred.

Upon payment by the Vendee to the Vendor of the Casualty Value of any unit of the Equipment having suffered a Casualty Occurrence, absolute right to the possession of, title to and property in such unit shall pass to and vest in the Vendee, without further transfer or action on the part of the Vendor, except that the Vendor, if requested by the Vendee, will execute and deliver to the Vendee, at the expense of the Vendee, an appropriate instrument, confirming such passage to the Vendee of all the Vendor's right, title and interest, and the release of the Vendor's security interest, in such unit, in recordable form, in order that the Vendee may make clear upon the public records the title of the Vendee to such unit.

The Casualty Value of each unit of the Equipment suffering a Casualty Occurrence shall be deemed to be that

portion of the original Conditional Sale Indebtedness with respect to such unit remaining unpaid on the date as of which such Casualty Value shall be determined (without giving effect to any prepayment or prepayments theretofore made under this Article with respect to any other Unit), plus interest accrued thereon but unpaid as of such date. For the purpose of this paragraph, each payment of Conditional Sale Indebtedness in respect of Equipment made pursuant to Article 3 hereof shall be deemed to be a payment on each unit of the Equipment in like proportion as the original Purchase Price of such unit bears to the aggregate original Purchase Price of all the units of Equipment.

If the Vendor shall receive from the Lessee's insurance coverage any insurance proceeds or condemnation payments in respect of such units suffering a Casualty Occurrence, the Vendor shall, subject to the Vendor having received payment of the Casualty Value hereunder, pay such insurance proceeds or condemnation payments to the Vendee. All insurance proceeds or condemnation payments received by the Vendor in respect of any unit or units of Equipment not suffering a Casualty Occurrence shall be paid to the Vendee upon proof reasonably satisfactory to the Vendor that any damage to such unit in respect of which such proceeds were paid has been fully repaired.

ARTICLE 7. Reports and Inspections. On or before April 30 in each year, commencing with the calendar year 1978, the Vendee shall cause to be furnished to the Vendor an accurate statement (a) setting forth as of the preceding December 31 the amount, description and numbers of all units of the Equipment then subject to this Agreement, the amount, description and numbers of all units of the Equipment that have suffered a Casualty Occurrence during the preceding calendar year (or since the date of this Agreement in the case of the first such statement) or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and setting forth such other information regarding the condition and state of repair of the Equipment as the Vendor may reasonably request and (b) stating that, in the case of all Equipment repaired or repainted during the period covered by such statement, the numbers and markings required by Article 8 hereof have been preserved or replaced. The Vendor shall have the right, by its agents, to inspect the Equipment and the Lessee's records with respect thereto at such reasonable times as the Vendor may request during the continuance of this Agreement.

ARTICLE 8. Marking of Equipment. The Vendee will cause each unit of the Equipment to be kept numbered with its identifying number as set forth in Schedule A hereto, or, in the case of Equipment not there listed, such identifying number as shall be set forth in any amendment or supplement hereto extending this Agreement to cover such Equipment, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each unit, in letters not less than seven-sixteenths of one inch in height, the following legend: "Ownership Subject to a Security Agreement filed under the Interstate Commerce Act, Section 20c" or other appropriate words designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Vendor's title to and property in the Equipment and its rights under this Agreement. The Vendee will not permit any such unit to be placed in operation or exercise any control over the same until such legend shall have been so marked on both sides thereof and will replace or will cause to be replaced promptly any such legend which may be removed, obliterated, defaced or destroyed. The Vendee will not permit the identifying number of any unit of the Equipment to be changed except in accordance with a statement of a new number or numbers to be substituted therefor, which statement previously shall have been filed with the Vendor and filed, recorded and deposited by the Vendee in all public offices where this Agreement shall have been filed, recorded and deposited.

Except as provided in the immediately preceding paragraph, the Vendee will not allow the name of any person, association or corporation to be placed on any unit of the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Vendee may allow the Equipment to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on railroad equipment used by them of the same or a similar type for convenience of identification of the rights of the Lessee or its affiliates to use the Equipment as permitted under the Lease.

ARTICLE 9. Compliance with Laws and Rules. During the term of this Agreement, the Vendee will comply, and will cause every lessee or user of the Equipment to comply, in all respects (including, without limitation, with respect to the use, maintenance and operation of the Equipment) with all laws of the jurisdictions in which its or such lessees' or user's

operations involving the Equipment may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment, and in the event that such laws or rules require any alteration, replacement or modification, of or to any part on any unit of the Equipment, the Vendee will conform therewith at its own expense; provided, however, that the Vendee may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Vendor, adversely affect the property or rights of the Vendor under this Agreement.

ARTICLE 10. Possession and Use. The Vendee, so long as an event of default shall not have occurred and be continuing under this Agreement, shall be entitled, from and after delivery of the Equipment to the Vendee, to the possession of the Equipment and the use thereof, but only upon and subject to all the terms and conditions of this Agreement.

The parties hereto acknowledge that the Vendee simultaneously herewith is leasing the Equipment to the Lessee as provided in the Lease, and the rights of the Lessee and its permitted assigns under the Lease shall be subordinated and junior in rank to the rights, and shall be subject to the remedies, of the Vendor under this Agreement. The Lease shall not be amended or terminated (except in accordance with its terms) without the prior written consent of the Vendor, it being understood and agreed that such consent shall not be unreasonably withheld for changes in the provisions of the Lease which are not intended or necessary to satisfy the obligations of the Vendee under this Agreement.

Subject to the provisions of the preceding paragraph of this Article 10, the Equipment may be used as provided in Section 11 of the Lease. Except as otherwise provided in the Lease, the Vendee may also lease the Equipment to any other railroad company with the prior written consent of the Vendor; provided, however, that (i) such lease shall provide that the rights of such lessee are made expressly subordinate to the rights and remedies of the Vendor under this Agreement, (ii) such lessee shall expressly agree not to assign or permit the assignment of any unit of the Equipment

to service involving the regular operation and maintenance thereof outside the United States of America and (iii) a copy of such lease shall be furnished to the Vendor.

ARTICLE 11. Prohibition Against Liens. The Vendee will pay or discharge any and all sums claimed by any party from, through or under the Vendee or its successors or assigns which, if unpaid, might become a lien, charge, security interest or other encumbrance upon or with respect to the Equipment, or any unit thereof, or the Vendee's interests in the Lease or the payments due and to become due thereunder, or any part thereof, equal to or superior to the Vendor's security interest therein, and will promptly discharge any such lien, charge, security interest or other encumbrance which arises, but shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by any appropriate legal proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the property or rights of the Vendor in or to the Equipment or otherwise under this Agreement. Any amounts paid by the Vendor in discharge of any claims, liens, charges or security interests upon the Equipment shall be secured by and under this Agreement.

This covenant will not be deemed breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent.

The foregoing provisions of this Article 11 shall be subject to the limitations set forth in the last paragraph of Article 3 hereof and the provisions of Article 21 hereof; provided, however, that the Vendee will pay or discharge any and all claims, liens, charges or security interests claimed by any party from, through or under the Vendee or the Beneficiaries or their respective successors or assigns, not arising out of the transactions contemplated hereby (but including tax liens arising out of the receipt of the income and proceeds from the Equipment), equal or superior to the Vendor's security interest therein, which, if unpaid, might become a lien, charge or security interest on or with respect to the Equipment, or any unit thereof, or the Vendee's interest in the Lease and the payments to be made thereunder, but the Vendee shall not be required to pay

or discharge any such claim so long as the validity or priority thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the security interest of the Vendor in or to the Equipment or otherwise under this Agreement or in and to the Lease and the payments to be made thereunder.

ARTICLE 12. Indemnities and Warranties. The Vendee agrees to indemnify, protect and hold harmless the Vendor from and against all losses, damages, injuries, liabilities, claims (including without limitation claims for strict liability in tort) and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, penalties and interest, arising out of or as the result of the entering into or the performance of this Agreement, the retention by the Vendor of security title to or a security interest in the Equipment, the ordering, acquisition, use, operation, condition, reconstruction, purchase, delivery, rejection, storage or return of any of the Equipment, any accident in connection with the operation, use, condition, reconstruction, possession, storage or return of any of the Equipment resulting in damage to property or injury or death to any person during the period when title thereto remains in the Vendor or the transfer of title to the Equipment by the Vendor pursuant to any of the provisions of this Agreement, except, however, any losses, damages, injuries, liabilities, claims and demands whatsoever arising out of any tort, breach of warranty or failure to perform any covenant hereunder by the Builder. This covenant of indemnity shall continue in full force and effect notwithstanding the full payment of the indebtedness in respect of the Purchase Price of, and the release of the security interest in, the Equipment, as provided in the last paragraph of Article 4 hereof, or the termination of this Agreement in any manner whatsoever.

The Vendee will bear the responsibility for and risk of, and shall not be released from its obligations hereunder in the event of, any damage to or the destruction or loss of any unit of or all the Equipment.

THE VENDOR MAKES NO WARRANTIES WHETHER WRITTEN, ORAL, STATUTORY OR IMPLIED, INCLUDING THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO THE HULKS OR THE EQUIPMENT OR IN CONNECTION WITH

THIS AGREEMENT OR THE DELIVERY AND SALE OF THE EQUIPMENT HEREUNDER.

The Builder warrants that the Hulks will be reconstructed in accordance with the Specifications and standards set forth or referred to in Article 1 hereof and warrants that the Equipment will be free from defects in material or workmanship or design under normal use and service. THIS WARRANTY IS EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, WITH RESPECT TO RECONSTRUCTION, EXPRESSED OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. The Builder agrees to and does hereby, to the extent legally possible without impairing any claim, right or cause of action hereinafter referred to, transfer, assign, set over and deliver to the Vendor and, subject to the rights of the Vendor under this Agreement, to the Vendee, every claim, right and cause of action which the Builder has or hereafter shall have against any party who shall perform any of the reconstruction of the Hulks and the Builder agrees to execute and deliver to the Vendor and the Vendee all and every such further assurance as may be reasonably requested more fully to effectuate the assignment, transfer and delivery of every such claim, right and cause of action.

The Builder agrees to indemnify, protect and hold harmless the Vendor and the Vendee from and against any and all liability, claims, demands, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendor or the Vendee (i) because of the use in or about the construction or operation of the Equipment or the reconstruction of the Hulks, or any unit thereof, of any design, article or material infringing or claimed to infringe on any patent or other right or (ii) arising out of any accident or tort in connection with the reconstruction, operation, use, condition, possession or storage by the Builder of any of the Hulks or any unit of the Equipment resulting in damage to property or injury or death to any person. The Vendor and the Vendee will give notice to the Builder of any claim known to it from which liability may be charged against the Builder under this paragraph.

The warranties and indemnities contained or referred to in this Article 12 and in any other Articles hereof and all other covenants and obligations of the Builder contained in this Agreement shall inure to the benefit of, and be enforceable by the Vendee, the Vendor, any lessor, lessee,

assignee or transferee of this Agreement or of any units of the Equipment reconstructed by the Builder hereunder.

ARTICLE 13. Assignments. The Vendee will not (a) except as provided in Article 10 hereof or in the Trust Agreement, transfer the right to possession of any unit of the Equipment or (b) sell, assign, transfer or otherwise dispose of its rights under this Agreement unless such sale, assignment, transfer or disposition (i) is made expressly subject in all respects to the rights and remedies of the Vendor hereunder (including without limitation, rights and remedies against the Vendee) and (ii) is made to a bank or trust company having capital and surplus aggregating at least $50,000,000, and such bank or trust company expressly assumes, in writing, in form reasonably satisfactory to the Vendor, all the obligations of the Vendee under this Agreement.

All or any of the rights, benefits and advantages of the Vendor under this Agreement, including the right to receive the payments herein provided to be made by the Vendee, may be assigned by the Vendor and reassigned by any assignee at any time or from time to time. No such assignment shall subject any assignee to, or relieve the Builder from, any of the obligations of the Builder to reconstruct and deliver the Equipment in accordance herewith or to respond to its warranties and indemnities contained or referred to in Article 12 hereof or relieve the Vendee of its obligations to the Builder contained or referred to in this Agreement.

Upon any such assignment, either the assignor or the assignee shall give written notice to the Vendee, together with a counterpart or copy of such assignment, stating the identity and post office address of the assignee, and such assignee shall, by virtue of such assignment, acquire all the assignor's right, title and interest in and to the Equipment and this Agreement, or in and to a portion thereof, as the case may be, subject only to such reservations as may be contained in such assignment. From and after the receipt by the Vendee of the notification of any such assignment, all payments thereafter to be made by the Vendee under this Agreement shall, to the extent so assigned, be made to the assignee in such manner as it may direct and shall constitute full compliance with the terms of this Agreement. The Vendee may rely upon instruments or documents which it believes in good faith to be true and authentic.

ARTICLE 14. Defaults. In the event that any one or more of the following events of default shall occur and be continuing (without regard to the limitations provided for in the last paragraph of Article 3 hereof or in Article 21 hereof) to wit:

(a) the Vendee shall fail to pay in full any sum payable by the Vendee when payment thereof shall be due hereunder and such default shall continue for ten days after written notice thereof; or

(b) the Vendee shall, for more than 30 days after the Vendor shall have demanded in writing performance thereof, fail or refuse to comply with any other covenant, agreement, term or provision of this Agreement or of any agreement entered into concurrently herewith relating to the financing of the Equipment, on its part to be kept and performed or to make provision satisfactory to the Vendor for such compliance; or

(c) a petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may be hereafter amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under the Lease shall not have been (and shall not continue to be), duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings (whether or not subject to ratification) in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees, within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier; or

(d) any proceeding shall be commenced by or against the Vendee, any Beneficiary or the Lessee for any relief under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of the obligations hereunder or under the Lease, the Lease Assignment, the Consent or the Participation Agreement of the Vendee, any Beneficiary or the

Lessee, as the case may be), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Vendee, any Beneficiary or the Lessee under this Agreement, the Lease, the Lease Assignment, the Consent and/or the Participation Agreement, as the case may be, shall not have been (and shall not continue to be), duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Vendee, any Beneficiary or the Lessee, as the case may be, or for its or their property in connection with any such proceedings in such manner that such obligations have the same status as expenses of administration and obligations incurred by such trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier; or

(e) the Vendee shall make or permit any unauthorized assignment or transfer of this Agreement or any interest herein or any unauthorized transfer of the right to possession of any unit of the Equipment and the Vendee shall, for more than 30 days after demand in writing by the Vendor, fail to secure a reassignment or retransfer to the Vendee of such Agreement, interest or right; or

(f) an Event of Default shall occur under the Lease; provided, however, that such Event of Default under the Lease shall not be deemed to be an event of default hereunder if the default under the Lease causing such Event of Default thereunder is cured by the Vendee's remedying such default prior to a Declaration of Default; provided further, however, that the Vendee shall not have the right to remedy more than two such defaults and any additional Events of Default under the Lease shall constitute events of default hereunder whether or not so remedied; or

(g) an Event of Default shall occur under the Prior Reconstruction and Conditional Sale Agreement;

then at any time after the occurrence of such an event of default the Vendor may upon written notice to the Vendee and

the Beneficiaries and upon compliance with any legal requirements then in force and applicable to such action by the Vendor, (i) cause the term of the Lease immediately upon such notice to terminate (and the Vendee acknowledges the right of the Vendor to terminate the Lease) but without affecting the indemnities or other agreements of the Lessee which by the provisions of the Lease survive the termination of its term and/or (ii) declare (hereinafter called a Declaration of Default) the entire unpaid Conditional Sale Indebtedness together with the interest thereon then accrued and unpaid, immediately due and payable, without further demand, and thereafter the aggregate of the unpaid balance of such indebtedness and interest shall bear interest from the date of such Declaration of Default at the rate per annum specified in Article 3 hereof as being applicable to amounts remaining unpaid after becoming due and payable, to the extent legally enforceable. Upon a Declaration of Default, subject to Article 3 hereof, the Vendor shall be entitled to recover judgment for the entire unpaid balance of the Conditional Sale Indebtedness, with interest as aforesaid, and to collect such judgment out of any property of the Vendee, subject to the limitations of Articles 3 and 21 hereof, wherever situated. The Vendee agrees to promptly notify the Vendor of any event of which it has knowledge which constitutes, or with the giving of notice and/or lapse of time could constitute, an event of default under this Agreement.

The Vendor may, at its election, waive any such event of default and its consequences and rescind and annul any Declaration of Default or notice of termination of the Lease by notice to the Vendee in writing to that effect, and thereupon the respective rights of the parties shall be as they would have been if no such event of default had occurred and no Declaration of Default or notice of termination of the Lease had been made or given. Notwithstanding the provisions of this paragraph, it is expressly understood and agreed by the Vendee that time is of the essence of this Agreement and that no such waiver, rescission or annulment shall extend to or affect any other or subsequent default or impair any rights or remedies consequent thereon.

ARTICLE 15. Remedies. At any time during the continuance of a Declaration of Default, the Vendor may, upon such further notice and action, if any, as may be required for compliance with any mandatory legal requirements then in force and applicable to the action to be taken by the Vendor, take or cause to be taken, by its agent or agents, immediate

possession of the Equipment, or one or more of the units thereof, without liability to return to the Vendee any sums theretofore paid and free from all claims whatsoever, except as hereinafter in this Article 15 expressly provided, and may remove the same from possession and use of the Vendee, the Lessee or any other person and for such purpose may enter upon the premises of the Vendee or the Lessee or any other premises where the Equipment may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities or means of the Vendee or the Lessee, subject to all mandatory requirements of due process of law.

In case the Vendor shall demand possession of the Equipment pursuant to this Agreement and shall designate a reasonable point or points for the delivery of the Equipment to the Vendor, the Vendee shall, at its own expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, causing prompt telegraphic and written notice to be given to the Association of American Railroads and all railroads to which any unit or units of the Equipment have been interchanged to return the unit or units so interchanged) cause the Equipment to be placed upon such storage tracks of the Lessee as the Vendor reasonably may designate;

(b) permit the Vendor to store the Equipment on such tracks at the risk of the Vendee without charge for insurance, rent or storage until the Equipment has been sold, leased or otherwise disposed of by the Vendor; and

(c) cause the Equipment to be transported to any reasonable place on the lines of railroad operated by the Lessee or any of its affiliates or to any connecting carrier for shipment, all as directed by the Vendor.

During any storage period, the Vendee will, at its own cost and expense, insure, maintain and keep each such unit in good order and repair and will permit the inspection of the Equipment by the Vendor, the Vendor's representatives and prospective purchasers, lessees and users. This agreement to deliver the Equipment and furnish facilities as hereinbefore provided is of the essence of the agreement between the parties, and, upon application to any court of equity having jurisdiction in the premises, the Vendor shall be entitled

to a decree against the Vendee requiring specific performance hereof. The Vendee hereby expressly waives any and all claims against the Vendor and its agent or agents for damages of whatever nature in connection with any retaking of any unit of the Equipment in any reasonable manner.

At any time during the continuance of a Declaration of Default, the Vendor (after retaking possession of the Equipment as hereinbefore in this Article 15 provided) may, at its election and upon such notice as is hereinafter set forth, retain the Equipment in satisfaction of the entire Conditional Sale Indebtedness and make such disposition thereof as the Vendor shall deem fit. Written notice of the Vendor's election to retain the Equipment shall be given to the Vendee, the Beneficiaries and the Lessee by telegram or registered mail, addressed as provided in Article 20 hereof, and to any other persons to whom the law may require notice, within 30 days after such Declaration of Default. In the event that the Vendor should elect to retain the Equipment and no objection is made thereto within the 30-day period described in the second proviso below, all the Vendee's rights in the Equipment shall thereupon terminate and all payments made by the Vendee may be retained by the Vendor as compensation for the use of the Equipment; provided, however, that if the Vendee, before the expiration of the 30-day period described in the proviso below, should pay or cause to be paid to the Vendor the total unpaid balance of the indebtedness in respect of the Purchase Price of the Equipment, together with interest thereon accrued and unpaid and all other payments due under this Agreement, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee; provided, further, that if the Vendee, any Beneficiary, the Lessee or any other person notified under the terms of this paragraph objects in writing to the Vendor within 30 days from the receipt of notice of the Vendor's election to retain the Equipment, then the Vendor may not so retain the Equipment, but shall sell, lease or otherwise dispose of it or continue to hold it pending sale, lease or other disposition as hereinafter provided or as may otherwise be permitted by law. If the Vendor shall not have given notice to retain as hereinabove provided or notice of intention to dispose of the Equipment in any other manner, it shall be deemed to have elected to sell the Equipment in accordance with the provisions of this Article 15.

At any time during the continuance of a Declaration

of Default, the Vendor, with or without retaking possession thereof, at its election and upon reasonable notice to the Vendee, the Beneficiaries, the Lessee and any other persons to whom the law may require notice of the time and place, may sell the Equipment, or one or more of the units thereof, free from any and all claims of the Vendee or the Lessee or any other party claiming from, through or under the Vendee or the Lessee at law or in equity, at public or private sale and with or without advertisement as the Vendor may determine; provided, however, that if, prior to such sale and prior to the making of a contract for such sale, the Vendee should tender full payment of the total unpaid balance of the indebtedness in respect of the Purchase Price of the Equipment, together with interest thereon accrued and unpaid and all other payments due under this Agreement as well as expenses of the Vendor in retaking possession of, removing, storing, holding and preparing the Equipment for, and otherwise arranging for, the sale and the Vendor's reasonable attorneys' fees, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee. The proceeds of such sale or other disposition, less the attorneys' fees and any other expenses incurred by the Vendor in retaking possession of, removing, storing, holding, preparing for sale and selling or otherwise disposing of the Equipment, shall be credited on the amount due to the Vendor under the provisions of this Agreement.

Any sale hereunder may be held or conducted at Chicago, Illinois, at such time or times as the Vendor may specify (unless the Vendor shall specify a different place or places, in which case the sale shall be held at such place or places as the Vendor may specify), in one lot and as an entirety or in separate lots and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner as the Vendor may determine, so long as such sale shall be in a commercially reasonable manner. The Vendor, the Vendee, any Beneficiary or the Lessee may bid for and become the purchaser of the Equipment, or any unit thereof, so offered for sale. The Vendee, the Beneficiaries and the Lessee shall be given written notice of such sale not less than ten days prior thereto by telegram or registered mail, addressed as provided in Article 20 hereof. If such sale shall be a private sale (which shall be deemed to mean only a sale where an advertisement for bids has not been published in a newspaper of general circulation or a sale where less than 40 offerees have been solicited in

writing to submit bids), it shall be subject to the right of the Vendee, the Beneficiaries and the Lessee to purchase or provide a purchaser, within ten days after notice of the proposed sale price, at the same price offered by the intending purchaser or a better price. In the event that the Vendor shall be the purchaser thereof, it shall not be accountable to the Vendee (except to the extent of surplus money received as hereinafter provided in this Article 15), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all sums due to the Vendor hereunder.

Each and every power and remedy hereby specifically given to the Vendor shall be in addition to every other power and remedy hereby specifically given or now or hereafter existing at law or in equity, and each and every power and remedy may be exercised from time to time and simultaneously and as often and in such order as may be deemed expedient by the Vendor. All such powers and remedies shall be cumulative, and the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Vendor in the exercise of any such power or remedy and no renewal or extension of any payments due hereunder shall impair any such power or remedy or shall be construed to be a waiver of any default or an acquiescence therein. Any extension of time for payment hereunder or other indulgence duly granted to the Vendee shall not otherwise alter or affect the Vendor's rights or the Vendee's obligations hereunder. The Vendor's acceptance of any payment after it shall have become due hereunder shall not be deemed to alter or affect the Vendee's obligations or the Vendor's rights hereunder with respect to any subsequent payments or default therein.

If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall remain any amount due to it under the provisions of this Agreement, the Vendee shall, subject to the provisions of the last paragraph of Article 3 hereof, pay the amount of such deficiency to the Vendor upon demand, together with interest from the date of such demand to the date of payment, at the rate per annum specified in Article 3 hereof as being applicable to amounts remaining unpaid after becoming due and payable, and, if the Vendee shall fail to pay such deficiency, the Vendor may bring suit therefor and shall, subject to the limitations of the last paragraph of Article 3 hereof, be entitled to recover a judgment therefor against the Vendee.

If, after applying as aforesaid all sums realized by the Vendor, there shall remain a surplus in the possession of the Vendor, such surplus shall be paid to the Vendee.

The Vendee will pay all reasonable expenses, including attorneys' fees, incurred by the Vendor in enforcing its remedies under the terms of this Agreement. In the event that the Vendor shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit the Vendor may recover reasonable expenses, including reasonable attorneys' fees, and the amount thereof shall be included in such judgment.

The foregoing provisions of this Article 15 are subject in all respects to all mandatory legal requirements at the time in force and applicable thereto.

ARTICLE 16. Applicable State Laws. Any provision of this Agreement prohibited by any applicable law of any jurisdiction shall as to such jurisdiction be ineffective, without modifying the remaining provisions of this Agreement. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby waived by the Vendee to the full extent permitted by law, it being the intention of the parties hereto that this Agreement shall be deemed to be a conditional sale and enforced as such.

Except as otherwise provided in this Agreement, the Vendee, to the full extent permitted by law, hereby waives all statutory or other legal requirements for any notice of any kind, notice of intention to take possession of or to sell or lease the Equipment, or any one or more units thereof, and any other requirements as to the time, place and terms of the sale or lease thereof, any other requirements with respect to the enforcement of the Vendor's rights under this Agreement and any and all rights of redemption.

ARTICLE 17. Recording. The Vendee will cause this Agreement, any assignments hereof and any amendments or supplements hereto or thereto to be filed and recorded in accordance with Section 20c of the Interstate Commerce Act; and the Vendee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record any and all further instruments required by law or reasonably requested by the Vendor for the purpose of proper protection (including filing and recording in accordance with Section 20c of the Interstate

Commerce Act, as soon as possible after the Cut-Off Date, a supplement indicating the actual units of Equipment which were reconstructed and sold pursuant to this Agreement), to the satisfaction of special counsel for the Vendor, of its security title to the Equipment and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Vendee will promptly furnish to the Vendor certificates or other evidence of such filing, registering, depositing and recording satisfactory to the Vendor.

ARTICLE 18. Article Headings. The table of contents and all article headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

ARTICLE 19. Effect and Modification of Agreement. Except for the Participation Agreement and the Letter Agreements (as defined in the Participation Agreement), this Agreement, including any annexes or schedules or exhibits hereto, exclusively and completely states the rights of the parties hereto with respect to the Hulks and the Equipment and supersedes all other agreements oral or written, with respect to the Hulks and the Equipment. No variation or modification of this Agreement and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized representatives of the parties hereto.

ARTICLE 20. Notice. Any notice hereunder to any of the parties designated below shall be deemed to be properly served if delivered or mailed to it at its place of business at the following specified addresses:

(a) to the Vendor, at La Salle and Washington Streets, Chicago, Illinois 60690, attention of Trust Department, Corporate Division,

(b) to the Vendee, at La Salle and Adams Streets, Chicago Illinois 60690, attention of Corporate Trust Officer, with a copy to each Beneficiary,

(c) to the Beneficiaries, at their respective addresses specified in the Trust Agreement,

(d) to the Railroad, at 400 West Madison Street, Chicago, Illinois 60606, Attention of Treasurer,

(e) to any assignee of the Vendor, or of the Vendee, at such address as may have been furnished in writing to the Vendee, or the Vendor, as the case may be, by such assignee,

or at such other address as may have been furnished in writing by such party to the other parties to this Agreement.

ARTICLE 21. Immunities; Satisfaction of Undertakings. No recourse shall be had in respect of any obligation due under this Agreement, or referred to herein, against any incorporator, stockholder, beneficiary, director or officer, as such, past, present or future, of the parties hereto, whether by virtue of any constitutional provision, statute or rule of law or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such incorporators, beneficiaries, stockholders, directors or officers being forever released as a condition of and as consideration for the execution of this Agreement.

The obligations of the Vendee under the second, seventh and eighth paragraphs of Article 15 and under Articles 2, 5, 6 (other than the third and fourth sentences of the second paragraph thereof to the extent requiring delivery of certificates and payment schedules as therein provided), 7, 8, 9, 11 (other than the proviso to the last paragraph thereof), 12 and 17 hereof, or any other obligations hereunder not covered by the provisions of the last paragraph of Article 3 hereof, shall be deemed in all respects satisfied by the Lessee's undertakings contained in the Lease. The Vendee shall not have any responsibility for the Lessee's failure to perform such obligations, but if the same shall not be performed they shall constitute the basis for an event of default hereunder pursuant to Article 14 hereof. No waiver or amendment of the Lessee's undertakings under the Lease shall be effective unless joined in by the Vendor.

It is expressly understood, anything in this Agreement to the contrary notwithstanding, that each of the warranties, representations, undertakings and agreements herein made on the part of the Vendee are made and intended not as personal warranties, representations, undertakings and agreements by Exchange National Bank of Chicago or for the purpose or with the intention of binding said bank personally but are made and intended for the purpose of binding only the Trust Estate as such term is used

in the Trust Agreement, subject to the limitations of Article 3, and this Agreement is executed and delivered by said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of wilful misconduct or negligence, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank or the Beneficiaries (except pursuant to the proviso to the last paragraph of Article 11 of this Agreement and pursuant to Section 1.03 of the Trust Agreement, and with respect to the Beneficiaries, except pursuant to the Participation Agreement and to their respective Letter Agreements [as defined in the Participation Agreement]), on account of this Agreement or on account of any warranty, representation, undertaking or agreement of the said bank or the Beneficiaries, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived and released by the Vendor and by all persons claiming by, through or under the Vendor.

It is expressly understood, anything herein to the contrary notwithstanding, that this Agreement is executed and delivered by American National Bank and Trust Company of Chicago, not in its individual capacity but solely as Agent under the Participation Agreement.

ARTICLE 22. Law Governing. The Vendee warrants that its chief place of business is located in the City of Chicago, Illinois. The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited.

ARTICLE 23. Execution. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same contract, which shall be sufficiently evidenced by any such original counterpart. Although this Agreement is dated as of the date set forth on the cover hereof, for convenience, the actual date or dates of execution hereof by the parties hereto is or

are, respectively, the date or dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed all as of the date first above written.

AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO, not in its individual capacity but solely as Agent,

by _____
Authorized Officer

[Corporate Seal]

Attest:

_____
Authorized Officer

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, in its capacity as Builder,

by _____
Vice President

[Corporate Seal]

Attest:

_____
Assistant Secretary

EXCHANGE NATIONAL BANK OF CHICAGO, not personally but solely as trustee as aforesaid,

by _____
Vice President

[Corporate Seal]

Attest:

_____
Assistant Trust Officer

STATE OF ILLINOIS,)
) ss.:
COUNTY OF ~~COOK~~ DuPAGE,)

On this 16th day of MARCH 1977, before me personally appeared Ronald Bean, to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO, that one of the seals affixed to the foregoing instrument is the corporate seal of said association, that said instrument was signed and sealed on behalf of said association by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said association.

Marlow Peters
Notary Public

[Notarial Seal]

My Commission expires

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this 16th day of March 1977, before me personally appeared RICHARD FREEMAN, to me personally known, who, being by me duly sworn, says that he is Vice President of CHICAGO AND NORTH WESTERN TRANSPORTATION 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, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Lee Simontek
Notary Public

[Notarial Seal]

My Commission expires
Oct. 27, 1980

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this 16 day of MARCH 1977, before me personally appeared MICHAEL D. GOODMAN, to me personally known, who, being by me duly sworn, says that he is Vice President of EXCHANGE NATIONAL BANK OF CHICAGO, 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, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission expires
4-27-78

SCHEDULE A-RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT

Quantity	AAR Mechanical Designation	Description	CNW Road Numbers (Inclusive)	Hulk Purchase Price Per Unit	Base Reconstruction Cost Per Unit	Purchase Price Per Unit	Place of Delivery
*	GP-7	1500 h.p. Diesel Electric Locomotives	4379-4399 4496-4499	$35,000	$91,476	$126,476	Oelwein, Iowa

* The Excluded Units (as defined in the Prior Reconstruction and Conditional Sale Agreement).

EXHIBIT A
to the RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

TRANSFER AGREEMENT

January 1, 1977

American National Bank and
Trust Company of Chicago,
not in its individual
capacity but solely as
Agent,
LaSalle and Washington Streets,
Chicago, Illinois 60690.

Attention of Mr. Ronald Bean.

The undersigned proposes to acquire the used railroad equipment described in Annex I hereto (hereinafter called the Hulks) from First National Bank and Trust Company of Evanston and desires to have such Hulks reconstructed pursuant to a Reconstruction and Conditional Sale Agreement dated as of January 1, 1977 (hereinafter called the Agreement), among Chicago and North Western Transportation Company (hereinafter called the Builder), you and us. The undersigned proposes to borrow an amount equal to the purchase price for the Hulks from The Detroit Bank & Trust Company (hereinafter called the Lender) and to enter into a Security Agreement with the Lender (hereinafter called the Security Agreement) giving the Lender a security interest in the Hulks. The undersigned further proposes to pay or cause to have repaid loans from the Lender and to discharge the security interest created by the Security Agreement upon the Closing Dates as defined in the Agreement. The undersigned hereby agrees with you as follows:

1. In order to cause the Hulks to be reconstructed and sold to us by you, the undersigned hereby assigns and transfers to you, WITHOUT ANY WARRANTIES, INCLUDING, BUT NOT LIMITED TO, WARRANTIES AS TO TITLE, FITNESS, MERCHANTABILITY OR WORKMANSHIP, security title to the Hulks; provided, however, the security interest created hereby shall constitute a second lien on the Hulks, subordinate to the security interest in favor of the Lender created by the Security Agreement. You will hold security title under and pursuant to the Agreement and will request that the Hulks be reconstructed, pursuant thereto in accordance with the specifications referred to in Schedule A thereto. In accordance with the Agreement the undersigned will cause the Hulks to be delivered to the Builder on your behalf.

2. Upon completion of the reconstruction, the reconstructed Hulks will be delivered and conditionally sold by you to us in accordance with the Agreement.

3. If Hulks are excluded from the Agreement you shall reassign to us your interest in such Hulks, without warranty.

4. It is understood and agreed that this Agreement is being entered into solely to permit you to effectuate the foregoing, that your interests in the Hulks, in present form or as reconstructed, is a security interest and that we shall at all times be the beneficial owner of the same. It is further understood and agreed that we shall have no personal liability under this Agreement, our obligations being solely as set forth in that certain Participation Agreement dated as of January 1, 1977, among us, the Builder and the other parties listed at the foot thereof, and the other agreements annexed to such Participation Agreement.

5. It is understood and agreed that this Agreement may be executed by you and us in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same contract, which shall be sufficiently evidenced by any such original counterpart.

If the foregoing is in accordance with your understanding, please sign each of the enclosed counterparts of this letter in the space provided and return one counterpart to us.

Very truly yours,

EXCHANGE NATIONAL BANK OF CHICAGO, not personally but solely as trustee,

by

_____
Vice President

[CORPORATE SEAL]

Attest:

by

_____
Assistant Trust Officer

ACCEPTED:

AMERICAN NATIONAL BANK AND
TRUST COMPANY OF CHICAGO,
not in its individual
capacity but solely as
Agent,

by

_____
Authorized Officer

[Corporate Seal]

Attest:

by

_____
Authorized Officer

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this day of , 1977, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of EXCHANGE NATIONAL BANK OF CHICAGO, that the seal affixed to the foregoing instrument is the corporate seal of said association and that said instrument was signed and sealed on behalf of said association by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was a free act and deed of said association.

Notary Public

[NOTARIAL SEAL]

My commission expires

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this day of , 1977, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO, That the seal affixed to the foregoing instrument is the corporate seal of said association and that said instrument was signed and sealed on behalf of said association by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was a free act and deed of said association.

_____
Notary Public

TRANSFER AGREEMENT

ANNEX I

Quantity	Description	From Series Bearing UP Road Numbers	
*	Former EMD Model GP-9 Locomotive Hulks	130	274
		169	277
		178	281
		181	290
		190	292
		198	301
		214	306
		218	322
		235	323
		251	333
		254	342
		263	346
		268	

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* The Hulks purchased pursuant to the Hulk Purchase Agreement dated as of January 1, 1977, between Exchange National Bank of Chicago and the First National Bank and Trust Company of Evanston.

EXHIBIT B to the
RECONSTRUCTION AND
CONDITIONAL SALE
AGREEMENT

LEASE OF RAILROAD EQUIPMENT

Dated as of January 1, 1977

between

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY

and

EXCHANGE NATIONAL BANK OF CHICAGO,
as Owner Trusee

Lease of Railroad Equipment

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Schedule 1--Schedule of Equipment

Schedule 2--Casualty Values

LEASE OF RAILROAD EQUIPMENT dated as of January 1, 1977, between CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY (hereinafter called the Lessee) and EXCHANGE NATIONAL BANK OF CHICAGO, a national banking association, not in its individual capacity but solely as Trustee (hereinafter called the Lessor) under a Trust Agreement dated January 1, 1977 (hereinafter called the Trust Agreement), with certain trust beneficiaries (hereinafter collectively called the Beneficiaries).

American National Bank and Trust Company of Chicago, not in its individual capacity but solely as Agent (said national association, as so acting, being hereinafter, together with its successors and assigns, called the Vendor), under a Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement) with the Lessor (hereinafter in such capacity called the Vendee), the Lessee (hereinafter in such capacity called the Builder), the Beneficiaries and the parties named in Schedules A and B thereto, the Builder and the Vendee are entering into a Reconstruction and Conditional Sale Agreement dated as of the date hereof (hereinafter called the Security Document), wherein the Vendor has agreed to sell to the Vendee its interest in the railroad equipment described in Schedule A hereto after it has been reconstructed by the Builder.

WHEREAS the Lessee desires to lease such number of units of the Equipment as are delivered and accepted and settled for under the Security Document (hereinafter called the Units) at the rentals and for the terms and upon the conditions hereinafter provided;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

§ 1. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or under the Security Document, or against the Builder or the Vendor or

otherwise; 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 of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee, 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 in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. 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 Units 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 for any reason whatsoever.

§ 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the Security Document. The Lessor will cause the Units to be delivered to the Lessee at the point within the United States of America at which the Units are delivered to the Lessor under the Security Document. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same, and if such Unit is found to be acceptable, to accept delivery of such Unit and the Lessee shall execute and deliver to the Lessor a certificate of acceptance (hereinafter called the Certificate of Acceptance) in accordance with the provisions of Article 3 of the Security Document, stating that such Unit has been inspected and accepted on behalf of the Lessee and the Lessor on the date of such Certificate of Acceptance and is marked in accordance with § 5 hereof, whereupon, except as provided in the next sentence hereof, such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this

Lease. The delivery, inspection and acceptance hereunder of any unit of Equipment excluded from the Security Document pursuant to the first paragraph of Article 3 thereof shall be null and void and ineffective to subject such unit to this Lease.

§ 3. Rentals. The Lessee agrees to pay to the Lessor as rental for each Unit subject to this Lease one or more interim and 24 consecutive semiannual payments. The interim payments for each Unit are payable on the Closing Date (as defined in the Security Document) for such Unit, and on October 1, 1977. The 24 semiannual payments are payable on April 1 and October 1 in each year, commencing April 1, 1978, to and including October 1, 1989. The interim payment payable on the Closing Date shall be in an amount equal to the interest on the prinicpal amount of the Note (as defined in the Participation Agreement) allocable to such Unit and payable on such Closing Date pursuant to clause (A)(2) of the eighth paragraph of Article 3 of the Security Document. The interim payment payable for each Unit on October 1, 1977, shall be in an amount equal to the product of the Purchase Price (as such term is defined in the Security Document) for such Unit subject to the Lease multiplied by .02569444% for each day elapsed from and including the date such Unit is settled for under the Security Document to but not including October 1, 1977. The Lessee shall pay as additional rental the following: on the Cut-Off Date (as defined in the Participation Agreement), (1) an amount equal to any amounts payable by the Lessor pursuant to clause (a) of the penultimate paragraph of Paragraph 9 of the Participation Agreement on such date and an amount equal to any amounts payable by the Lessor pursuant to the first paragraph of Paragraph 9 of the Participation Agreement; provided, however, that such payment shall be decreased by an amount equal to any funds payable by the Agent to the Lessor pursuant to the third paragraph of Paragraph 9 of the Participation Agreement; provided further, however, that if such funds payable by the Agent to the Lessor exceed the amount payable by the Lessee pursuant to clause (1), then that portion of the rentals payable by the Lessee under this Lease in an amount equal to such excess shall be deemed to be an overpayment of rental and the Lessor shall refund such excess to the Lessee when received from the Agent; and (2) an amount equal to the interest payment, if any, paid by the Lessor in order to refinance the Undelivered Units (as defined in the third paragraph of Article 1 of the Security Document); and on October 1, 1977 and April 1, 1978 an amount equal to any amounts payable by the Lessor pursuant to clause (b) of such penultimate paragraph on such date. The 24 semiannual rental payments with respect to each Unit shall each be in an

amount equal to 5.90474% of the Purchase Price of each such Unit then subject to this Lease. The foregoing rental rates have been calculated on the assumption that 75% of the Purchase Price of the Units will be provided by the Vendor out of Available Investors' Funds (as such term is defined in Article 4 of the Security Document). If (a) for any reason the Available Investors' Funds are not so available and the Lessor pays more than 25% of the Purchase Price of any Unit pursuant to the third paragraph of Article 3 of the Security Document on a Closing Date (as such term is defined in the Security Document), (b) any Units are settled for after October 1, 1977 and before January 1, 1978, requiring an adjustment by reduction of rent to yield to the Lessor a net return (computed on the same basis as the Lessor's Net Return [as defined in § 6 hereof]) equal to the net return (computed on the same basis) that would have obtained if no Unit were settled for after October 1, 1977 and before January 1, 1978, or (c) any Investor (as such term is defined in the Participation Agreement) fails to deposit with the Vendor on the Date of Deposit (as defined in the Participation Agreement) the funds required to be deposited by it on such date pursuant to the Participation Agreement and the funds deposited by any new investor bear an interest rate other than 9-1/4% per annum, the Lessor and the Lessee agree that the rentals payable hereunder and the Casualty Value percentages set forth in Schedule B hereto will be appropriately adjusted in order that the Lessor's Net Return (as defined in § 6 hereof) will not be increased or decreased by reason thereof; provided, however, that the rentals and Casualty Value percentages, as so adjusted, shall be sufficient to satisfy the obligations of the Lessor under the Security Document, notwithstanding any limitation of liability contained therein; provided further, however, that the Lessor shall pay to the Lessee on the date it receives each of any such rental payment or payment with respect to a Casualty Occurrence, as so adjusted, an amount equal to the difference between the rental or Casualty Value, respectfully, that would have been payable but for the limitation specified in the preceding proviso and the rental or Casualty Value, respectfully, paid in accordance with this limitation.

Notwithstanding any other provision hereof, to the extent that the Lessee shall be denied possession of a Unit or Units because of the exercise of any right or remedy of the Vendor under the Security Document upon the occurrence of a default under the Security Document which is not an Event of Default (as such term is hereinafter defined) under this Lease, the Lessee shall have no further obligation to make any aditional rental payments for such Unit or Units with

regard to periods subsequent to its loss of possession of such Unit or Units.

Notwithstanding any other provision hereof, the Lessee shall not be required to make rental payments in respect of amounts equal to interest on the Notes (as hereinbefore referred to) if at the time of such rental payment there shall have occurred and be continuing (a) an event which constitutes an Event of Default (as defined in the Loan Agreement [referred to in the Participation Agreement]) and which is not an Event of Default hereunder and (b) a Declaration of Default (as defined in such Loan Agreement).

The rental payments hereinbefore set forth are subject to adjustment pursuant to § 16 hereof.

If any of the rental payment dates referred to above is not a business day the rental payment otherwise payable on such date shall be payable on the next succeeding business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Chicago, Illinois, are authorized or obligated to remain closed.

The Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease, including, but not limited to, the payments provided for in this § 3 and in § 7 hereof, at the principal office of the Vendor, for the account of the Lessor in care of the Vendor, with instructions to the Vendor first, to apply such payments to satisfy the obligations of the Lessor under the Security Document, and second, so long as no event of default or event which with the lapse of time and/or demand provided for in the Security Document could constitute an event of default under the Security Document shall have occurred and be continuing, to pay any balance promptly to the Lessor at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in Federal or other funds immediately available to the Vendor by 11:00 a.m., Chicago time, on the date such payment is due.

§ 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of §§ 7 and 10 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due pursuant to § 3 hereof. The obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 6, 7, 9 and 14 hereof) shall survive the expiration of the term of this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the Security Document. If an event of default should occur under the Security Document, the Vendor may terminate this Lease (or rescind its termination), all as provided therein.

§ 5. Identification Marks. The Lessee (at its own expense) will cause each Unit to be kept numbered with the road number set forth in Schedule 1 hereto, or in the case of any Unit not there listed, such road number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "Ownership subject to a Security Agreement Filed under the Interstate Commerce Act, Section 20c" or other appropriate words designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's and Vendor's title to and interest in such Unit and the rights of the Lessor under this Lease and of the rights of the Vendor under the Security Document. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked and will replace promptly any such markings which may be removed, defaced or destroyed. The Lessee will not change the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and duly filed, recorded and deposited by the Lessee in all public offices where this Lease and the Security Document shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to such effect. The Units may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates.

Except as provided in the immediately preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership.

§ 6. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, Federal, or foreign taxes (other than any United States Federal income tax payable by the Lessor in consequence of the receipt of payments provided for herein and, to the extent that the Lessor receives credit

therefor against its United States Federal income tax liability, any foreign income tax, and other than the aggregate of all state or local taxes measured by net income based on such receipts and value added taxes in lieu of such net income taxes up to the amount of any such taxes which would be payable to the state and city in which the Lessor has its principal place of business without apportionment to any other state and other than any state franchise tax, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided) or license fees, assessments, charges, fines or penalties (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called impositions) hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the Security Document all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all impositions which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom (except as provided above) or upon the Lessor by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all impositions which might in any way affect the title of the Lessor or the interest of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any imposition of any kind so long as such imposition remains unpaid and Lessee is contesting in its own name and in good faith and by appropriate legal or administrative proceedings such imposition, or the Lessor is required to contest such imposition as provided in this § 6, and the nonpayment thereof does not, in the reasonable opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or the Lessor or the Vendor under the Security Document. The Lessor agrees to provide such information as may be reasonably requested by the Lessee in furtherance of such contest. If any imposition shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall pay the Lessor on presentation of an invoice therefor if the Lessor shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for the Lessor) or the Lessee shall have approved the payment thereof, and the Lessor agrees to give the Lessee written notice promptly after it first obtains knowledge of the making of such charge or levy, and agrees to take such other action as may reasonably be requested by the Lessee for the purpose of contesting payment or obtaining refund of all or a portion of such imposition, as hereinafter provided in this § 6.

In the event that the Lessor shall become obligated to make any payment to the Builder or the Vendor or otherwise pursuant to any correlative provision of the Security Document not covered by the foregoing paragraph of this § 6, the Lessee shall pay such additional amounts (which shall also be deemed impositions hereunder) to the Lessor to fulfill completely its obligations pursuant to said provision; provided, however, that the Lessor shall have contested (if required to do so under this § 6) such impositions in good faith and to the extent permitted under the Security Document.

In the event any returns, statements or reports with respect to impositions involving any Unit are required to be made, the Lessee will make such returns, statements and reports in such manner as to show the interest of the Lessor and the Vendor in such Units, as shall be satisfactory to the Lessor and the Vendor or, where not so permitted, will notify the Lessor and the Vendor of such requirement and will prepare and deliver such reports to the Lessor and the Vendor within a reasonable period of time prior to the time such reports are to be filed in such manner as shall be satisfactory to the Lessor and the Vendor.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any imposition, pursuant to this § 6, such liability shall continue, notwithstanding the expiration of this Lease, until all such impositions are paid or reimbursed by the Lessee.

In the event the Lessee may be prohibited by law or is impaired from contesting in its own name any imposition covered by this § 6 in respect of which the Lessee would otherwise be required to make payments to the Lessor pursuant hereto, the Lessor shall, upon request and at the expense of the Lessee, take all legal and other appropriate action reasonably requested by the Lessee to contest such imposition. The Lessor shall not be obligated to take any such legal or other appropriate action unless the Lessee shall first have indemnified the Lessor for all liabilities and expenses which may be entailed therein. Further, the Lessee shall indemnify and hold the Lessor harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action taken by the Lessor or Lessee under this § 6. The Lessee shall be entitled to any refund received by the Lessor or the Lessee in respect of any imposition paid by the Lessee, provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing.

The Lessee shall, whenever reasonably requested by the Lessor, submit to the Lessor copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to the Lessor of the Lessee's performance of its duties under this § 6. The Lessee shall also furnish promptly upon request such data as the Lessor reasonably may require to permit the Lessor's compliance with the requirements of taxing jurisdictions.

The amount which the Lessee shall be required to pay with respect to any imposition which is subject to indemnification under this § 6 shall be an amount sufficient to restore the Lessor to the same position, after considering the effect of the receipt of such indemnification by the Lessor on its United States Federal income taxes and state and city income taxes or franchise taxes based on net income, that the Lessor would have been in had such imposition not been imposed so as to maintain the Lessor's net return after taxes on the same basis (including the tax rates and the Tax Assumptions defined in § 16) as used by the Lessor in originally evaluating this transaction (hereinafter called Lessor's Net Return).

§ 7. Maintenance; Casualty Occurrences; Insurance. The Lessee agrees that, at Lessee's own cost and expense, it will be responsible for ordinary maintenance and repairs required to maintain and keep all of the Units which are subject to this Lease in good operating order, repair and condition.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed, or irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise by the United States Government or any political subdivision thereof for a stated period which shall exceed the then remaining term of this Lease or for an indefinite period, but only when such period shall exceed the term hereof, or by any other governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days (such occurrences being hereinafter called Casualty Occurrences), prior to the return of such Unit in the manner set forth in § 14 hereof, the Lessee shall promptly and fully notify the Lessor and the Vendor with respect thereto. On the rental payment date next succeeding such notice the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with the schedule referred to below. Upon the making of such payment by the Lessee in respect of any Unit,

the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit and the Lessee shall pay all costs of removal of such Unit and of freight to the place designated pursuant to § 14 hereof.

The Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be that percentage of the Purchase Price of such Unit as is set forth in Schedule 2 hereto opposite such date.

Whenever any Unit shall suffer a Casualty Occurrence after termination of this Lease and before such Unit shall have been returned in the manner provided in § 14 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be 20% of the Purchase Price of such Unit. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft, condemnation or complete destruction of such Unit), the Lessor shall be entitled to recover possession of such Unit.

The Lessor hereby irrevocably appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

In the event of the requisition for use by the United States Government or any political subdivision thereof (hereinafter called the Government) of any Unit during the term of this Lease, all the Lessee's obligations under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of the term of this Lease, the Lessee shall be obligated to return such Unit to the Lessor pursuant to § 11 or 14 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease, but the Lessee shall in all other respects comply with the provisions of said § 11 or 14, as the case may be, with respect to such Unit. All payments received by the Lessor or the Lessee from the Government for the use of such Unit during the term of this Lease shall be paid over to, or retained by, the Lessee provided no Event of Default (or other event which

after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or the Lessee from the Government for the use of such Unit after the term of this Lease shall be paid over to, or retained by, the Lessor.

Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times prior to the return of the Equipment to the Lessor, at its own expense, cause to be carried and maintained property insurance and public liability insurance in respect of the Units at the time subject hereto, in amounts (subject to customary deductibles) and against risks customarily insured against by railroad companies in respect of similar equipment, and, in any event, comparable in amounts and against risks customarily insured against by the Lessee in respect of similar equipment owned by it. If the Lessor shall receive any insurance proceeds or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee's having made payment of the Casualty Value in respect of such Unit, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to a Unit paid by the Lessee and any balance of such proceeds or condemnation payments shall remain the property of the Lessor. All insurance proceeds received by the Lessor from the Lessee's insurance coverage in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired.

In the event that a Unit suffers a Casualty Occurrence due to a taking or requisitioning by any governmental entity and the Lessee pays the Casualty Value thereof, the Lessee shall be entitled to all condemnation and any other compensation paid by such governmental entity for the loss of possession, use or condition of such Unit up to an amount which when added to the payment, if any, received by the Lessee pursuant to clause (a) or (b) of the last sentence of this paragraph, is equal to the Casualty Value of such Unit, and the Lessor shall be entitled to any excess. In the event such Unit is recovered by the Lessor, the Lessor shall promptly give the Lessee written notice of recovery of such Unit and the Lessee shall have an option, exercisable

not later than 30 days after such notice, to purchase such Unit for Fair Market Value (as defined in § 13 hereof), and if the Lessee exercises such option, the Lessee shall be entitled to credit against the sale price the amount that would be payable by the Lessor to the Lessee pursuant to clause (b) of the last sentence of this paragraph and shall be entitled to immediate possession and use of such Unit pending closing of such sale. If the Lessor and the Lessee are unable to agree upon a determination of Fair Market Value, such value shall be determined in accordance with the provisions of the last paragraph of § 13, and the Lessee shall pay the Lessor within 10 days after such determination of Fair Market Value the amount, if any, by which Fair Market Value exceeds the amount payable by the Lessor to the Lessee pursuant to said clause (b). In the event the Lessee does not exercise its option to purchase a recovered Unit, the Lessor shall either (a) offer such Unit for sale within 30 days of recovery and shall pay to the Lessee upon the sale of such Unit an amount equal to the lesser of (i) the proceeds from the sale of such Unit, or (ii) the excess, if any, of the Casualty Value of such Unit over the compensation, if any, received by the Lessee for loss of possession, use or condition of such Unit, or (b) in the event the Lessor does not offer the Equipment for sale, the Lessor shall pay to the Lessee within 10 days after the determination of Fair Market Value, an amount equal to the lesser of (i) the Fair Market Value (as defined in § 13 hereof) of such Unit or (ii) the excess, if any, of the Casualty Value of such Unit over the compensation, if any, received by the Lessee for loss of possession, use or condition of such Unit.

§ 8. Reports and Inspection. On or before April 30 in each year, commencing with the calendar year 1978, the Lessee will furnish to the Lessor and the Vendor an accurate statement (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the Security Document, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5 hereof and by the Security Document have been preserved or replaced. The Lessor, at its sole cost and expense, shall have the right by its agents, to inspect the Units and the Lessee's records

with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease.

The Lessee shall furnish to the Lessor the reports required to be furnished to the Lessor pursuant to Paragraph 13 of the Participation Agreement.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR AS TO THE LESSEE'S RIGHT TO QUIET ENJOYMENT THEREOF (EXCEPT AS TO ACTS OF THE LESSOR), OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder under the provisions of Article 12 of the Security Document; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units 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.

The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all respects (including without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which its operations involving the Units may extend, with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units and with all applicable interchange rules, to the extent that such laws and rules affect the title, operation or use of the Units, and in the event that, prior to the expiration of this Lease or any renewal thereof, such laws or rules require any alteration, replacement, addition or modification of or to any part on any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the reasonable opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or the Vendor under this Lease or under the Security Document. The Lessee, at its own cost and expense, may furnish other additions, modifications and improvements to the Units during the term of this Lease. Any additions, modifications and improvements made by the Lessee which are readily removable without causing material damage to the Units shall be owned by the Lessee and may be removed by the Lessee at any time during the term of this Lease or any renewal thereof.

The Lessee agrees to indemnify, protect and hold harmless the Lessor (specifically including for the purposes of this provision the Beneficiaries) and the Vendor from and against all losses, damages, injuries, liabilities, claims (including without limitation claims for strict liability in tort) and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of or the occurrence of a default, an event of default or an Event of Default under the Security Document, the Participation Agreement, the Hulk Purchase Agreement dated as of January 1, 1977, between the Lessor and First National Bank and Trust Company of Evanston (hereinafter called the Hulk Purchase Agreement), this Lease, or any sublease entered into pursuant to § 12 hereunder, the ownership of any Hulk or any Unit, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection,

storage or return of any Hulk or any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in § 14 of this Lease or the transfer of title to the Equipment by the Vendor pursuant to any provision of the Security Document. The indemnities arising under this paragraph shall continue in full force and effect with respect to all events, facts, conditions or other circumstances occurring or existing prior to the expiration or termination of the term of this Lease and/or the Hulk Purchase Agreement and return of the Units as provided in § 14 of this Lease; provided, however, that the foregoing indemnification shall not apply to any failure of payment of the principal of or interest on the Conditional Sale Indebtedness and shall not be deemed to operate as a guaranty of the residual value of any Unit. The amount the Lessee shall be required to pay with respect to any of its obligations under this paragraph shall include a payment to the indemnified party sufficient to restore such party to the same position, after considering the effect of such payment on its United States Federal income taxes and state and city income taxes or franchise taxes based on net income, that the indemnified party would have been in had the liability or expense indemnified against not been incurred.

The Lessee shall not be released from its obligations hereunder in the event of any damage to or the destruction or loss of any or all of the Units of Equipment.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than tax returns) to be filed by the Lessor with any federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units or the leasing thereof to the Lessee.

§ 10. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein sometimes called an Event of Default) shall occur:

A. default shall be made in payment of any amount provided for in §§ 3 or 7 of this Lease and such default shall continue for ten business days, or default shall be made in payment of any other amount provided for in this Lease and such default shall continue for

ten days after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

B. the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any thereof and shall fail or refuse to cause such assignment or transfer to be canceled by agreement of all parties having any interest therein and to recover possession of such Units within 15 days after written notice from the Lessor to the Lessee demanding such cancelation and recovery of possession;

C. 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 the Participation Agreement and such default shall continue for 30 days after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

D. a petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may hereafter be amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees, within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier;

E. any other proceedings shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder, under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the

Lessee hereunder), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for the property of the Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier; or

F. an Event of Default shall occur under the Lease of the Railroad Equipment dated as of February 1, 1977, between the Lessee and First National Bank and Trust Company of Evanston;

then, in any such case, the Lessor, 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; or

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such

termination (computing the rental for any number of days less than a full rental period by multiplying the 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 also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clause of this part (b) with respect to such Unit, 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 Casualty Value for such Unit, as of the rental payment date on or next preceding the date of termination over the net proceeds of such sale.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, 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 the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon the 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.

§ 11. Return of Units Upon Default. If this Lease shall terminate pursuant to § 10 hereof, the Lessor may, upon such further notice, if any, as may be required for compliance with any mandatory legal requirements then in force and applicable to the action to be taken by the Lessor, take or cause to be taken by its agent or agents, immediate possession of each of the Units, or one or more of the Units and may remove the same from possession and use of the Lessee or any other person and for such purpose may enter upon the premises of the Lessee or any other premises where the Units may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities or means of the Lessee, subject to all mandatory requirements of due process of Law.

If this Lease shall terminate pursuant to § 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner place such Units upon such storage tracks of the Lessee or any of its affiliates as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for insurance, rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and

(c) transport the same to any place on the lines of railroad operated by the Lessee or any of its affiliates or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and 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 Units. During any storage period, the Lessee will, at its own cost and expense, maintain and keep the Equipment in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of any such Unit, to inspect the same. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which the product of (i) .032804%, and (ii) the Purchase Price of such Unit for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 11, 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 Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

§ 12. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder (including, but not limited to, the rights under §§ 6, 7, 10 and 16 and the rights to receive the rentals payable under this Lease) shall inure to the benefit of the Lessor's assigns.

So long as an Event of Default under this Lease (or other event which with notice and/or lapse of time would constitute an Event of Default) shall not have occurred and be continuing and the Lessee shall have fully complied with the provisions of the fourth paragraph of this § 12, the

Lessee shall be entitled to the possession and use of the Units and, without the Lessor's consent, to sublease the Units to, or to permit their use by, a user incorporated in the United States of America (or any State thereof or the District of Columbia), upon lines of railroad owned or operated by the Lessee or such user or by a railroad company or companies incorporated in the United States of America (or any State thereof or the District of Columbia), or over which the Lessee, such user, or such railroad company or companies have trackage rights or rights for operation of their trains, and upon the lines of railroad of connecting and other carriers in the usual interchange of traffic or in through or run-through service, but only upon and subject to all the terms and conditions of this Lease; provided, however, that the Lessor's consent, not to be unreasonably withheld, must be obtained for any sublease that is for a term longer than six months; provided further, however, that the Lessee shall not sublease or permit the sublease or use of any Unit to service involving regular operation and maintenance outside the United States of America; and provided further, however, that any such sublease or use shall be consistent with the provision of § 16 hereof. No such assignment or sublease shall relieve the Lessee of its obligations hereunder which shall be and remain those of principal and not a surety.

Any such sublease may provide that the sublessee, so long as it shall not be in default under such sublease, shall be entitled to the possession of the Units included in such sublease and the use thereof; provided, however, that every such sublease shall be subject to the rights and remedies of the Vendor under the Security Document and the Lessor under this Lease in respect of the Units covered by such sublease upon the occurrence of an Event of Default thereunder or hereunder.

The Lessee, at its own expense, will as soon as possible cause to be duly discharged any lien, charge, security interest or other encumbrance (except any sublease as aforesaid and other than an encumbrance resulting from claims against the Lessor, the Vendee or the Vendor not related to the ownership or leasing of, or the security title of the Vendor to, the Units) which may at any time be imposed on or with respect to any Unit including any accession thereto or the interest of the Lessor, the Vendor or the Lessee therein; except that this covenant will not be breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent or

undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent; and, furthermore, the Lessee shall be under no obligation to discharge any such lien, charge, security interest or encumbrance so long as it is contesting the same in good faith and by appropriate legal proceedings and the failure to discharge the same does not, in the opinions of the Lessor and the Vendor, adversely affect the title, property or rights of the Lessor hereunder or the Vendor under the Security Document.

Nothing in this § 12 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any railroad corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all the lines of railroad of the Lessee; provided, however, that such assignee, lessee or transferee will not, upon the effectiveness of such merger, consolidation, lease or acquisition be in default under any provision of this Lease and that such acquisition or lease of railroad lines of the Lessee shall not alter in any way the Lessee's obligation to the Lessor and Vendor hereunder which shall be and remain those of a principal and not a surety.

13. Renewal Options and Right of First Refusal. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than six months prior to the end of the original term of this Lease elect to extend the term of this Lease in respect of all but not fewer than all of the Units then covered by this Lease, for a three year period commencing on the scheduled expiration of the original term of this Lease, at a "Fair Market Rental" (as such term is defined in this § 13) payable quarterly in arrears.

Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than six months prior to the end of the initial extended term of this Lease elect to extend the term of this Lease in respect of all but not fewer than all of the Units then

covered by this Lease, for an additional three year period commencing on the scheduled expiration of the initial extended term of this Lease, at a Fair Market Rental payable quarterly in arrears.

In the event that there is no extension of this Lease by the Lessee at the expiration of the original term or initial extended term thereof and the Lessor, in such event, elects to sell such Units to third parties after such expiration, the Lessor shall, in a commercially reasonable manner, solicit offers to buy such Units (excepting additions, modifications and improvements which may be removed by Lessee pursuant to § 9 hereof), and upon receipt thereof shall exhibit to the Lessee a true copy of the most favorable bona fide offer, and the Lessee shall have a right of first refusal, exercisable by written notice delivered within 15 days of the receipt of said copy, to purchase such Units at the sale price set forth in such offer. In the event that the Lessor elects to sell or lease such Units to third parties at the expiration of the second extended term of this Lease, the Lessor shall in a commercially reasonable manner solicit offers to buy or lease (for a term of at least two years) such Units (excepting additions, modifications and improvements which may be removed by Lessee pursuant to § 9 hereof), and upon receipt thereof shall exhibit to the Lessee a true copy of the most favorable bona fide offer, and the Lessee shall have a right of first refusal, exercisable by written notice delivered within 15 days of the receipt of said copy, to purchase or lease such Units at the sale price or lease terms set forth in such offer.

Upon purchase of the Units by the Lessee, the Lessor shall upon request of the Lessee execute and deliver to the Lessee or to the Lessee's assignee or nominee, a bill of sale (without representations or warranties except that such Units are free and clear of all claims, liens, security interests and other encumbrances by or in favor of any person claiming by, through or under the Lessor) for such Units, and such other documents as may be required to release such Units from the terms and scope of this Lease and to transfer title thereto to the Lessee or such assignee or nominee, in such forms as may reasonably be requested by the Lessee, all at the Lessee's expense.

Fair Market Rental and Fair Market Value (as such term is used in § 7 hereof) shall be determined on the basis

of, and shall be equal in amount to, the rental or purchase price, as the case may be, which would be obtainable in an arm's length transaction between an informed and willing lessee or purchaser (other than a lessee or purchaser, 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 and, in such determination, costs of removal from the location of current use shall not be a deduction from such rental or purchase price but there shall be excluded any rental or purchase value attributable to additions, modifications and improvements which the Lessee is entitled to remove pursuant to § 9 hereof; provided, however, that Fair Market Rental shall be determined as provided in the preceding sentences on the basis of the term and other terms and conditions of the lease being considered.

If, after 45 days from the giving of notice by the the Lessee of the Lessee's exercise of an option to buy the Equipment at Fair Market Value or election to extend the term of this Lease, as provided in the first or second paragraph of this § 13, the Lessor and the Lessee are unable to agree upon a determination of Fair Market Value or Fair Market Rental, as the case may be, such values shall be determined in accordance with the foregoing definition by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of such value by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 business days after such notice is given, each party shall appoint an independent appraiser within 25 business days after such notice is given, and the two appraisers so appointed shall within 35 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 35 business days after such notice is given, either party may apply to make such appointment to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Rental of the Units subject to the proposed extended term within 90 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two

appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding upon the parties hereto. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Value or Fair Market Rental and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne equally by the Lessee and the Lessor.

§ 14. Return of Units upon Expiration of Lease Term. The Lessor intends to sell or lease the Units at the expiration of the term of this Lease. As soon as practicable on or after the expiration of the original term or the extended term of this Lease with respect to any Unit which Lessee does not purchase or re-lease pursuant to § 13, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon such storage tracks of the Lessee as the Lessee may reasonably designate, in such city on the lines of Lessee as Lessor may reasonably designate, or in the absence of Lessor's designation, in such city on the lines of Lessee as Lessee may designate, and permit the Lessor to store such Unit on such tracks for a period not exceeding three months and transport the same, at any time within such three-month period, to any reasonable place on the lines of railroad operated by the Lessee, or to any connecting carrier for shipment, all as directed by the Lessor, the movement and storage of such Units to be at the expense and risk of the Lessee. 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, lessee or user of such Unit, 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, lessee or user, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this § 14 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted, and (ii) except for additions, modifications and

improvements which the Lessee is entitled to remove under the provisions of § 9 of this Lease, meet all operating standards then in effect under the applicable rules of any governmental agency or other organization with jurisdiction. The assembling, delivery, storage and transporting of the Units 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 Units. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which the product of (i) .032804%, and (ii) the Purchase Price of such Unit for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day.

§ 15. Recording. The Lessee, at its own expense, will cause this Lease, the Security Document and any assignment hereof or thereof (and, as soon as possible after the Cut-Off Date [as defined in the Security Document] supplements indicating the actual units of Equipment covered by such agreements) to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. The Lessee will undertake the filing, registering, deposit, and recording required of the Lessor under the Security Document and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the Security Document and the assignment thereof to the Vendor; and the Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease and the Security Document shall be filed and recorded with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

§ 16. Income Taxes. I. Tax Assumptions. It is the intent of the parties to this Lease that it will be recognized as a lease for all Federal, state, city and local income taxes or franchise taxes imposed on or measured by net income, and that this Lease does not convey to the Lessee any right, title or interest in the Units except as lessee. In accordance with that intent this Lease and the Security Document have been entered into on the assumptions (such assumptions being hereinafter called the Tax Assumptions) that for United States income tax purposes (and to the extent applicable for state, city and local tax purposes) the Lessor, as the owner of the Units, will be entitled to such deductions, credits and other benefits as are provided by the Internal Revenue Code of 1954, as amended to the date hereof (hereinafter called the Code), to an owner of property, including, without limitation (1) the maximum depreciation deduction with respect to the Units authorized under Section 167 of the Code (hereinafter called the ADR Deduction), (a) utilizing a 12-year depreciable life, which is the lower limit listed in Revenue Procedure 72-10, 1972-1 C.B. 721, for property in Asset Guideline Class No. 00.25, as in effect at the time the Lessor becomes the owner of the Units, and (b) with respect to the portion of the Purchase Price of the Units equal to the Reconstruction Cost, employing initially the 200% declining balance method with a change, not requiring the consent of the Commissioner of Internal Revenue, to the sum-of-the-years-digits method of depreciation when most beneficial to the Lessor, as permitted by the Code and regulations at the time the Lessor becomes the owner of the Units, and (c) with respect to the portion of the Purchase Price of the Units equal to the Hulk Purchase Price (as defined in the Security Document), employing initially the 150% declining balance method of depreciation with a change, not requiring the consent of the Commissioner of Internal Revenue, to the straight line method of depreciation when most beneficial to the Lessor, as permitted by the Code and regulations thereunder at the time the Lessor becomes the owner of the Units; (2) deductions with respect to interest payable under the Security Document pursuant to Section 163 of the Code (hereinafter called the Interest Deduction); and (3) the 10% investment credit with respect to the portion of the Purchase Price of the Units equal to the Reconstruction Cost (hereinafter called the Investment Credit), pursuant to Section 38 and related sections of the Code.

II. Basic Indemnity. The Lessee represents, war-

rants and indemnifies that (i) at the time the Lessor becomes the owner of the Units, all the Units will constitute property the entire Reconstruction Cost of which qualifies for the 10% Investment Credit under Sections 38, 46, 48 and 50 of the Code; (ii) at the time the Lessor becomes the owner of the Units, the portion of the Units attributable to the Reconstruction Cost will constitute "new section 38 property" within the meaning of Sections 46 and 48 of the Code, and at the time the Lessor becomes the owner of the Units, the portion of the Units attributable to the Reconstruction Cost will not have been used by any person so as to preclude "the original use of such property" within the meaning of Sections 48(b) and 167(c)(2) of the Code from commencing with the Lessor; (iii) at the time the Lessor becomes the owner of the Units, the Units will qualify for the ADR Deduction using the Tax Assumption as to useful life and methods as set forth in 1(a), and 1(b), of the first paragraph of this § 16; (iv) the Lessee will not at any time during the term of this Lease use or fail to use any Unit in such a way as to disqualify it as "section 38 property" within the meaning of Section 48(a) of the Code or as property eligible for the ADR Deduction; (v) the Lessee will maintain sufficient records to verify such use, which records will be furnished to the Lessor within 30 days after receipt of a written demand therefor.

The Lessee agrees that neither it nor any corporation controlled by it, in control of it, or under common control with it, directly or indirectly, will at any time take any action (other than any action required by the terms of this Lease) or file any tax returns or other documents inconsistent with the foregoing or which would increase the amount of rentals required to be taken into income by the Lessor over the amount specified to be payable under this Lease on the dates due hereunder except as specifically provided in this Lease, and that each of such corporations will file such returns, take such action, and execute such documents as may be reasonable and necessary to facilitate accomplishment of the intent thereof. The Lessee agrees to keep and make available for inspection and copying upon demand by the Lessor such records as will enable the Lessor to determine the extent to which it is entitled to the full benefit of the ADR Deduction, the Interest Deduction and the Investment Credit with respect to the Units. Lessor agrees that it shall claim in its tax returns all the deductions, credits and benefits contemplated by the Tax Assumptions.

The Lessee also agrees to indemnify the Lessor, as provided for in the sixth paragraph of this § 16, for any Loss, reduction or delay in tax benefits caused by any act or omission of the Lessee or representations and warranties set forth in the preceding paragraphs of this § 16.

III. True Lease Indemnity. The Lessee represents, warrants and indemnifies that the transaction is a true lease for tax purposes and that for tax purposes the Lessor is the owner of the Units and as such shall be entitled to such deductions, credits and other benefits as are provided from time to time by tax law (including Internal Revenue Service (hereinafter called the IRS) Regulations and tax rules) in effect during the initial term of this Lease to a nonrailroad corporate owner of property, but not more than the deductions, credits and other benefits set forth in the Tax Assumptions; provided, however, that in the event the Lessor shall obtain a favorable ruling from the IRS that this Lease is a true lease and that the Lessor is entitled to such deductions, credits and other benefits, the liability of the Lessee under this indemnity shall terminate.

IV. Effect of Indemnities. The Lessee's indemnification of the Lessor under the Basic Indemnity and/or the True Lease Indemnity, as described above, will place, subject to the limitations set forth below in this paragraph, the Lessor in the same position with respect to the transaction as if the condition indemnified against had not existed. If (except as a result of the occurrence of any Excluded Event set forth below) (a) the Lessor shall suffer a disallowance of, or shall be required to recapture, or due to such disallowance or recapture shall lose, or shall not have, or shall lose the right to claim (any such event being hereinafter called a Loss), all or any portion of such deductions, credits and benefits (hereinafter each called a Benefit) as are provided from time to time by tax law (including IRS Regulations and tax rules) in effect during the initial term of this Lease to a nonrailroad corporate owner of property, with respect to all or part of any Unit, at any time during the initial term of this Lease as a result of a Final Determination (as hereinafter defined) that this Lease is not a true lease and that during the tax years to which the Final Determination is applicable, the Lessor is not entitled to such Benefits for which the Lessee has indemnified the Lessor under the True Lease Indemnity, or (b) the Lessor shall incur a Loss of all or any portion of the Investment Credit, the ADR Deduction, or the Interest Deduction (hereinafter each

called a Benefit) with respect to all or part of any Unit due to (i) the inaccuracy of any statement in any letter or document furnished to the Lessor by the Lessee (or any officer, agent or employee thereof), (ii) the noncompliance, breach, or misrepresentation by the Lessee with or of any provision of the second, third, or fourth paragraphs of this § 16, (iii) the use of any Unit by the Lessee in such a way as to disqualify it as section 38 property within the meaning of Section 48(a) of the Code or as property eligible for the ADR Deduction, or (iv) any actions or omissions by the Lessee, except any actions or omissions permitted by the terms of this Lease; then in any such case of Loss of Benefit (either under the provisions of (a) or (b) of this paragraph), subject to the provisions of the eighth paragraph of this § 16 dealing with contesting a disallowance or recapture of a tax Benefit, the rental rate applicable to such Unit set forth in § 3 of this Lease shall, on and after the next succeeding rental date (1) after payment of the tax attributable to any Loss of Benefit under the provisions of (b) of this paragraph and (2) after a Final Determination of a Loss of Benefit under the provisions of (a) of this paragraph, and payment of the tax attributable thereto, be increased by such amount for such Unit as, in the reasonable opinion of the Lessor, after due consultation with Lessee, will maintain the Lessor's Net Return (as defined in § 6 hereof) in respect of such Unit under this Lease; provided, however, that in case of a Loss of Benefit under the provisions of (a) of this paragraph, the increase in such rental rate shall not exceed the amount necessary to maintain the net rate of return the Lessor would have had if the Lessor were treated as the owner of such Unit and were entitled to such deductions, credits and other benefits as are provided by tax law (including IRS Regulations and tax rules) in effect from time to time during the term of this Lease to a nonrailroad corporate owner of property, and subsequent rentals shall be appropriately adjusted (reductions being limited by and subject to the two provisos contained in the ninth paragraph of this § 16) for each change in tax law (including IRS Regulations and tax rules) affecting such net rate of return, as of the effective date of such change. The Lessee shall forthwith pay to the Lessor the amount of any interest and penalty which may be assessed by the United States (or where applicable by any state or local taxing jurisdiction) against the Lessor attributable to the disallowance, recapture or loss of all or any portion of the Benefit. The Lessee does not indemnify at any time for tax benefits attributable to Lessor's election of depreciation conventions under the ADR Regulations or to Lessor's estimated salvage value for tax depreciation purposes.

Notwithstanding the provisions of the immediately preceding paragraph, there shall be no increase made in rentals nor any payment be required to be made by the Lessee if the Lessor shall have suffered such Loss with respect to all or part of such Unit as a result of the occurrence of any of the following events (hereinafter called Excluded Events):

(i) a Casualty Occurrence with respect to such Unit, if the Lessee shall have paid to the Lessor the amounts stipulated under § 7 hereof; or

(ii) a voluntary transfer or other voluntary disposition by the Lessor or any Beneficiary or any transfer or disposition by the Lessor or any Beneficiary resulting from bankruptcy or other proceedings for relief of debtors in which the Lessor or any Beneficiary is the debtor, whether voluntary or involuntary, of any interest in such Unit or the voluntary reduction by the Lessor or any Beneficiary of its interest in the rentals from such Unit under the Lease (other than pursuant to the assignment of this Lease to the Vendor), unless, in each case, an Event of Default shall have occurred and be continuing; or

(iii) the failure of the Lessor or any Beneficiary to claim in a timely and proper manner (including all appropriate elections) in its Federal income tax return the Investment Credit, the ADR Deduction or the Interest Deduction; or

(iv) the failure of the Lessor or any Beneficiary to have sufficient liability for Federal income tax against which to credit such Investment Credit or sufficient income to benefit from the ADR Deduction or the Interest Deduction, as applicable; or

(v) any amendments to the Code, IRS Regulations and tax rules enacted or promulgated and effective after the Lessor becomes the owner of the Unit; or

(vi) the amendment of the Hulk Purchase Agreement, the Transfer Agreement or the Security Document without the prior written consent of the Lessee; or

(vii) any other action or omission by the Lessor or any Beneficiary, except any actions or omissions permitted by the terms of this Lease; or

(viii) the tax status of the trust purported to be created by the Trust Agreement.

The Lessor shall promptly, upon its knowledge thereof, give written notice to the Lessee of any claim or proceeding in respect of which the Lessee would be required to make indemnification payments (as hereinbefore defined). The Lessor agrees that if, in the opinion of the Lessee's tax counsel (herein referred to as Counsel) a reasonable basis to contest the disallowance or recapture of all or a portion of the tax Benefits described above with respect to any Unit exists in respect of which the Lessee would be required to make indemnification payments (as hereinbefore defined) to the Lessor pursuant hereto, the Lessor shall, upon request and at the expense of the Lessee, take all such legal or other appropriate action deemed reasonable by Counsel in order to contest such claim, and if the Lessor fails to contest, Lessee will not be required to indemnify Lessor for the Loss of tax Benefits as set forth in the sixth paragraph of this § 16; provided, however, that the Lessor shall not be obligated to take any such legal or other appropriate action unless the Lessee shall first have indemnified the Lessor for all expenses which may be entailed therein. If after notice from the Lessor the Lessee does not request in a timely manner that Lessor contest the disallowance or recapture of the tax Benefits or in the opinion of Counsel no reasonable basis to contest such matter exists, then Lessee will have no further right of contest.

In the event Lessee requests that Lessor contest the disallowance or recapture of the tax Benefits and in the opinion of Counsel a reasonable basis to contest such matter exists, then the Lessor shall take such action to contest the disallowance or recapture prior to making payment of any tax and interest and/or penalty attributable to the disallowance or recapture with respect to the Lessor of all or any portion of the tax Benefits with respect to any Unit or, in case of a Loss of Benefit under the provisions of (b) of the sixth paragraph of this § 16, may make such tax payment (hereinafter called the "Tax Payment") and thereafter seek a refund. If the Lessor contests prior to making such Tax Payment, such indemnification payable hereunder need not be paid by the Lessee while such action is pending. In such case, if the Final Determination (as hereinafter defined) shall be adverse to the Lessor, the indemnification payable hereunder shall be computed by the Lessor as of the date of such Final Determination and the

Lessee shall commence payment of indemnities on the date and in the manner and to the extent provided in the sixth paragraph of this § 16 and on or before such payment date, the Lessee shall pay to the Lessor as an additional payment hereunder an amount equal to all interest and penalty paid by the Lessor in respect of such Final Determination together with an amount sufficient to maintain the Lessor's Net Return. If the Lessor elects to make such Tax Payment prior to contesting the matter, such indemnification payable hereunder is to commence immediately in the manner and to the extent provided in the sixth paragraph of this § 16 and such payments by the Lessee due on and after the date of such Tax Payment shall be calculated on a basis so as to maintain Lessor's Net Return, and on or before such Tax Payment is due, the Lessee shall pay to the Lessor as an additional payment hereunder an amount equal to all interest and penalty paid by the Lessor included in such Tax Payment. If the Lessor seeks a refund after making such Tax Payment and the Final Determination shall be in favor of the Lessor, the Lessor shall forthwith upon receipt of refund of amounts previously paid, pay to the Lessee an amount consisting of the aggregate of the following; (1) the amount of the increase in rental payments which, under the Final Determination, would not have been payable by the Lessee to Lessor pursuant to the sixth paragraph of this § 16 and (2) the amount of interest and/or penalty paid or repaid to the Lessor by the taxing jurisdiction. In addition, the rentals for the Units shall, beginning with the next rental payment due, and after receipt by the Lessor of such refund, be decreased to such amount or amounts as shall, in the reasonable opinion of the Lessor, cause the Lessor's Net Return to equal the net return that would have been realized by the Lessor if additional income taxes of the Lessor in the amount refunded had not been paid, provided, however, that such subsequent rentals shall not be reduced below the amounts required to satisfy the obligations of the Lessor under the Security Document; provided further, however, that the Lessor shall pay to the Lessee on the date it receives each of such subsequent rentals, an amount equal to the difference between the rentals that would have been payable but for the limitation specified in the preceding proviso and the rentals paid in accordance with this limitation. Lessee agrees to pay to the Lessor on demand any reasonable expense incurred by the Lessor in connection with such contest. For purposes of this § 16 "Final Determination" shall mean a final decision of a court of competent jurisdiction after all allowable appeals have been exhausted by either party to the action.

If any amendment to the Code, Internal Revenue Service Regulations and tax rules is enacted or promulgated and made effective with respect to any Unit prior to the time the Lessor becomes the owner of such Unit, and such amendment causes a change in the tax benefits contemplated by the Beneficiaries, then the rental rate specified in § 3 of this Lease (and the Casualty Value percentages set forth in Schedule 2 hereto) shall be increased or decreased as necessary so as to preserve the Beneficiaries' net after-tax return (computed on the same assumptions as were utilized by the Beneficiaries in originally evaluating this transaction) at the same level as if such tax benefits had not been changed; provided, however, such rental rate shall not be reduced below the amounts required to satisfy the obligations of the Lessor under the Security Document; provided further, however, the Lessor shall pay to the Lessee on the date it receives each of any rental payments an amount equal to the difference between the rental payment that would have been payable but for the limitation specified in the preceding proviso and the rental payment paid in accordance with this limitation.

The Lessee's and the Lessor's agreements and obligations to pay any sums which may become payable pursuant to this § 16 shall survive the expiration or other termination of this Lease.

In the event the rental rates shall be increased (or decreased) as hereinbefore provided, the Casualty Values set forth in § 7 hereof and the damages and amounts set forth in subparagraph (b) of § 10 hereof shall be adjusted accordingly; provided, however, that such Casualty Values shall not be reduced below the amounts required to satisfy the obligations of the Lessor under the Security Document; provided further, however, that the Lessor shall pay to the Lessee on the date it receives each of any payments with respect of a Casualty Occurrence an amount equal to the difference between the Casualty Value that would have been payable but for the limitation specified in the preceding proviso and the Casualty Value paid in accordance with this limitation.

§ 17. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, interest at a rate per annum equal to 10-1/4% on the overdue rentals and other obligations for the period of time during which they are

overdue or such lesser amount as may be legally enforceable.

§ 18. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when mailed, first class, postage prepaid, addressed as follows:

(a) if to the Lessor, at La Salle and Adams Streets, Chicago, Illinois 60690, Attention of Corporate Trust Department (with a copy to each of the Beneficiaries); and

(b) if to the Lessee, at 400 West Madison Street, Chicago, Illinois 60606; Attention Treasurer;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. Copies of each such notice shall be given to the Vendor at at 33 North LaSalle Street, Chicago, Illinois 60690, Attention of Corporate Trust Department;

§ 19. Severability; Effect and Modification of Lease. 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 provision in any other jurisdiction.

Except for the Participation Agreement, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

§ 20. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor pursuant to the assignment hereof to the Vendor shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by

the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

§ 21. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

§ 22. Immunities; No Recourse. It is expressly understood and agreed by and between the parties hereto, anything in this Agreement to the contrary notwithstanding, that each and all the warranties, 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 warranties, representations, covenants, undertakings and agreements by Exchange National Bank of Chicago, or for the purpose or with the intention of binding said corporation personally, but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Lease is executed and delivered by said Exchange National Bank of Chicago, solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of wilful misconduct or negligence, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said corporation or the Beneficiaries except as provided in the Participation Agreement and the Letter Agreements (as defined in the Participation Agreement) or on account of any warranty representations, covenant, undertaking or agreement of the Lessor, either express or implied, all such personal liability, if any, being expressly waived and released by the Lessee.

§ 23. Definitions. Whenever the term "Lessor" is used in this Lease it shall include the Beneficiaries and any assignee and, where the context so requires (including but not limited to certain of the provisions of § 10 and all of the provisions of § 16 hereof), shall refer only to the Beneficiaries or such assignee. If and so long as this Lease is assigned to the Vendor (or any successor thereto) for collateral purposes, wherever the term "Lessor" is used in this Lease it shall also apply and refer to the Vendor and any successors thereto (with the exception of certain tax provisions of § 10 and § 16 hereof) unless the context shall otherwise require and except that the Vendor shall not be subject to to any liabilities or obligations under this Lease; and the fact that the Vendor is specifically named in certain provisions shall not be construed to mean that the

Vendor (and any successors thereto) is not entitled to the benefits of other provisions where only the Lessor is named or where only the Vendor, as the case may be, is named.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY,

by

_____
Vice President

[Corporate Seal]

Attest:

_____
Assistant Secretary

EXCHANGE NATIONAL BANK OF CHICAGO, as Trustee,

by

_____
Vice President

[Corporate Seal]

Attest:

_____
Assistant Trust Officer

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this day of 1977, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a Vice President of CHICAGO AND NORTH WESTERN TRANSPORTATION 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, and he 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 ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this day of 1977, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is Vice President of EXCHANGE NATIONAL BANK OF CHICAGO, 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, and he 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 1 TO LEASE

Type	Quantity	Lessee's Road Numbers (Both Inclusive)
1,500 hp. diesel-electric locomotive	The Units of Equipment reconstructed under the Security Document and delivered on or before the Cut-Off Date (as defined therein).	4379-4399 4496-4499

SCHEDULE 2 TO LEASE
CASUALTY VALUES

Rent Payments	Percentage of Purchase Price
Interim Payments	104.611
No. 1	104.642
No. 2	104.175
No. 3	103.349
No. 4	102.208
No. 5	100.741
No. 6	98.975
No. 7	92.080
No. 8	89.727
No. 9	87.087
No. 10	84.184
No. 11	76.279
No. 12	73.063
No. 13	69.713
No. 14	66.234
No. 15	57.804
No. 16	54.070
No. 17	50.211
No. 18	46.231
No. 19	42.131
No. 20	37.914
No. 21	33.582
No. 22	29.139
No. 23	24.588
No. 24	20.000

EXHIBIT C to the
RECONSTRUCTION
AND CONDITIONAL
SALE AGREEMENT

ASSIGNMENT OF LEASE AND AGREEMENT

Dated as of January 1, 1977

between

EXCHANGE NATIONAL BANK OF CHICAGO,
as Trustee

and

AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO,
as Agent

ASSIGNMENT OF LEASE AND AGREEMENT

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LESSEE'S CONSENT AND AGREEMENT

ASSIGNMENT OF LEASE AND AGREEMENT dated as of January 1, 1977, by and between EXCHANGE NATIONAL BANK OF CHICAGO, not in its individual capacity but solely as Trustee under a Trust Agreement dated as of the date hereof (hereinafter called the Lessor or the Vendee) with certain trust beneficiaries (hereinafter called the Beneficiaries), and AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO, not in its individual capacity but solely as Agent (hereinafter called the Vendor), under a Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement).

The Vendee and the Vendor are entering into a Reconstruction and Conditional Sale Agreement dated as of the date hereof (hereinafter called the Security Document), with Chicago and North Western Transportation Company, in its capacity as builder, providing for the sale to the Vendee of the interest of the Vendor in such units of railroad equipment (hereinafter called the Units) described in Schedule A thereto as are delivered to and accepted by the Vendee thereunder.

The Lessor and Chicago and North Western Transportation Company (hereinafter called the Lessee) have entered into a Lease of Railroad Equipment dated as of the date hereof (hereinafter called the Lease), providing for the leasing by the Lessor to the Lessee of the Units.

In order to provide security for the obligations of the Lessor under the Security Document and as an inducement to the Vendor to invest in the Conditional Sale Indebtedness (as that term is defined in the Security Document), the Lessor has agreed to assign for security purposes its rights in, to and under the Lease to the Vendor.

NOW, THEREFORE, in consideration of the premises and of the payments to be made and the covenants hereinafter mentioned to be kept and performed, the parties hereto agree as follows:

1. The Lessor hereby assigns, transfers and sets over unto the Vendor, as collateral security for the payment and performance of the obligations of the Lessor as Vendee

under the Security Document, all the Lessor's right, title and interest, powers, privileges, and other benefits under the Lease, including, without limitation, the immediate right to receive and collect all rentals, profits and other sums payable to or receivable by the Lessor from the Lessee under or pursuant to the provisions of the Lease whether as rent, casualty payment, indemnity, liquidated damages, or otherwise (such moneys being hereinafter called the Payments), and the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of an Event of Default specified in the Lease, and to do any and all other things whatsoever which the Lessor is or may become entitled to do under the Lease. In furtherance of the foregoing assignment, the Lessor hereby irrevocably authorizes and empowers the Vendor in its own name, or in the name of its nominee, or in the name of the Lessor or as its attorney, to ask, demand, sue for, collect and receive any and all sums to which the Lessor is or may become entitled under the Lease, and to enforce compliance by the Lessee with all the terms and provisions thereof.

The Vendor agrees to accept any Payments made by the Lessee for the account of the Lessor pursuant to Section 3 of the Lease. To the extent received, the Vendor will apply such Payments to discharge (as contemplated in clause (A)(2) of the eighth paragraph of Article 3 of the Security Document) the interest accrued and payable on the Notes of the Lessor referred to in the Security Document, to satisfy the obligations of the Lessor under the Security Document, and to provide for the payments required to be made by the Lessor to the Vendor pursuant to Paragraph 9 of the Participation Agreement under which the Vendor is acting as Agent, and so long as no event of default (or event which, with notice or lapse of time, or both, could constitute an event of default) under the Security Document shall have occurred and be continuing, any balance shall be paid to the Lessor not later than the first business day following such receipt by wire transfer of immediately available funds to the Lessor as the Lessor may otherwise direct in writing. If the Vendor shall not receive any rental payment under the first paragraph of Section 3 of the Lease when due, the Vendor shall notify the Lessor at the address set forth in the Lease; provided, however, that the failure of the Vendor to so notify the Lessor shall not affect the obligations of the Lessor hereunder or under the Security Document.

2. This Assignment is executed only as security and, therefore, the execution and delivery of this Assignment shall not subject the Vendor to, or transfer, or pass, or in any way affect or modify the liability of the Lessor under the Lease, it being understood and agreed that notwithstanding this Assignment or any subsequent assignment, all obligations of the Lessor to the Lessee shall be and remain enforceable by the Lessee, its successors and assigns, against, and only against, the Lessor or persons other than the Vendor.

3. To protect the security afforded by this Assignment the Lessor agrees that, without the written consent of the Vendor, the Lessor will not anticipate the rents under the Lease or waive, excuse, condone, forgive or in any manner release or discharge the Lessee thereunder of or from the obligations, covenants, conditions and agreements to be performed by the Lessee, including, without limitation, the obligation to pay the rents in the manner and at the time and place specified therein or enter into any agreement amending, modifying or terminating the Lease and the Lessor agrees that any amendment, modification or termination thereof without such consent shall be void; provided, however, that the Lessor may amend or supplement the Lease to provide for an increase or decrease of amounts due as rentals under Section 3 thereof and/or Casualty Values under Section 7 thereof provided that no such decrease shall reduce said amounts below that which are necessary to satisfy the obligations of the Lessor under the Security Document, notwithstanding any limitation of liability of the Lessor contained therein.

4. The Lessor does hereby constitute the Vendor the Lessor's true and lawful attorney, irrevocably, with full power (in the name of the Lessor, or otherwise), to ask, require, demand, receive, compound and give acquittance for any and all Payments due and to become due under or arising out of the Lease to which the Lessor is or may become entitled, to enforce compliance by the Lessee with all the terms and provisions of the Lease, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which the Vendor may deem to be necessary or advisable in the premises.

5. Upon the full discharge and satisfaction of all the Lessor's obligations under the Security Document and the Participation Agreement, this Assignment and all

rights herein assigned to the Vendor shall terminate, and all estate, right, title and interest of the Vendor in and to the Lease shall revert to the Lessor.

6. If an event of default under the Security Document shall occur and be continuing, the Vendor may declare all sums secured hereby immediately due and payable and may apply all such sums against the amounts due and payable under the Security Document.

7. The Lessor will, from time to time, do and perform any other act and will execute, acknowledge, deliver and file, register, deposit and record (and will refile, re-register, re-record or redeposit whenever required) any and all further instruments required by law or reasonably requested by the Vendor in order to confirm or further assure the interests of the Vendor hereunder.

8. The Vendor may assign all or any of the rights assigned to it hereby or arising under the Lease, including, without limitation, the right to receive any Payments due or to become due. In the event of any such assignment, any such subsequent or successive assignee or assignees shall, to the extent of such assignment, enjoy all the rights and privileges and be subject to all the obligations of the Vendor hereunder; provided, however, the Vendee and the Lessee shall not be bound to honor such assignment until they have received written notice thereof. Payment to the assignee of any Payments shall constitute full compliance with the terms of this Agreement and the Lease. Vendee and Lessee may rely on instruments and documents of assignment which they believe in good faith to be true and authentic.

9. The Lessor will pay and discharge any and all claims, liens, charges or security interests (other than such as are created by the Security Document) on the Lease or the rentals or other payments due or to become due thereunder claimed by any party from, through or under the Lessor or the Beneficiaries, or their successors and assigns (other than the Vendor), not arising out of the transactions contemplated by the Security Document or the Lease (but including tax liens arising out of the receipt of the income and proceeds from the Units) which, if unpaid, might become a claim, lien, charge or security interest on or with respect to the Lease or such rentals or other payments equal or superior to the Vendor's interest therein, unless the Lessor

or the Beneficiaries shall be contesting the same in good faith by appropriate proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect such interests of the Vendor.

10. This Assignment shall be governed by the laws of the State of Illinois, but the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

11. The Lessor shall cause copies of all notices received in connection with the Lease and all payments hereunder to be promptly delivered or made to the Vendor at its address set forth in Article 20 of the Security Document, or at such other address as the Vendor shall designate.

12. The Vendor hereby agrees with the Lessor that the Vendor will not, so long as no Event of Default under the Lease or event of default under the Security Document has occurred and is continuing, exercise or enforce, or seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits which are assigned and transferred by the Lessor to the Vendor by this Assignment, except the right to receive and apply the Payments as provided in Paragraph 1 hereof, and that, subject to the terms of the Lease and the Security Document, the Lessor may, so long as no event of default under the Security Document or Event of Default under the Lease has occurred and is continuing, exercise or enforce, or seek to exercise or enforce or avail itself of, such rights, powers, privileges, authorizations or benefits; provided, however, that the Lessor shall not, and shall not have any authority to, take any action which would terminate the Lease without the prior written consent of the Vendor.

13. Notwithstanding any other provision of this Assignment (including, but not limited to, any provision of the first paragraph of Paragraph 1 and Paragraph 3 hereof), (a) the terms of this Assignment shall not impose any obligations on the Lessor in addition to the obligations of the Lessor under the Lease or under the Security Document or in any way limit the effect of the last paragraph of Article 3 of the Security Document, Article 21 of the Security Document or Section 22 of the Lease, (b) so long as there is no event of default under the Security Document, and to the extent that the Vendor does not seek to receive and collect

any Payments under the Lease in excess of the amounts required to discharge the obligations of the Lessor under the Security Document, the terms of this Assignment shall not limit or in any way affect the Lessor's right to receive and collect any Payments under the Lease in excess of the obligations of the Lessor under the Security Document, or empower the Vendor in any way to waive or release the Lessee's obligation to pay such excess amounts, and the Lessor shall continue to be empowered to ask, demand, sue for, collect and receive any and all of such excess amounts, but shall not take any action under subparagraph (b) of Section 10 of the Lease without the written consent of the Vendor and (c) each and all of the warranties, 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 Exchange National Bank of Chicago, or for the purpose or with the intention of binding said bank personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Assignment is executed and delivered by the said bank solely in the exercise of the powers expressly conferred upon said bank as trustee under the Trust Agreement, and that no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank, except for wilful misconduct or negligence, or against the Beneficiaries under the Trust Agreement (except under Section 5.01 thereof) or on account of any representation, undertaking or agreement of the Lessor or such Beneficiaries, either expressed or implied, all such personal liability (except as aforesaid, and, with respect to the Beneficiaries, except pursuant to the Participation Agreement and to their respective Letter Agreements (as defined in the Participation Agreement)), if any, being expressly waived and released by the Vendor and by all persons claiming by, through or under the Vendor; provided, however, that the Vendor or any person claiming by, through or under it, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

14. This Assignment may be executed in any number of counterparts, all of which together shall constitute a single instrument.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in their respective corporate

names by officers thereunto duly authorized, and their respective corporate seals to be affixed and duly attested, all as of the date first above written.

AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO, not in its individual capacity but solely as Agent,

[Corporate Seal] by

Attest: _____
Authorized Officer

_____
Authorized Officer

EXCHANGE NATIONAL BANK OF CHICAGO, not personally but solely as trustee as aforesaid,

by

_____
1st Vice President

[Corporate Seal]

Attest:

_____
Assistant Trust Officer

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this day of 1977, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO, that one of the seals affixed to the foregoing instrument is the corporate seal of said association, that said instrument was signed and sealed on behalf of said association by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said association.

Notary Public

[Notarial Seal]

My Commission expires

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this day of 1977, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is Vice President of EXCHANGE NATIONAL BANK OF CHICAGO, 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 and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission expires

LESSEE'S CONSENT AND AGREEMENT

The undersigned, CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a corporation duly incorporated under the laws of the State of Delaware, the Lessee (hereinafter called the Lessee) named in the Lease (hereinafter called the Lease) referred to in the foregoing Assignment of Lease and Agreement (hereinafter called the Assignment), hereby (a) acknowledges receipt of a copy of the Assignment and (b) consents to all the terms and conditions of the Assignment and agrees that:

(1) it will pay all rentals, casualty payments, liquidated damages, indemnities and other moneys provided for in the Lease in immediately available Chicago funds directly to American National Bank and Trust Company of Chicago, not in its individual capacity but solely as Agent (hereinafter called the Vendor), the assignee named in the Assignment, at LaSalle and Washington Streets, Chicago, Illinois 60690, Attention of Trust Department, Corporate Division (or at such other address as may be furnished in writing to the undersigned by the Vendor);

(2) the Vendor shall be entitled to the benefits of, and to receive and enforce performance of, all the covenants to be performed by the undersigned under the Lease as though the Vendor were named therein as the Lessor;

(3) the Vendor shall not, by virtue of the Assignment or this Consent and Agreement, be or become subject to any liability or obligation under the Lease or otherwise; and

(4) the Lease shall not, without the prior written consent of the Vendor, be amended, terminated or modified, nor shall any action be taken or omitted by the undersigned, the taking or omission of which might result in an alteration or impairment of the Lease or this Consent and Agreement or of any of the rights created by any thereof.

This Consent and Agreement shall be construed in

accordance with the laws of the State of Illinois.

Dated as of January 1, 1977

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY,

by

_____
Vice President

[Corporate Seal]

Attest:

_____
Assistant Secretary

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this day of 1977, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is Vice President of CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notary Seal]

My Commission expires

EXHIBIT D to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

HULK PURCHASE AGREEMENT

First National Bank and Trust Company of Evanston

January 1, 1977

Gentlemen:

First National Bank and Trust Company of Evanston (the "Seller"), acting as trustee under a Trust Agreement dated as of February 1, 1977, with City National Bank & Trust Co., Madison Bank & Trust Company and The Second National Bank of Warren, owns the railroad equipment described in Exhibit A hereto (collectively, the "Hulks" and individually a "Hulk"). The Seller desires to sell the Hulks and Exchange National Bank of Chicago (the "Buyer"), acting as trustee under a Trust Agreement dated as of the date hereof, desires to purchase the Hulks for the Purchase Price set forth in Exhibit A (the "Purchase Price").

The Seller will, from time to time, prior to delivery of the Hulks to Chicago and North Western Transportation Company (the "Builder") for reconstruction, as provided in the Reconstruction and Conditional Sale Agreement (the "Conditional Sale Agreement") dated as of the date hereof among the Buyer, American National Bank and Trust Company of Chicago, not in its individual capacity but solely as agent (the "Agent") under a Participation Agreement (the "Participation Agreement") dated as of the date hereof, and the Builder, deliver to the Buyer a Bill or Bills of Sale transferring title to a group of Hulks and warranting that at the date of such Bill or Bills of Sale the Seller had legal title to such Hulks and good and lawful right to sell the same and that title to such Hulks transferred to the Buyer by such Bill or Bills of Sale was free of all claims, liens, security interests, security titles and other encumbrances of any nature whatsoever. On or after the date of such Bill or Bills of Sale, the Seller will deliver the Hulks in such group to an authorized representative of the Buyer at such point or points within the United States of America as shall be specified by the Seller. The sale and delivery of the Hulks pursuant to this Agreement shall occur on the

Reconstruction Cut-Off Date (as defined in the Reconstruction and Conditional Sale Agreement dated as of February 1, 1977 [hereinafter called the Prior Conditional Sale Agreement], between the Builder, the Seller and the Agent) or as soon as practicable thereafter, so as to permit the completion of reconstruction of each Hulk by December 31, 1977.

The Buyer at the times hereafter specified will pay to the Seller the Purchase Price of each Hulk in each group subject to all the terms and conditions of this Agreement, including without limitation the receipt by the Buyer of (a) an invoice or invoices of the Seller with respect thereto, (b) the Bill or Bills of Sale with respect thereto specified in the second and fifth paragraphs hereof, (c) a Certificate or Certificates of Acceptance signed by the Buyer's authorized representative stating that the Hulks in such group have been delivered to and accepted on behalf of the Buyer, and (d) a written opinion of counsel for the Seller dated the date of such Bill or Bills of Sale, addressed to the Buyer and stating that such Bill or Bills of Sale are valid and effective to transfer legal title to such Hulks to the Buyer and that the Hulks are free and clear of all claims, liens, security interests, security titles and other encumbrances of any nature whatsoever. Copies of each opinion furnished pursuant to clause (d) of this paragraph (together with any opinion on which such opinion relies) shall be sent to the Builder and to counsel for the Agent, together with a letter of counsel for the Seller rendering such opinion authorizing the Builder and counsel for the Agent to rely on such opinion. In giving the opinion specified in clause (d) of this paragraph, counsel may rely on the opinion of counsel of Precision National Corporation, as to title to the Hulks.

Each such Bill of Sale shall contain the following information with respect to each type of Hulk included in the group of Hulks covered thereby: quantity, description, the Seller's identifying numbers and place of delivery. Subject only to the conditions set forth in this Agreement and in Paragraph 7 of the Participation Agreement, the Buyer will pay the Purchase Price of each Hulk delivered and accepted as aforesaid to the Seller by discharging or causing to have discharged on the Reconstruction Cut-Off Date (as hereinbefore mentioned), or as soon as possible thereafter, the Seller's outstanding Notes (referred to in the Prior Conditional Sale Agreement) up to, but not in excess of $35,000 times the number of Hulks purchased hereby.

The Buyer may assign and/or transfer any or all of its rights under this Agreement and/or any or all of its rights to possession of any of the Hulks. Any such assignment or transfer may be made by the Buyer without the assignee or transferee assuming any of the obligations of the Buyer hereunder. The Buyer and the Seller acknowledge that such assignment or transfer is contemplated. All of the rights of the Buyer hereunder shall inure to the benefit of the Buyer's assigns.

Notwithstanding the delivery of any Bill or Bills of Sale hereunder, the Seller agrees that all responsibility with respect to any Hulk covered by such Bill or Bills of Sale, its use and operation and risk of loss thereof, shall remain with the Seller until such Hulk is delivered to and accepted by the authorized representative of the Buyer, as provided above, and the Seller agrees to indemnify and hold the Buyer harmless from any claim made against the Buyer by reason of the transfer of title to the Hulks prior to such delivery and acceptance or with respect to the validity of such title, free from all claims, liens, security interests, security title or encumbrances of any nature other than those of the Buyer at the time of such delivery and acceptance. Upon such delivery and acceptance, all responsibility and risk of loss with respect to such Hulk shall pass to the Buyer.

The Seller hereby represents and warrants to the Buyer, its successors and assigns, that this Agreement was duly authorized by it and lawfully executed and delivered for a valid consideration.

The Seller hereby covenants and agrees with the Buyer that not later than the date of delivery of each Hulk, the Seller will discharge in full all obligations, if any, secured by encumbrances with respect thereto. Without limitation as to any other rights or actions which the Buyer may enforce against the Seller due to a breach by the Seller of its obligation set forth in the preceding sentence, in the event any such obligation has not been satisfied prior to payment for any Hulk by the Buyer, the Seller hereby agrees that the Buyer may, in lieu of making payments for any Hulks then to be made to the Seller hereunder, pay all or any portion of such payments to one or more holders of obligations secured by such encumbrances to the extent necessary to satisfy such obligations in full and to remove such encumbrances.

It is expressly understood and agreed by and

between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the warranties, representations, undertakings and agreements herein made on the part of the Buyer, are made and intended not as personal warranties, representations, undertakings and agreements by Exchange National Bank of Chicago, or for the purpose or with the intention of binding said corporation personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement hereinabove referred to, and this Agreement is executed and accepted by said corporation not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and that no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said corporation or the beneficiaries under the Trust Agreement on account of this Agreement or on account of any warranty, representation, undertaking or agreement (except, with respect to such beneficiaries, the Participation Agreement and their respective Letter Agreements [as defined in the Participation Agreement]) of said corporation, either express or implied, all such personal liability, if any, being (except as aforesaid) expressly waived and released by the Seller and by all persons claiming by, through or under the Seller; provided, however, that the Seller or any person claiming by, through or under it, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois.

This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same contract, which shall be sufficiently evidenced by any such original counterpart.

If the foregoing arrangement concerning sale of the Hulks is satisfactory to the Buyer, please confirm by signing each of the enclosed counterparts of this letter and delivering same to the Agent for acknowledgment and return to Seller

of all except one executed counterpart, and giving the telegraphic confirmation of execution to the Agent.

Very truly yours,

FIRST NATIONAL BANK AND TRUST COMPANY OF EVANSTON, not personally but solely as trustee as aforesaid,

by

_____
Vice President

Accepted as of the date first set forth above.

EXCHANGE NATIONAL BANK OF CHICAGO, not personally but solely as trustee as aforesaid,

by

_____
Vice President

Receipt of the executed counterparts of the foregoing is hereby acknowledged as of this day of 1977.

AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO, as Agent,

by

_____
Vice President

HULK PURCHASE AGREEMENT

EXHIBIT A

Quantity	Description	From Series Bearing UP Road Numbers		Hulk Purchase Price
*	Former EMD Model GP-9 Locomotive Hulks	130	274	$35,000
		169	277	
		178	281	
		181	290	
		190	292	
		198	301	
		214	306	
		218	322	
		235	323	
		251	333	
		254	342	
		263	346	
		268		

* The Excluded Units (as defined in the Prior Conditional Sale Agreement).