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INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

Dated as of March 15, 1979

Between

FIRST SECURITY BANK OF UTAH, N.A.,
not in its individual capacity but
solely as Owner Trustee,
as Lessor

and

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY,
as Lessee

Reconstructed Locomotives

LEASE OF RAILROAD EQUIPMENT

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Annex A. -- Description of the Units

THIS LEASE OF RAILROAD EQUIPMENT dated as of March 15, 1979 between FIRST SECURITY BANK OF UTAH, N.A., a national banking association, not in its individual capacity but solely as Trustee (hereinafter, together with its successors and assigns, called "Lessor") under a First Amended Trust Agreement dated as of the date hereof (hereinafter called the "Trust Agreement") with FIRST SECURITY BANK OF IDAHO, N.A., a national banking association, and FIRST NATIONAL BANK OF MINNEAPOLIS, a national banking association (hereinafter, together with their respective successors and assigns permitted by the Trust Agreement, called collectively "Owners" and individually an "Owner"), and CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware corporation (hereinafter called "Lessee").

W I T N E S S E T H:

WHEREAS:

(a) Lessor, Owners, Lessee, CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, a national banking association, as Trustee (hereinafter, together with its successors and assigns, called "Security Trustee") under the Security Agreement referred to below and the note purchasers named in Appendix I thereto (hereinafter called the "Note Purchasers") are entering into a Participation Agreement dated as of the date hereof (hereinafter called the "Participation Agreement") relating to the financing of the purchase and reconstruction of the Hulks referred to below. The commitments of the Note Purchasers are to be evidenced by Lessor's 10.125% Secured Equipment Notes (hereinafter called the "Notes") to be issued under and secured by the Security Agreement. The holders of the Notes from time to time are hereinafter called the "Noteholders".

(b) Lessor, Lessee and North Western Leasing Company, a Delaware corporation (hereinafter called "NWL"), are entering into a Hulk Purchase Agreement dated as of the date hereof (hereinafter called the "Hulk Purchase Agreement"), in substantially the form of Annex A to the Security Agreement, pursuant to which Owner Trustee will purchase from NWL the used railroad locomotives listed on Annex A to the Hulk Purchase Agreement (hereinafter called collectively the "Hulks" and individually a "Hulk").

(c) Lessor and Lessee are entering into a Reconstruction Agreement dated as of the date hereof (hereinafter called the "Reconstruction Agreement"), in substantially the form of Annex B to the Security Agreement, pursuant to which Lessee will reconstruct the Hulks for the account of Lessor. The Hulks so reconstructed are hereinafter called the "Equipment", which is more particularly described in Annex A hereto; provided, however, that such term shall not include any unit excluded from the Reconstruction Agreement in accordance with the terms thereof.

(d) Lessor and Security Trustee are entering into a Trust Indenture and Security Agreement dated as of the date hereof (hereinafter called the "Security Agreement"), in substantially the form of Exhibit B to the Participation Agreement, pursuant to which Lessor will provide for the issue of the Notes and Security Trustee will hold the right, title and interest of Lessor in and to the Equipment, certain of Lessor's rights in, to and under this Lease and certain other property as security for the Notes.

(e) Lessee desires to lease all the units of the Equipment, or such lesser number as are delivered, accepted and settled for under the Reconstruction Agreement, at the rentals and upon the terms and conditions hereinafter stated (such number of units as are delivered, accepted and settled for under the Reconstruction Agreement being hereinafter called collectively the "Units" and individually a "Unit").

NOW, THEREFORE, in consideration of the premises and intending to be legally bound hereby, Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Units upon the following terms and conditions:

SECTION 1. Net Lease. This Lease is a net lease and Lessee shall not be entitled to any abatement of rent, reduction thereof or set-off, counterclaim, recoupment or defense against rent, including, but not limited to, abatements, reductions, set-offs, counterclaims, recoupments or defenses due or alleged to be due by reason of any past, present or future claims of Lessee against Lessor, Owners, the Noteholders or any other person for any reason whatsoever; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the obligations of Lessee be otherwise affected, by reason of any defect in the title, condition, design, operation or fitness for use of any Unit or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause and of whatever duration, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against 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 bankruptcy, reorganization or similar proceeding against 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 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, 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 Lessee hereunder shall be final, and Lessee shall not seek to recover all or any part of such payment from Lessor for any reason whatsoever.

SECTION 2. Delivery and Acceptance of Units. Lessor hereby appoints Lessee as its agent for the inspection and acceptance of, and the approval of all invoices relating to, the Units pursuant to the Hulk Purchase Agreement and the Reconstruction Agreement. Lessor will cause each Unit to be delivered to Lessee at the point or points within the United States of America at which such Unit is delivered to Lessor under the Reconstruction Agreement. Upon such delivery, Lessee may cause an employee of Lessee or an authorized representative of Lessee to inspect the same and, in any event, if such Unit is acceptable, Lessee shall accept delivery of such Unit and execute and deliver to Lessor a certificate of acceptance (hereinafter called a "Certificate of Acceptance"), stating that such Unit has been inspected (or that inspection of such Unit is waived) and accepted on behalf of Lessee and Lessor on the date of such Certificate of Acceptance and is marked in accordance with Section 5 of this Lease, whereupon such Unit shall be deemed to have been delivered to and accepted by Lessee hereunder, shall (without limiting Section 10) as between Lessor and Lessee be conclusively presumed to comply with the Specifications, requirements and standards applicable thereto pursuant to the Reconstruction Agreement and to be in good working order and repair without inherent vice or defect in title, condition, design, operation or fitness for use and shall thereafter be subject to all the terms and conditions of this Lease.

Notwithstanding the delivery to and acceptance by Lessee of the Units and their possession and use by Lessee hereunder, Lessor shall and does retain the full legal title to and property in all of the Units, it being expressly understood that this Lease is an agreement of lease only.

SECTION 3. Rentals. Lessee agrees to pay to Lessor, as rental for all Units subject to this Lease, a payment on the Cut-Off Date (as defined in the Participation Agreement) and 26 consecutive payments on July 1 and January 1 in each year, commencing July 1, 1979. The rental payment due on the Cut-Off Date shall be in an amount equal to the sum of (i) all amounts required to be paid by Lessor to

Security Trustee pursuant to Section 3.01 of the Security Agreement, plus interest, if any, on such amounts at the rate of 10.125% per annum (computed on the basis of a 360-day year of twelve 30-day months) from the date of payment by Lessor to the Cut-Off Date, plus (ii) an amount equal to the accrued interest, if any, on the Notes required to be prepaid on the Cut-Off Date, whether or not any Units have been delivered to Lessee hereunder. The rental payments due on July 1, 1979 and January 1, 1980 (hereinafter, together with the rental payment due on the Cut-Off Date, called the "Interim Rent") shall each be in an amount equal to the sum of (i) 0.0197% of the Total Cost (as defined in the Reconstruction Agreement) of each Unit then subject to this Lease for each day (computed on the basis of a 365-day year) elapsed from the Closing Date (as defined in the Reconstruction Agreement) for such Unit or the next preceding rental payment date, as the case may be, to and including the date of such payment plus (ii) such amount, if any, which, when added to the amount specified in clause (i) of this sentence shall equal the then accrued interest on the Notes. The next 12 semi-annual rental payments shall each be in an amount equal to the sum of 5.167947% of the Total Cost of each Unit then subject to this Lease if the Closing Date with respect thereto occurs before August 1, 1979 and 5.469148% of the Total Cost of each Unit then subject to this Lease if the Closing Date with respect thereto occurs after July 31, 1979. The next 12 semi-annual rental payments (hereinafter, together with the 12 rental payments provided for in the immediately preceding sentence, called the "Basic Rent") shall each be in an amount equal to the sum of 6.316380% of the Total Cost of each Unit then subject to this Lease if the Closing Date with respect thereto occurs before August 1, 1979 and 6.684515% of the Total Cost of each Unit then subject to this Lease if the Closing Date with respect thereto occurs after July 31, 1979.

The Basic Rent is subject to adjustment pursuant to Section 22. If any of the semi-annual rental payment dates referred to above is not a Business Day, the semi-annual rental payment otherwise payable on such date shall be payable on the next preceding Business Day. The term "Business Day" means any calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Chicago, Illinois, Salt Lake City, Utah and Minneapolis, Minnesota are authorized or obligated to remain closed.

All payments provided for in this Lease shall be made in immediately available funds.

Lessee agrees that it will not take any action or omit to take any action which would result in a delay or hindrance in or prohibition of the orderly flow of rental payments (or the application thereof) as contemplated by this Section 3, and further agrees that if, for any reason

whatsoever, such a delay, hindrance or prohibition should occur or be threatened, Lessee will promptly use its best efforts to eliminate such delay, hindrance or prohibition.

So long as any of the Notes are outstanding, Lessor irrevocably instructs Lessee to make all the payments (other than payments owing to Lessor or Owners pursuant to Sections 6, 10 and 22, which shall be made directly to Lessor or Owners, as the case may be) provided for in this Lease at the principal office of Security Trustee, for the account of Lessor, in care of Security Trustee, with instructions to Security Trustee: first, to apply such payments to satisfy the obligations of Lessor under the Security Agreement known to Security Trustee to be due and payable on the date such payments are due and payable hereunder and, second, so long as no Default or Event of Default under the Security Agreement shall have occurred and be continuing, to pay any balance promptly to Lessor at such place as Lessor shall specify in writing, unless and until Lessor shall otherwise direct Security Trustee in writing. Lessee agrees that no payments shall be made to Lessor or Owners pursuant to Section 6, 10 or 22 unless concurrently therewith or prior thereto Lessee shall pay or there shall have been paid to Security Trustee and the Noteholders all amounts which are then due to Security Trustee and the Noteholders under the provisions of this Lease, including this Section 3; the making of such concurrent payment is of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, Security Trustee or any Noteholder shall be entitled to a decree against Lessee requiring specific performance of the same.

SECTION 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 Sections 7, 8, 11 and 14, shall terminate on January 1, 1992.

Anything herein to the contrary notwithstanding, upon the occurrence and during the continuance of an Event of Default hereunder, all rights of Lessee under this Lease and in and to the Units are subject to the rights of Security Trustee under the Security Agreement.

SECTION 5. Identification Marks. Lessee will cause each Unit to be kept numbered with Lessee's road numbers as set forth in Annex A hereto, or in the case of any Unit not there listed such identifying 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 "Leased from a Bank or Trust Company and subject to a Security Interest recorded with the I.C.C." or

other appropriate words designated by Lessor and/or Security Trustee, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect Lessor's title to and property in such Unit and the rights of Lessor under this Lease and of Security Trustee under the Security Agreement. Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such markings shall have been made thereon and will replace promptly any such markings which may be removed, defaced or destroyed. Lessee will not change the identifying number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with Security Trustee and Lessor and filed, recorded, registered and deposited by Lessee in all public offices where this Lease and the Security Agreement shall have been filed, recorded, registered and deposited and (ii) Lessee shall have furnished Security Trustee and Lessor an opinion of counsel for Lessee with respect thereto satisfactory to Security Trustee and Lessor.

Except as provided in the immediately preceding paragraph, 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; provided, however, that the Units may be lettered with the name or initials or other insignia customarily used by Lessee.

SECTION 6. Taxes. All payments to be made by Lessee hereunder will be free of expense to Lessor, Owners, Security Trustee and the Noteholders (including their respective successors, assigns, agents and servants), and Lessee shall pay and shall indemnify and hold harmless Lessor, Owners, Security Trustee, the Noteholders (including their respective successors, assigns, agents and servants) and the Trust Estate (as defined in the Security Agreement) from and against all collection charges, all license and registration fees and all taxes, including, without limitation, income, sales, use, personal property, stamp, interest equalization, withholding and other taxes, levies, imposts, duties, charges or withholdings of any nature, together with any penalties, fines or interest thereon (all such collection charges, fees, taxes, levies, imposts, duties, charges, withholdings, penalties, fines and interest being hereinafter called collectively "Impositions"), imposed against Lessor, Owners, Security Trustee, the Noteholders (including their respective successors, assigns, agents and servants), the Trust Estate, Lessee or any Unit by any federal, state or local government or taxing authority of or in the United States of America, or by any taxing authority or governmental subdivision of a foreign country, upon or with respect to any Unit, or upon the purchase, ownership, delivery, leasing, possession, use, operation, sale, return or other disposition thereof, or upon the rentals, receipts or earnings arising therefrom, or

upon the proceeds received with respect thereto, or upon or with respect to this Lease, the Participation Agreement, the Trust Agreement, the Hulk Purchase Agreement, the Reconstruction Agreement, the Security Agreement or the issuance of the Notes (or any amendment, consent, waiver or modification of any thereof); excluding, however:

(i) United States federal income tax payable by Lessor in consequence of the receipt of payments provided for herein and, to the extent that Lessor receives credit therefor against its United States federal income tax liability, any foreign income tax, and 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 Lessor has its principal place of business without apportionment to any other state and any state franchise tax, except any such tax which is in substitution for or relieves Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided;

(ii) any taxes on or measured by any fees or other compensation received by Lessor or Security Trustee for services rendered in connection with the transactions contemplated hereby; or

(iii) any taxes, fees or other charges on or with respect to the ownership or transfer of the Notes or the revenues, receipts or earnings therefrom for which any Noteholder is liable;

except that Lessee need not pay any Imposition to the extent that and while it is being contested by Lessee in good faith and by appropriate proceedings and so long as such proceedings or the nonpayment of such Imposition does not, in the reasonable opinion of Lessor and Security Trustee, involve (A) any danger of the sale, forfeiture or loss of any Unit or any interest therein, (B) any material adverse change in the title, property or rights of Lessor in or to the Units or hereunder or of Security Trustee under the Security Agreement, (C) any assessment or penalty against any party which is indemnified by this Section 6, (D) any interference with the due payment by Lessee of rentals hereunder or the application of such rentals under the Security Agreement or (E) any danger of criminal or other liability for which no indemnification is provided hereunder being imposed against Lessor, Security Trustee or the agents or servants of either of them. If any Imposition shall have been charged or levied against Lessor, Owners, Security Trustee or the Noteholders (including their respective successors, assigns,

agents and servants) directly and paid by such person, Lessee shall reimburse such person, plus interest at the rate of 10.125% per annum (computed on the basis of a 360-day year of twelve 30-day months) from the date of payment to the date of reimbursement, upon presentation of an invoice therefor. Lessee further agrees that it will promptly pay to Lessor, each Owner, Security Trustee, the Noteholders (including their respective successors, assigns, agents and servants) or the Trust Estate, as the case may be, an amount which, after deduction of any taxes required to be paid by such person in respect of the receipt thereof, shall be equal to any additional tax payable by such person attributable to the inclusion in such person's income of any payment or reimbursement made or payable by Lessee under this Section 6; provided, however, that such payment shall be reduced by an amount equal to any reduction in taxes resulting from the deduction by such person of the liability or payments with respect to which such payment or reimbursement is made or paid by Lessee.

All amounts payable by Lessee pursuant to this Section 6 shall, subject in any event to the last sentence in Section 3, be payable, to the extent not theretofore paid, on written demand by the party entitled to indemnification; and all the indemnities contained in this Section 6 shall continue in full force and effect notwithstanding the expiration or other termination of this Lease and are expressly made for the benefit of, and shall be enforceable by, Lessor, each Owner, Security Trustee and the Noteholders.

In the event that Lessor shall become obligated to make any payment to Security Trustee or otherwise pursuant to any correlative provision of the Security Agreement not covered by the foregoing paragraphs of this Section 6, Lessee shall pay such additional amounts (which shall also be deemed Impositions hereunder) to Lessor as will enable Lessor to fulfill completely its obligations pursuant to such provision.

In the event any reports with respect to Impositions are required to be made, Lessee will either make such reports in such manner as to show the ownership of Lessor and security interest of Security Trustee in the Units or notify Lessor and Security Trustee of such requirement and make such reports in such manner as shall be satisfactory to Lessor and Security Trustee.

In the event Lessee may be prohibited by law or is impaired from contesting in its own name any Imposition covered by this Section 6 in respect of which Lessee would otherwise be required to make payments to Lessor pursuant hereto, Lessor shall, upon request and at the expense of Lessee, take all legal and other appropriate action reasonably requested by Lessee to contest such Imposition. Lessor

shall not be obligated to take any such legal or other appropriate action unless Lessee shall first have indemnified Lessor for all liabilities and expenses which may be entailed therein. Further, Lessee shall indemnify and hold 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 Lessor or Lessee under this Section 6. Lessee shall be entitled to any refund received by Lessor or Lessee in respect of any Imposition paid by Lessee, provided no Event of Default or other event (hereinafter called a "Default") which, with notice, demand and/or lapse of time, would constitute such an Event of Default shall have occurred and be continuing.

SECTION 7. Payment for Casualty Occurrences; Insurance. In the event that any Unit or Units shall become worn out, lost, stolen, destroyed, irreparably damaged from any cause whatsoever or otherwise rendered permanently unfit for use, or shall be taken or requisitioned by condemnation or otherwise, except any requisition which by its express terms is for a period less than the term of this Lease (such occurrences being hereinafter called "Casualty Occurrences"), during the term of this Lease (including any extended term), Lessee shall promptly and fully notify Lessor and Security Trustee with respect thereto. Lessee shall bear the risk of any Casualty Occurrence to any Unit. When any Unit or Units shall have suffered a Casualty Occurrence, on the rental payment date next succeeding, Lessee shall (i) pay to Lessor an amount equal to the rental payment or payments in respect of such Unit or Units due and payable on such date, plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit or Units as of the date of such payment in accordance with the schedule set out below and (ii) deliver to Lessor and Security Trustee a certificate signed by its President or any Vice President setting forth the portion of such Casualty Value which shall equal the "Unamoritized Debt Commitment" (as defined in the Security Agreement) of such Unit or Units. Upon (but not prior to) the making of such payment by Lessee in respect of any Unit or Units, the rental for such Unit or Units shall thereafter cease, the term of this Lease as to such Unit or Units shall terminate and Lessor shall be entitled to recover possession of such Unit or Units. Lessor hereby appoints Lessee as its agent to dispose of any Unit or Units suffering a Casualty Occurrence for which the Casualty Value is to be paid at the best price obtainable on an "as is, where is" basis. If Lessee shall have previously paid the Casualty Value to Lessor, Lessee shall be entitled to the net proceeds of such disposition to the extent that such proceeds do not exceed the Casualty Value of such Unit or Units, and shall pay any excess to Lessor.

Subject to adjustment pursuant to the provisions of Section 22, the Casualty Value of each Unit as of the rental payment date on which payment is to be made as aforesaid shall be that percentage of the Total Cost of such Unit as is set forth in the following schedule opposite such date:

Rental Payment Date	%*	%**	Rental Payment Date	%*	%**
7/1/79	104.7293%	104.8518%	1/1/86	80.6269%	83.2080%
1/1/80	104.7293%	104.8518%	7/1/86	72.2538%	79.5727%
7/1/80	104.7948%	105.3173%	1/1/87	68.4401%	70.8788%
1/1/81	104.5522%	105.4262%	7/1/87	64.4015%	66.7220%
7/1/81	104.0622%	105.2502%	1/1/88	60.1738%	62.3466%
1/1/82	103.3299%	104.7956%	7/1/88	55.7485%	57.7448%
7/1/82	97.5962%	104.1014%	1/1/89	51.1551%	52.9452%
1/1/83	96.4306%	98.3561%	7/1/89	46.3835%	47.9348%
7/1/83	95.0686%	97.1776%	1/1/90	41.4588%	42.7509%
1/1/84	93.5012%	95.7617%	7/1/90	36.3692%	37.3753%
7/1/84	86.9577%	94.1343%	1/1/91	31.1588%	31.8544%
1/1/85	85.0190%	87.4962%	7/1/91	25.8132%	26.1737%
7/1/85	82.9086%	85.4521%	1/1/92	20.0000%	20.0000%

* If Closing Date occurs before August 1, 1979
** If Closing Date occurs after July 31, 1979

Except as hereinabove in this Section 7 and in Section 8 provided, Lessee shall not be released from its obligations hereunder in the event of any Casualty Occurrence to any Unit.

Lessee will, at all times prior to the return of the Units to 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 Lessee in respect of similar equipment owned by it. Lessee shall cause each insurance policy obtained in satisfaction of the requirements of the preceding sentence to:

(i) name Lessor, as owner of the Units, and Security Trustee as additional insureds as their respective interests may appear; and

(ii) provide that if any premium or installment thereof is not paid when due, or if such policy would lapse or be cancelled, terminated or materially changed for any reason whatsoever, the insurer will promptly notify Lessor and Security Trustee in writing and any such lapse, cancellation, termination or change shall not be effective as to Lessor or Security Trustee for 30 days after receipt of such notice.

Lessee shall deliver to Lessor and Security Trustee copies of each such insurance policy (or a certificate of insurance relating thereto) on or before the Closing Date (as defined in the Reconstruction Agreement) with respect to the Units then being settled for (or a letter from Lessee's insurance broker confirming that direction has been given to Lessee's insurance carriers to make any changes in its insurance policies required hereby, with copies of confirmations from such carriers as soon as available) and copies of each renewal policy (or a certificate or other evidence of insurance relating thereto) prior to the expiration of the original policy or preceding renewal policy, as the case may be, and Lessee shall notify Lessor and Security Trustee in writing of the status of such insurance 30 days prior to the expiration thereof in the event Lessee has not then delivered to Lessor and Security Trustee a renewal policy, or a certificate or other evidence of insurance relating thereto; and Lessee shall deliver to Lessor and Security Trustee receipts or other evidence that the premiums on all such policies have been paid.

Any net insurance proceeds resulting from insurance carried by Lessee or condemnation payments received by Lessor or Security Trustee in respect of any Unit suffering a Casualty Occurrence shall be deducted from the amount payable by Lessee to Lessor in respect of such Casualty Occurrence pursuant to this Section 7. If Lessor or Security Trustee shall receive any such net insurance proceeds or condemnation payments after Lessee shall have made payments pursuant to this Section 7 without deduction for such net insurance proceeds or such condemnation payments, Lessor or Security Trustee, as the case may be, shall pay such net insurance proceeds or condemnation payments to Lessee up to the amount of such payments made by Lessee (but not in excess of the Casualty Value with respect to such Unit) unless an Event of Default or Default shall have occurred and be continuing, in which case the amount otherwise payable to Lessee may be retained by Lessor or Security Trustee and applied to discharge the liabilities of Lessee under Section 11. The balance of such net insurance proceeds or condemnation payments shall remain the property of Lessor. All net insurance proceeds received by Lessor, Security Trustee or Lessee with respect to a Unit not suffering a Casualty Occurrence shall be applied in payment of the cost of repairing the damage to such Unit, but no such proceeds

shall be paid to Lessee until Lessor and Security Trustee shall have received a certificate signed by an authorized officer of Lessee to the effect that such damage has been fully repaired; and any balance remaining after the completion of such repairs shall be paid to Lessee unless an Event of Default or Default shall have occurred and be continuing, in which case the amount otherwise payable to Lessee may be retained by Lessor or Security Trustee and applied to discharge the liabilities of Lessee under Section 11. Any condemnation payments received with respect to a Unit not suffering a Casualty Occurrence shall be the property of Lessor.

Nothing in this Section 7 shall prohibit Lessor from placing any insurance Lessor desires, at Lessor's expense, on or with respect to the Units or the operation thereof unless such insurance would conflict with or otherwise vitiate insurance that is required to be carried by Lessee pursuant to this Section 7.

SECTION 8. Voluntary Termination. Unless an Event of Default or Default shall have occurred and be continuing hereunder, Lessee shall be entitled, at its option, upon at least 180 (but not more than 270) days' prior written notice to Lessor and Security Trustee, to terminate this Lease during the original term hereof if Lessee shall have made a good faith determination that all (but not less than all) of the Units have become obsolete or can no longer be used economically in Lessee's operations (hereinafter called a "Termination Occurrence"), which notice shall be accompanied by a certified copy of resolutions adopted by the Board of Directors of Lessee making such determination and a written statement of the President or a Vice President of Lessee setting forth a summary of the basis for such determination; provided, however, that such termination shall become effective only on a rental payment date (hereinafter in this Section 8 called the "Termination Date"); and provided further, that such termination shall not take effect unless Lessee shall have fully complied with the succeeding paragraphs of this Section 8. Lessor and Lessee agree that the Units shall not be considered obsolete or no longer economically useful if Lessee shall enter into any arrangement with any person whereby the Units shall be sold and, as a part of the same transaction or series of related transactions, Lessee or any affiliate (as hereinafter defined) of Lessee shall then or thereafter lease or rent or otherwise acquire the right to possession or use of the Units, or any part thereof, or any similar railroad locomotives; provided, however, that the occasional leasing from time to time of less than 10 railroad locomotives of the same types as the Units shall not be deemed to prevent the Units from being considered obsolete or no longer economically useful.

During the period from the giving of such notice to the Termination Date, Lessee, as agent for Lessor, shall use its best efforts to obtain bids for the purchase of all the Units on an "as is, where is" basis, and Lessee shall certify to Lessor in writing the amount of each bid received and and the name and address of the person (who shall not be Lessee or any person, firm or corporation affiliated with Lessee) submitting such bid. An "affiliate" of Lessee shall mean any person which possesses, directly or indirectly, the right to vote at least 20% of the voting securities of Lessee, and any person which, directly or indirectly, controls or is controlled by or is under common control with Lessee, and "control" (including "controlled by" and "under common control with"), as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or control the direction of the management and policies of such person, whether through the ownership of voting securities, by contract or otherwise. On the Termination Date, Lessor shall, without recourse or warranty (including, but not limited to, warranties relating to title), sell all the Units for cash to whomsoever shall have submitted the highest bid therefor (including any Owner) prior to the Termination Date, and thereupon Lessee shall cause to be delivered the Units to Lessor in accordance with the terms of Section 15. If the sale of all the Units shall not occur on the Termination Date, Lessee shall not cause such delivery of the Units to Lessor; and this Lease shall continue in full force and effect. Lessor shall be under no duty to (but may) solicit bids, to inquire into the efforts of Lessee to obtain bids or otherwise to take any action in connection with any such sale other than as expressly provided in this Section 8.

The total sale price realized at any such sale of the Units shall be retained by Lessor and, concurrently therewith, Lessee shall pay to Lessor the excess, if any, of (i) the Termination Value (as hereinafter defined) of the Units computed as of the Termination Date over (ii) the proceeds of such sale less all expenses incurred by Lessor in connection with such sale or with the collection or distribution of such payment. Lessee shall also be obligated to pay Lessor (x) any and all rentals and other sums due hereunder with respect to the Units up to and including the Termination Date and (y) the prepayment premium payable by Lessor pursuant to Section 5.02 of the Security Agreement. In the event of such sale and compliance by Lessee with all the provisions of this Secton 8, the obligations of Lessee to pay rental hereunder on all rental payment dates occurring after the Termination Date shall terminate.

Subject to adjustment pursuant to the provisions of Section 22, the Termination Value of each Unit as of the Termination Date on which payment is to be made as aforesaid shall be that percentage of the Total Cost of such Unit as is set forth in the following schedule opposite such date:

Term. Date	%*	%**	Term. Date	%*	%**
7/1/80	103.2266%	103.7491%	7/1/86	69.3822%	76.7010%
1/1/81	102.9029%	103.7769%	1/1/87	65.4200%	67.8586%
7/1/81	102.3276%	103.5156%	7/1/87	61.2252%	63.5456%
1/1/82	101.5056%	102.9713%	1/1/88	56.8332%	59.0060%
7/1/82	95.6776%	102.1828%	7/1/88	52.2352%	54.2315%
1/1/83	94.4128%	96.3383%	1/1/89	47.4602%	49.2503%
7/1/83	92.9465%	95.0554%	7/1/89	42.4976%	44.0489%
1/1/84	91.2694%	93.5299%	1/1/90	37.3719%	38.6640%
7/1/84	84.6104%	91.7870%	7/1/90	32.0710%	33.0771%
1/1/85	82.5503%	85.0276%	1/1/91	26.6384%	27.3340%
7/1/85	80.3123%	82.8559%	7/1/91	21.0590%	21.4195%
1/1/86	77.8964%	80.4775%	1/1/92	0%	0%

* If Closing Date occurs before August 1, 1979
** If Closing Date occurs after July 31, 1979

SECTION 9. Reports. On or before April 30 in each year, commencing with the year 1980, Lessee will furnish to Lessor, each Owner and Security Trustee an accurate statement (a) setting forth as of the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the Security Agreement, the amount, description and numbers of all Units that have suffered a Casualty Occurrence or are then undergoing repairs (other than running repairs) or have been withdrawn from use pending repairs (other than running repairs) during the preceding calendar year and such other information regarding the condition and state of repair of the Units as Lessor or Security Trustee may reasonably request and (b) stating that, in the case of all Units repaired or repainted during the period covered by such statement, the numbers and markings required by Section 5 and the Security Agreement have been preserved or replaced. Lessor and Security Trustee shall have the right, by their respective agents, to inspect the Units and Lessee's records with respect thereto at such reasonable times as Lessor or Security Trustee, as the case may be, may request during the term of this Lease.

SECTION 10. Disclaimer of Warranties; Compliance with Laws and Rules; Maintenance; Indemnification. LESSOR LEASES THE UNITS, AS IS, IN WHATEVER CONDITION THEY MAY BE, WITHOUT ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, BY LESSOR OR ANY OWNER, EACH EXPRESSLY DISCLAIMING ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO (A) THE FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY OF ANY OF THE UNITS INCLUDING BUT NOT LIMITED TO THEIR VALUE, CONDITION, DESIGN OR OPERATION, (B) LESSOR'S TITLE THERETO, (C) THE DESIGN OR CONDITION OF, OR THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN,

THE UNITS OR (D) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN LESSOR, OWNERS AND LESSEE, ARE TO BE BORNE BY LESSEE. Lessee's execution of this Lease shall be conclusive evidence as between Lessor, Owners and Lessee that the Units described herein are in all of the foregoing respects satisfactory to Lessee, and Lessee will not assert any claim of any nature whatsoever against Lessor or any Owner based on any of the foregoing matters.

Lessee agrees, for the benefit of Lessor and Security Trustee, to comply in all respects with all laws (including, without limitation, laws with respect to the use, maintenance and operation of each Unit) of the jurisdictions in which operations involving the Units may extend, with the interchange rules of the Association of American Railroads, with all lawful rules of the United States 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 provisions of the insurance policies carried by Lessee pursuant to Section 7; and in the event that such laws, rules or provisions require any alteration, replacement or addition of or to any part of any Unit, Lessee will conform therewith at its own expense; provided, however, that Lessee 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 Lessor or Security Trustee, adversely affect the property or rights of Lessor or Security Trustee under this Lease or under the Security Agreement or create any danger that Lessor, Security Trustee or the agents or servants of either of them will incur criminal or other liability for which no indemnification is provided hereunder.

Lessee shall pay all costs, expenses, fees and charges incurred in connection with the use and operation of the Units. Lessee, at its own cost and expense, shall maintain and service, or cause to be maintained and serviced, each of the Units so as to keep it in the same operating condition, order, repair and appearance as it was when it first became subject to this Lease, ordinary wear and tear excepted; and at all times during the term hereof such Unit shall be suitable for use in interchange. Lessee, at its own cost and expense and within a reasonable period of time, shall also replace all parts of any Unit that may have become worn out, lost, stolen, confiscated, destroyed or otherwise rendered permanently unfit for use with appropriate replacement parts, which shall be free and clear from any mortgage, lien, charge or encumbrance (except for those created by the Security Agreement and this Lease). Notwithstanding any sublease of units pursuant to Section 13, Lessee shall continue to perform all maintenance and repairs thereon as required hereby (other than minor maintenance or running repairs, which may be performed by the sublessee).

Lessee, at its own cost and expense, may at its option furnish additions, modifications and improvements to the Units during the term of this Lease if the same are readily removable without causing material damage to the Units. All such additions, modifications and improvements shall remain the property of Lessee, but shall be subject to the lien of the Security Agreement and the rights of Security Trustee and the Noteholders thereunder; provided, however, that upon the occurrence of an Event of Default all such additions, modifications and improvements shall constitute accessions to the Units and ownership thereof shall immediately vest in Lessor. Lessee shall not, however, without the prior written consent of Lessor, alter any Unit, or affix or install any accessories or devices on any Unit, if the same shall impair the originally intended function or use of such Unit or shall diminish its commercial value. Except as provided in the first sentence of this paragraph, any and all additions to and improvements of any Unit, and any and all parts installed on and additions and replacements made to any Unit, shall constitute accessions to such Unit and ownership thereof, free from any lien, charge, security interest or encumbrance (except for those created by the Security Agreement or this Lease), shall immediately be vested in Lessor.

Lessee agrees to indemnify, protect and hold harmless Lessor, each Owner, Security Trustee, the Noteholders (including their respective successors, assigns, agents and servants) and the Trust Estate from and against all losses, damages, injuries, liabilities, claims (including claims for negligence or 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 a result of (i) the entering into or the performance of the Participation Agreement, the Trust Agreement, the Hulk Purchase Agreement, the Reconstruction Agreement, the Security Agreement or this Lease, or any amendment, consent, waiver or modification of any thereof, the ownership of any Unit, the ordering, reconstruction, acquisition, use, operation, condition (whether defects are latent or discoverable by Lessor or Lessee), maintenance, repair, improvement, purchase, delivery, rejection, lease, storage or return of any Unit or any accident in connection with the operation, use, condition, possession, storage, sale or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in Section 15, (ii) any loss or damage to the Units, ordinary wear and tear excepted, (iii) any act or omission of Lessee when acting as agent or attorney-in-fact for Lessor hereunder, (iv) any failure of Lessee to comply with the terms of this Lease or (v) any

claims for patent infringement. Without limiting the generality of this Section 10 or Section 6, Lessee further agrees to indemnify, protect and hold harmless each Owner, and its respective successors, assigns, agents, servants and legal representatives, from and against all losses, damages, liabilities, claims, taxes, penalties, expenses, costs, disbursements, actions, suits and other obligations, including legal fees and disbursements, of any kind or nature whatsoever which may be imposed or asserted against such Owner under the Trust Agreement. The indemnities arising under this paragraph are expressly made for the benefit of, and shall be enforceable by, Lessor, each Owner, Security Trustee, the Noteholders (including their respective successors, assigns, agents and servants) and the Trust Estate and shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the termination of this Lease; provided, however, that all payments by Lessee pursuant to this Section 10 shall be subject in any event to the last sentence in Section 3.

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

SECTION 11. Default. If during the continuance of this Lease one or more of the following events (each such event being hereinafter sometimes called an "Event of Default") shall occur:

(A) default shall be made in payment of any part of the rent provided in Section 3;

(B) Lessee shall make or permit any unauthorized assignment or transfer of this Lease or of possession of the Units, or any thereof, or shall fail to maintain insurance in accordance with Section 7;

(C) default shall be made in the observance or performance of any other covenants, conditions and agreements on the part of Lessee contained herein (including, without limitation, in Section 22), and such default shall continue for 30 days after written notice from Lessor to Lessee specifying such default and demanding that the same be remedied;

(D) any proceedings shall be commenced by or against Lessee for any relief under any bankruptcy

or insolvency law, or any law relating to the relief of debtors, readjustment of indebtedness, reorganization, arrangement, composition or extension, and, if such proceedings have been commenced against Lessee, (i) such proceedings shall not 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) within 60 days after such proceedings shall have been commenced or (ii) all the obligations of Lessee under this 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 (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, or Lessee shall make a general assignment for the benefit of creditors or shall admit in writing its inability to pay its debts generally as they become due;

(E) any representation or warranty made by Lessee in the Participation Agreement, the Hulk Purchase Agreement, the Reconstruction Agreement or this Lease (except in Section 22), or any certificate or other document delivered by Lessee pursuant thereto, shall be false or misleading in any material respect as of the date made;

(F) default shall be made in the observance or performance of any covenant, condition or agreement on the part of Lessee contained in the Participation Agreement, the Hulk Purchase Agreement or the Reconstruction Agreement, and such default shall continue for 30 days after written notice from Lessor to Lessee specifying such default and demanding that the same be remedied; or

(G) final judgment for the payment of money in excess of $250,000 shall be rendered against Lessee and the same shall remain unsatisfied for a period of 30 days during which execution shall not be effectively stayed unless there shall not be an Event of Default under item (D) of this Section 11 solely by reason of clause (ii) thereof;

then, in any such case, Lessor, at its option, may:

(1) proceed by appropriate court action or actions, either at law or in equity, to enforce performance by Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof, including net after-tax losses of federal and state income tax benefits to which Lessor or Owners would otherwise be entitled as a result of owning the Units and leasing the same to Lessee under this Lease; or

(2) by notice in writing to Lessee terminate this Lease, whereupon all rights of Lessee to the possession and use of the Units shall absolutely cease and terminate as though this Lease had never been made, but Lessee shall remain liable as hereinafter provided; and thereupon Lessor may, by its agents, enter upon the premises of Lessee or any other premises where any of the Units may be located and take possession of all or any of such Units and thenceforth hold, possess and enjoy the same free from any right of Lessee, or its successors or assigns, to use the Units for any purposes whatsoever, but Lessor shall, nevertheless, have a right to recover from 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 Lessee (a) as damages for loss of the bargain and not as a penalty, whichever of the following sums, with respect to each Unit then subject to this Lease, Lessor, in its sole discretion, shall specify by written notice to Lessee: (x) an amount equal to the excess, if any, of the Casualty Value for such Unit, computed as of the rental payment date immediately preceding the Event of Default specified in such notice, over the Fair Market Rental (computed as

provided in Section 14) of such Unit for the remainder of the term of this Lease after discounting such Fair Market Rental semi-annually to present value as of such preceding rental payment date at the rate of 10.125% per annum or (y) an amount equal to the excess, if any, of the Casualty Value for such Unit as of such preceding rental payment date over the Fair Market Value (computed as provided in Section 14) of such Unit as of such preceding rental payment date and (b) any damages and expenses, including reasonable attorneys' fees, in addition thereto which Lessor shall have sustained by reason of the breach of any covenant, representation or warranty of this Lease other than for the payment of rental.

It is expressly understood and agreed that upon the occurrence of any default described in clause (A) of the first paragraph of this Section 11, and prior to the time that this Lease is terminated by Security Trustee or the maturity of the Notes is accelerated pursuant to Section 8.03 of the Security Agreement, either Lessor or any Owner may make such payment as will cure such default, and the amount of all payments by Lessor or Owners on behalf of Lessee, plus the amount of all reasonable expenses incurred in connection therewith, together with interest thereon at 11.125% per annum, but not to exceed the maximum rate permitted by law, from the date of expenditure to the date of reimbursement, shall constitute additional rental payable hereunder by Lessee to Lessor on demand; provided, however, such option of Lessor or Owners shall be limited to three cures, no more than two of which may be in respect of two consecutive rental payment dates.

The remedies in this lease provided in favor of Lessor shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity. 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 permitted by law. Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make rental payments regardless of any offset or claim which may be asserted by Lessee or on its behalf.

The failure of Lessor to exercise any of 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.

The foregoing provisions of this Section 11 are subject in all respects to all mandatory requirements of law at the time in force and applicable thereto.

SECTION 12. Return of Units upon Default. If this Lease shall terminate pursuant to Section 11, Lessee shall forthwith deliver possession of the Units to Lessor and shall:

(a) forthwith place such Units upon such storage tracks as Lessor reasonably may designate until such Units have been sold, leased or otherwise disposed of by Lessor; and

(b) cause the same to be delivered to any carrier for shipment directed by Lessor.

The Units shall be returned in the condition in which they are required to be maintained by Lessee under Section 10, shall be maintained, or caused to be maintained, by Lessee, at its own cost and expense, in such condition during the period of storage provided for in this Section 12 and shall be insured by Lessee, at its own cost and expense, during such period of storage in accordance with Section 7; and at the time of such return and during such period of storage shall be kept free and clear of all liens, charges, security interests and encumbrances in accordance with Section 13. The assembling, delivery, storage and transporting of the Units as in this Section 12 provided shall be at the expense and risk of Lessee and are of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, Lessor shall be entitled to a decree against Lessee requiring specific performance of the same. During any storage period, Lessee will permit Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same.

Without in any way limiting the obligations of Lessee under the foregoing provisions of this Section 12, Lessee hereby irrevocably appoints Lessor as the agent and attorney of Lessee, with full power and authority, at any time while Lessee is obligated to deliver possession of any Unit to Lessor, to demand and take possession of such Unit in the name and on behalf of Lessee from whomsoever shall be in possession of such Unit at the time.

SECTION 13. Assignment; Possession and Use; Liens. Lessor, or any assignee of Lessor, may at any time, without notice to or consent by Lessee, sell, assign, transfer, mortgage or otherwise encumber its interest under this Lease or in the Units, subject to the terms of this Lease and the rights of Lessee hereunder, and, upon receipt of written

notice of any such assignment, Lessee shall recognize such assignment subject to the rights of Lessee against Lessor hereunder. No assignment or reassignment shall release Lessor from its obligations to Lessee under this Lease. Lessor agrees to deliver to Lessee a copy of each agreement evidencing any such sale, assignment, transfer, mortgage or other encumbrance, or the portion thereof which effects compliance with the provisions of this Section 13, as soon as practicable after the execution and delivery thereof. All the rights of Lessor hereunder (including, but not limited to, the rights under Sections 6, 7, 10 and 22 and the rights to receive the rentals payable under this Lease) shall inure to the benefit of Lessor's assigns (including the partners or any beneficiary of any such assignee if such assignee is a partnership or a trust, respectively), but only to the extent assigned.

Lessee represents and warrants to Lessor that title to each of the Units from time to time subject to this Lease has been validly and effectively transferred to Lessor pursuant to the Hulk Purchase Agreement and the Reconstruction Agreement and that at the time each Unit became to this Lease Lessor had good title thereto, free and clear of all claims, liens, security interests, security titles and other encumbrances of any nature whatsoever (other than the Security Agreement or this Lease). Lessee covenants and agrees that in the event of any breach of the foregoing representation and warranty all payments in respect thereof (and all payments in respect of any related breach under the bills of sale delivered pursuant to the Hulk Purchase Agreement or otherwise with respect to the title to the Units) shall be made directly to the Security Trustee, for the account of Owner Trustee, to be applied in the manner provided in Article IV of the Security Agreement; provided, however that so long as no Default or Event of Default shall have occured and be continuing under the Security Agreement, such payment shall be applied to cure the defect in title in respect of which such payment was made to the Security Trustee. Subject to the terms and conditions of this Lease and the Security Agreement, Lessee shall have the right to the full use and uninterrupted and undisturbed possession of the Units, and so long as no Default or Event of Default hereunder shall have occurred and be continuing, Lessor shall not interfere with or otherwise disturb Lessee's use and enjoyment of any Unit nor do or cause to be done any act which would deprive Lessee of the full use, possession and enjoyment of any Unit; provided, however, that Lessee shall in all events use the Units in a careful and proper manner consistent with the use contemplated by the original manufacturer thereof and solely in the business of Lessee except as expressly permitted below; and provided further that any claim of Lessee against Lessor for breach of this sentence shall be subordinate to the obligations and duties secured by the Security Agreement and the rights of Security Trustee thereunder.

Without the prior written consent of Lessor, Lessee shall not assign or transfer its leasehold interest under this Lease in the Units, or any of them, or sublease the Units, or any of them, or part with possession thereof except to permit the use of the Units upon connecting and other carrier's in the usual interchange of traffic and equipment; provided, however, that (i) this sentence shall not prohibit any transaction permitted by Section 21 or (ii) so long as no Default or Event of Default hereunder shall have occurred and be continuing, Lessee may sublease one or more of the Units for a term of not to exceed six months (which shall not be subject to extension at the option of lessor or lessee thereunder), but Lessee shall not be relieved of any of its obligations hereunder (including, but not limited to, Section 10) by reason of any such sublease and any such sublease shall expressly provide that the rights of sublessee thereunder are subject in all respects to the rights of Lessor and Security Trustee hereunder and under the Security Agreement and that the Units shall not be used contrary to the next paragraph; provided further that this sentence shall not be deemed to prohibit any lien attaching only to the leasehold interest of Lessee under this Lease by reason of the existence of an after-acquired property clause in any mortgage to which Lessee is a party covering substantially all of its railroad properties; and provided further that Lessee shall not sublease any Unit to (i) any person which is at such time a "party in interest", or a "disqualified person", with respect to any "employee benefit plan" the assets of which were used by either Owner or by any Note Purchaser in making its investment in the Total Cost of the Units pursuant to the Participation Agreement or (ii) any "employee benefit plan" with respect to which an Owner or a Note Purchaser is a "party in interest" or a "disqualified person" as all of such terms are defined in the Employee Retirement Income Security Act of 1974, as from time to time amended.

Nothing in this Lease shall be deemed to authorize or permit Lessee to assign or sublease or permit the assignment or sublease of any Unit to service (including, without limitation, the regular operation or maintenance thereof) outside the United States of America.

Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any person which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by Lessor or Security Trustee or resulting from claims against Lessor or Security Trustee unrelated to transactions contemplated by the Participation Agreement) on or with respect to any Unit, including any accession thereto, or the interest of Lessor, Security Trustee or Lessee therein, and will

promptly discharge any such lien, charge, security interest or other encumbrance which arises; provided, however, that Lessee shall not be required to pay or discharge any such claim to the extent that and while it is being contested by Lessee in good faith and by appropriate proceedings and so long as such proceedings or the nonpayment of such claim does not, in the written opinion of counsel satisfactory to Lessor and Security Trustee, involve (i) any danger of the sale, forfeiture or loss of any Unit or any interest therein, (ii) any material adverse change in the title, property or rights of Lessor in or to the Units or hereunder or of Security Trustee under the Security Agreement, (iii) any assessment or penalty against any party which is indemnified by Section 6, (iv) any interference with the due payment by Lessee of rentals hereunder or the application of such rentals under the Security Agreement or (v) any danger of criminal or other liability for which no indemnification is provided hereunder being imposed against Lessor, Security Trustee or the agents or servants of either of them; and provided further that this covenant will not be breached by reason of the existence of liens for taxes, assessments or governmental charges or levies, in each case so long as 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.

SECTION 14. Renewal Options; Right of First Refusal. Provided this Lease has not been earlier terminated and there exists no Default or Event of Default hereunder, Lessee may by written notice delivered to Lessor not less than six months prior to the end of the original term or the extended term of this Lease, as the case may be, elect to extend the term of this Lease in respect of all, but not less than all, of the Units then covered by this Lease for two additional periods, of 18 months each, commencing on the scheduled expiration of the original term or the extended term of this Lease, as the case may be, provided that no such extended term shall extend beyond December 31, 1994. In the event that the term of this Lease is extended pursuant to the preceding sentence, Lessee shall pay rentals at the "Fair Market Rental" (as hereinafter defined) of such Units in semi-annual payments in arrears on January 1 and July 1 in each year of such extended term; and all of the other terms of this Lease shall be applicable during any extended term, except that the Casualty Value of any Unit shall, at any time during any such extended term, be an amount equal to 20% of the Total Cost of such Unit.

For purposes of Section 11, Fair Market Value shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing buyer (other

than a lessee currently in possession or a used equipment dealer) and an informed and willing seller under no compulsion to sell and, in such determination, the value of any additions, modifications and improvements as to which Lessee retains title pursuant to Section 10 shall not be included, but costs of removal from the location of current use shall not be a deduction from such value. Fair Market Rental shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease and, in such determination, the value of the additions, modifications and improvements referred to above shall not be included and costs of removal from the location of current use shall not be a deduction from such value. If, within two months following receipt of the notice required by the preceding paragraph, Lessor and Lessee are unable to agree upon a determination of the Fair Market Rental of the relevant Units, such rental shall be determined in accordance with the foregoing definition by a qualified independent Appraiser. The term "Appraiser" shall mean such independent appraiser as Lessor may select with the approval of Lessee, or, failing such approved selection, a panel of three independent Appraisers, one of whom shall be selected by Lessor, the second by Lessee and the third designated by the first two so selected; and if the appraisers selected by Lessor and Lessee are unable to agree upon such third appraiser, either Lessor or Lessee may apply to any court of competent jurisdiction to select such third appraiser. The Appraiser shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to Lessor and Lessee. The determination so made shall be conclusively binding upon both Lessor and Lessee. The expenses and fees of the Appraiser shall be shared equally by Lessee and Lessor.

Unless this Lease has been earlier terminated or there exists a Default or Event of Default hereunder, Lessor shall not, at any time after the end of the original or any renewal term of this Lease sell, transfer or otherwise dispose of any Unit unless:

(a) Lessor shall have received from a responsible purchaser or purchasers a bona fide offer or offers in writing to purchase in the aggregate all, but not less than all, of the Units;

(b) Lessor shall have given Lessee notice (i) setting forth in detail the identity of such purchaser or purchasers, the proposed purchase price or prices, the proposed date of purchase and all other material terms and conditions of such purchase, including, without limitation, any arrangements for the financing of such purchase

known to Lessor, and (ii) offering to sell such Units to Lessee upon the same terms and conditions as those set forth in such notice; and

(c) Lessee shall not have notified Lessor, within 20 days following receipt of such notice, of its election to purchase such Units upon such terms and conditions.

If Lessee shall not have so elected to purchase such Units, Lessor may sell such Units at a price and upon other terms and conditions no less favorable to Lessor than those specified in such notice.

Upon payment of the purchase price pursuant to the exercise by Lessee of its right of first refusal, Lessor shall, upon request of Lessee, execute and deliver to Lessee, or to Lessee's assignee or nominee, a bill of sale (without representations or warranties except that the Units are free and clear of all liens, charges, security interests and other encumbrances by or in favor of any person claiming by, through or under Lessor other than the liens, charges, security interests and other encumbrances which Lessee is obligated to discharge hereunder) for the Units, and such other documents as may be required to release the Units from the terms and scope of this Lease and to transfer title thereto to Lessee, or such assignee or nominee, in such form as may reasonably be requested by Lessee, all at Lessee's expense.

SECTION 15. Return of Units upon Expiration of Term. As soon as practicable on or after the expiration of the original or any extended term of this Lease in the event the Units are not purchased pursuant to Section 14, Lessee will, at its own cost and expense, at the request of Lessor, deliver the Units to Lessor upon such storage tracks on the lines of railroad operated by Lessee as Lessor may reasonably designate, or, in the absence of such designation, as Lessee may select, and store the Units on such tracks for a period not exceeding 60 days and cause the same to be delivered, at any time within such 60-day period, to any reasonable place on the lines of railroad operated by Lessee or to any connecting carrier as directed by Lessor. The Units shall be returned in the condition in which they are required to be maintained by Lessee under Section 10, shall be maintained, or caused to be maintained, by Lessee, at its own cost and expense, in such condition during the period of storage provided for in this Section 15 and shall be insured by Lessee, at its own cost and expense, during such period of storage in accordance with Section 7; and at the time of such return and during such period of storage shall be kept free and clear of all liens, charges, security interests and encumbrances in accordance with Section 13. The movement and storage of the Units shall be at the expense and risk of Lessee. During any such storage period, Lessor or any

person designated by it, including the authorized representative or representatives of any prospective purchaser of the Units, may inspect the same; provided, however, that Lessee shall not be liable, except in the case of negligence of Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of Lessor or any prospective purchaser, the right of inspection granted under this sentence. The assembling, delivery, storage, maintenance and transporting of the Units as in this Section 15 provided are of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, Lessor shall be entitled to a decree against Lessee requiring specific performance of the same.

If Lessor shall elect to abandon any Unit which has suffered a Casualty Occurrence, it may deliver written notice to such effect to Lessee and Lessee shall thereupon assume and hold Lessor harmless from all liability arising in respect of any responsibility of ownership thereof, from and after receipt of such notice. Lessor shall execute and deliver to Lessee a bill of sale and other documents, as specified in the last paragraph of Section 14, with respect to any Unit so abandoned. Lessee shall have no other liability to Lessor in respect of any Unit abandoned by Lessor after termination of this Lease; provided, however, that this sentence shall not in any way relieve Lessee of its obligations pursuant to Section 7 to make payments equal to the Casualty Value of any Unit experiencing a Casualty Occurrence while this Lease is in effect.

SECTION 16. Recording. Lessee, at its own expense, will cause this Lease and the Security Agreement, and any amendments or supplements hereto or thereto, and any further assignments hereof and thereof, to be filed and recorded in accordance with Section 11303(a) of Title 49, United States Code, and Lessee will effect all other filing, registering, depositing and recording required of Lessor under the Security Agreement and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record (and will re-file, re-register, re-deposit or re-record whenever required) any and all further instruments, including Uniform Commercial Code financing and continuation statements, required by law or reasonably requested by Lessor or Security Trustee for the purposes of perfection and proper protection, to their satisfaction, of Lessor's and Security Trustee's respective interests in the Units, or for the purpose of carrying out the intention of and their respective rights under this Lease and the Security Agreement; and Lessee will promptly furnish to Lessor and Security Trustee evidence of all such filing, registering, depositing and recording and an opinion or opinions of counsel for Lessee with respect thereto satisfactory to Lessor and Security Trustee. This Lease and

the Security Agreement shall be filed and recorded with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

SECTION 17. Removal of Certain Additions, Modifications or Improvements. If title to any additions, modifications or improvements to any Unit or Units shall remain in Lessee at the date of termination of this Lease pursuant to Section 10, Lessee shall, at its cost and expense, prior to the return of such Unit or Units to Lessor hereunder, remove the same without material damage to such Unit or Units.

SECTION 18. Interest on Overdue Rentals. Anything herein to the contrary notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of Lessee promptly to pay interest equal to 11.125% per annum, but not to exceed the maximum rate permitted by law, on the overdue rentals and other obligations for the period of time during which they are overdue. Such interest shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 19. Notices. Any notice hereunder to any of the persons designated below shall be deemed to have been properly served if delivered personally or if mailed, certified mail postage prepaid, at the following specified addresses:

(a) To Lessor, 79 South Main Street, Salt Lake City, Utah 84111, attention: Corporate Trust Department, with a copy to each Owner;

(b) To Lessee, Chicago and North Western Transportation Company, 400 West Madison Street, Chicago, Illinois 60606, attention: Assistant Vice President - Finance;

(c) To First Security Bank of Idaho, N.A., c/o First Security Leasing Company, 79 South Main Street, Salt Lake City, Utah 84111, attention: President;

(d) To First National Bank of Minneapolis, 120 South Sixth Street, Minneapolis, Minnesota 55480, attention: Commercial Leasing Division;

(e) To Security Trustee, 231 South LaSalle Street, Chicago, Illinois 60693, attention: Corporate Trust Department;

or to such other address as may have been furnished in writing by any of the foregoing to the other persons named above.

SECTION 20. Payment of Expenses. Lessee agrees to pay the expenses assumed by it in the Participation Agreement.

SECTION 21. Merger, Consolidation, etc. Nothing herein shall be deemed to prohibit Lessee from consolidating with or merging into any other corporation or leasing, conveying or transferring its properties and assets substantially as an entirety to any person, provided that:

(A) such successor corporation shall expressly assume (where such assumption is not effected by operation of law), by an appropriate instrument executed and delivered to Lessor, in form and substance satisfactory to Lessor and Security Trustee, the due and punctual payment of all rents and other sums and the performance and observance of each and every covenant and agreement of this Lease on the part of Lessee to be paid, performed or observed; and

(B) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing hereunder or under the Security Agreement.

Upon the consummation of any transaction permitted by the immediately preceding paragraph, the successor corporation shall succeed to, and be substituted for, and may exercise every right and power of, Lessee under this Lease with the same effect as if such successor corporation had been named as Lessee herein; provided, however, that no conveyance or transfer referred to in such preceding paragraph shall have the effect of releasing Lessee or any successor corporation which shall theretofore have become such in the manner prescribed in this Section 21 from its obligations under this Lease.

SECTION 22. Income Taxes. (a) 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 Lessee any right, title or interest in the Units except as lessee. In accordance with that intent the Participation Agreement, the Hulk Purchase Agreement, the Reconstruction Agreement, the Security Agreement and this Lease 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) 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 (i) 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 77-10, 1977-1 C.B. 548, for property in Asset Guideline Class No. 00.25, as in effect at the time Lessor becomes the owner of the Units, and (B) with respect to the portion of the Total Cost 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 methods of depreciation when most beneficial to Lessor, as permitted by the Code and regulations at the time Lessor becomes the owner of the Units, and (C) with respect to the portion of the Total Cost of the Units equal to the Hulk Purchase Price, 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 Lessor, as permitted by the Code and regulations thereunder at the time Lessor becomes the owner of the Units; (ii) deductions with respect to interest payable under the Security Agreement pursuant to Section 163 of the Code (hereinafter called the "Interest Deductions"); and (iii) the 10% investment credit with respect to the portion of the Total Cost of the Units equal to the Reconstruction Cost (hereinafter called the "Investment Credit"), pursuant to Section 38 and related sections of the Code.

(b) Basic Indemnity. The Lessee represents, warrants and indemnifies to Lessor that (i) at the time 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 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 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 Lessor; (iii) at the time 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 clauses (i)(A) and (i)(B) of subsection (a) of this Section; (iv) 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) Lessee will maintain sufficient records to verify such use, which records will be furnished

to Lessor within 30 days after receipt of a written demand therefor.

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 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. Lessee agrees to keep and make available for inspection and copying upon demand by Lessor such records as will enable Lessor to determine the extent to which it is entitled to the full benefit of the ADR Deduction, the Interest Deductions 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.

(c) Effect of Indemnities.

(i) Indemnity as to ADR Deduction and Interest Deductions. If (except as a result of the occurrence of any Excluded Event set forth below) 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 the ADR Deduction or the Interest Deductions (hereinafter each called a "Benefit") with respect to all or part of any Unit due to (A) the inaccuracy of any statement in any letter or document furnished to Lessor by Lessee (or any officer, agent or employee thereof), (B) the noncompliance, breach or misrepresentation by Lessee with or of any provision of subsection (a) or (b) of this Section or (C) the use of any Unit by Lessee in such a way as to disqualify it as property eligible for the ADR Deduction, then in any such case of Loss of Benefit, subject to the provision of subsection (e) of this Section, Lessee will pay to Lessor, as Supplemental Rent, an amount which will preserve for Lessor the after-tax rate of return and after-tax cash flow (hereinafter called the "Net Return") that would have been realized by Lessor if such Loss had not occurred; provided, however, that such Net Return shall be determined on the basis that Lessor would

have been treated as the owner of the Unit and would have been entitled to such deductions, credits and other benefits as are provided by tax law (including Regulations and tax rules of the Internal Revenue Service (hereinafter called the "IRS")) in effect from time to time during the term of this Lease to a non-railroad corporate owner of property; and provided further, however, that Lessee's payments of Supplemental Rent shall not at any time exceed the amount necessary to provide Lessor with a net return equal to the Net Return determined on the basis and assumptions used by the Owners in originally evaluating this transaction. Subsequent payments of Supplemental Rent shall be appropriately adjusted (reductions being limited by and subject to the two provisions contained in the last paragraph of subsection (e) of this Section) for each change in tax law (including IRS Regulations and tax rules) affecting such Net Return, as of the effective date of such change.

(ii) Indemnity as to Investment Credit. If (except as a result of any Excluded Event set forth in subsection (d) of this Section), Lessor shall incur a Loss of all or any portion of the Investment Credit (hereinafter also called a Benefit) with respect to all or part of any Unit due to (A) the inaccuracy of any statement in any letter or document furnished to Lessor by Lessee (or any officer, agent or employee thereof), (B) the noncompliance, breach, or misrepresentation by Lessee with or of any provision of subsections (a) or (b) of this Section or (C) the use of any Unit by Lessee in such a way as to disqualify it as section 38 property within the meaning of Section 48(a) of the Code, then in any such case of Loss of Investment Credit, subject to the provisions of subsection (e) of this Section, Lessee shall pay to Lessor, on the first rental payment date following payment of the tax deficiency attributable to the Loss of Investment Credit, as Supplemental Rent, a sum which (after deduction of all taxes required to be paid by Lessor in respect of the receipt of such sum under the laws of any Federal, state or local government or taxing authority in the United States of America, or under the laws of any taxing authority or governmental subdivision of a foreign country) shall be equal to the sum of (1) the amount of the Investment Credit so lost, disallowed, recaptured or which Lessor failed to receive and (2) the amount of any interest (net of actual decrease in Federal income tax caused by any allowable deduction of such interest from

taxable income) or penalties, including any additions to income tax because of underpayment of estimated tax, which may be assessed against Lessor in connection therewith.

(d) Excluded Events. Notwithstanding the provisions of subsection (c) of this Section, there shall be no increase made in rentals nor any payment required to be made by Lessee under this Section if Lessor shall have suffered a Loss with respect to all or any part of any 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 Lessee shall have paid to Lessor the amounts stipulated under Section 7 hereof; or

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

(iii) the failure of Lessor or any Owner 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 Deductions; or

(iv) the failure of Lessor or any Owner 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 Deductions, as applicable; or

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

(vi) the amendment of the Security Agreement without the prior written consent of Lessee; or

(vii) any Loss resulting from a change in the tax status of the trust purported to be created by the Trust Agreement; or

(viii) any participation in the residual value of such Unit at the end of the term of this Lease by any party other than Lessor or an Owner; or

(ix) any Loss of any portion of the ADR Deduction resulting from changes in Lessor's estimated salvage value for tax depreciation purposes.

(e) Contests. Lessor shall promptly, upon its knowledge thereof, give written notice to Lessee of any claim or proceeding in respect of which Lessee would be required to make indemnification payments (as hereinbefore defined). Lessor agrees that if, in the opinion of Lessee's tax counsel (hereinafter called "Counsel") a reasonable basis to contest the disallowance or recapture of all or a portion of the tax Benefits described above exists in respect of which Lessee would be required to make indemnification payments (as hereinbefore defined) to Lessor pursuant hereto, Lessor shall, upon request and at the expense of Lessee, take all such legal or other appropriate action deemed reasonable by Counsel in order to contest such claim, and if Lessor fails to contest, Lessee will not be required to indemnify Lessor for the Loss of tax Benefits as set forth in subsection (c) of this Section; provided, however, that Lessor shall not be obligated to take any such legal or other appropriate action unless Lessee shall first have indemnified Lessor for all expenses which may be entailed therein. If, after notice from Lessor, 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 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 Lessor may, at its option, either 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 Lessor of all or any portion of the tax Benefits with respect to any Unit or may make such tax payment (hereinafter called the "Tax Payment") and thereafter seek a refund. If Lessor contests prior to making such Tax Payment, such indemnification payable hereunder need not be paid by Lessee while such action is pending. In such case, if the Final Determination (as hereinafter defined) shall be adverse to Lessor, the indemnification payable hereunder shall be computed by the Lessor as of the date of such Final Determination and Lessee shall commence payment of indemnities on the date and in the manner and to the extent provided in subsection (c) of this Section and on or before such payment date,

Lessee shall pay to Lessor as an additional payment hereunder an amount equal to all interest and penalty paid by Lessor in respect of such Final Determination. If 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 subsection (c) of this Section and such payments by 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 the date that such Tax Payment is due, Lessee shall pay to Lessor as an additional payment hereunder an amount equal to all interest and penalty paid by Lessor included in such Tax Payment. If Lessor seeks a refund after making such Tax Payment and the Final Determination shall be in favor of Lessor, Lessor shall forthwith upon receipt of refund of amounts previously paid, pay to Lessee an amount consisting of the aggregate of the following: (i) the amount of the increase in rental payments which, under the Final Determination, would not have been payable by Lessee to Lessor pursuant to subsection (c) of this Section and (ii) the amount of interest and/or penalty paid or repaid to Lessor by the taxing jurisdiction. In addition, the rentals for the Units shall, beginning with the next rental payment due, and after receipt by Lessor of such refund, be decreased to such amount or amounts as shall, in the reasonable opinion of Lessor, cause Lessor's Net Return to equal the net return that would have been realized by Lessor if additional income taxes of 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 Lessor under the Security Agreement; provided, further, however, that Lessor shall pay to 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 Lessor on demand any reasonable expense incurred by Lessor in connection with such contest. For purposes of this Section "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.

(f) Changes in Tax Law Prior to Lessor's Ownership. If any amendment to the Code or IRS Regulations and tax rules is enacted or promulgated and made effective with respect to any Unit prior to the time Lessor becomes the owner of such Unit, and such amendment causes a change in the tax benefits contemplated by Owners, then the Basic Rent specified in Section 3 (and the Casualty Value and Termination Value percentages set forth in Sections 7 and 8) shall be increased or decreased as necessary so as to preserve Owners' net after-tax return (computed on the same assumptions as were utilized by Owners in originally evaluating

this transaction) at the same level as if such tax benefits had not been changed; provided, however, the Basic Rent and the Casualty Value and Termination Value percentages shall not be reduced below the amounts required to satisfy the obligations of Lessor under the Security Agreement; provided further, however, that Lessor shall pay to Lessee on the date it receives each of any rental payments or payments in respect of Casualty Value or Termination Value an amount or amounts equal to the difference between the payment that would have been payable but for the limitation specified in the preceding proviso and the payment paid in accordance with this limitation.

(g) Lessee's Additions. (i) In the event and to the extent that the cost of any improvement and/or addition, (hereinafter called "Capital Expenditures") to a Unit made by Lessee, under and pursuant to the terms of this Lease or otherwise, is required to be included in the gross income of Lessor for Federal income tax purposes at any time prior to the time such Unit is disposed of in a taxable transaction, on the next succeeding Basic Rent payment date after the date on which Lessor has paid an increased income tax liability as a result of a Capital Expenditure, Lessee shall pay Lessor such amount, or amounts as shall, in the reasonable opinion of Lessor, after taking into account any present or future tax benefits (determined on the assumption that Lessor will attempt to maximize such benefits) that Lessor reasonably anticipates it will derive from Lessor's additional investment in the Units by reason of said inclusion (including without limitation any current deductions and current and future depreciation deductions), cause Lessor's aftertax rate of return and annual after-tax cash flow (calculated on the same basis as used by Lessor in originally evaluating this transaction) to equal that which would have been realized by Lessor if the cost of such Capital Expenditures had not been includable in Lessor's gross income, which adjustment shall be implemented in manner consistent with subsection (c) of this Section.

(ii) For purposes of this Section, the cost of Capital Expenditures made by Lessee shall be deemed to be "required to be included in the gross income of Lessor for Federal income tax purposes" if such inclusion is required by the IRS, provided Lessee's rights of contest pursuant to subsection (e) of this Section have been exercised.

(iii) It is further agreed that Lessee may claim a deduction for Federal income tax purposes of any cost of Capital Expenditures which are required to be included in the gross income of Lessor for Federal income tax purposes.

(iv) Lessee agrees that, within 30 days after the close of any calendar year (or in the event Lessor gives Lessee written notice that Lessor's taxable year closes on a

date specified therein other than December 31, within 30 days after said date) in which Lessee has made Capital Expenditures which are or may be required to be included in the gross income of Lessor for Federal income tax purposes prior to the time such Unit is disposed of in a taxable transaction, Lessee will exercise reasonable efforts to give written notice thereof to Lessor describing such Capital Expenditures in reasonable detail and specifying the cost thereof with respect to each Unit.

(h) Miscellaneous Provisions. Lessee's and Lessor's agreements and obligations to pay any sums which may become payable pursuant to this Section shall survive the expiration or other termination of this Lease.

Notwithstanding anything to the contrary contained in this Section, all payments by Lessee pursuant to this Section shall be subject to the last sentence in Section 3.

In the event the rental rates shall be increased (or decreased) as hereinbefore provided, the Casualty Values and Termination Values set forth in Sections 7 and 8 shall be adjusted accordingly; provided, however, that such Casualty Values and Termination Values shall not be reduced below the amounts required to satisfy the obligations of Lessor under the Security Agreement; provided further, however, that Lessor shall pay to Lessee on the date it receives each of any payments with respect of a Casualty Occurrence or Termination Occurrence an amount equal to the differences between the Casualty Value or Termination Value, as the case may be, that would have been payable but for the limitation specified in the preceding proviso and the Casualty Value or Termination Value, as the case may be, paid in accordance with this limitation.

For purposes of this Section, whenever the term Lessor is used, it shall include any Owner and any group of affiliated corporations (as defined for federal income tax purposes) of which any Owner is a member, if such group files a consolidated federal income tax return.

SECTION 23. Severability; Effect and Modification of Lease. Any provision of this Lease prohibited or unenforceable by any applicable law of any jurisdiction shall as to such jurisdiction be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby waived by Lessee to the full extent permitted by law, to the end that this Lease shall be enforced as written.

This Lease exclusively and completely states the rights of Lessor and 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 officers of Lessor and of Lessee.

The Table of Contents and all Article and Section headings are inserted for convenience or reference only and shall not affect any construction or interpretation of this Lease. All references herein to Sections, paragraphs, clauses and other subdivisions refer to the designated Sections, paragraphs, clauses and other subdivisions of this Lease; and the words "herein", "hereof", "hereunder" and words of similar import refer to this Lease as a whole and not to any particular Section, paragraph, clause or other subdivision hereof.

SECTION 24. 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 11303(a) of Title 49, United States Code, and such additional rights arising out of the filing, recording, registering or depositing, if any, of this Lease as shall be conferred by the laws of the several jurisdictions in which this Lease shall be filed, recorded, registered or deposited.

SECTION 25. Further Assurances. Lessee agrees that at any time and from time to time, after the execution and delivery of this Lease, it shall, upon reasonable request of Lessor, execute and deliver such further documents, including, but not limited to any instrument required by Section 10 to evidence the first lien of the Security Agreement, and do such further acts and things as Lessor may reasonably request in order fully to effect the purposes of this Lease, including, but not limited to, any and all information necessary to enable Lessor properly to complete and file any and all state or political subdivision thereof income tax returns in connection herewith.

SECTION 26. Modification, Waiver and Consent. Any modification or waiver of any provision of this Lease, or any consent to any departure by Lessee therefrom, shall not be effective in any event unless the same is in writing and signed by Lessor, and then such modification, waiver or consent shall be effective only in the specific instance and for the specific purpose given. Any notice to or demand on Lessee in any event not specifically required of Lessor hereunder shall not entitle Lessee to any other or further notice or demand in the same, similar or other circumstances unless specifically required hereunder.

SECTION 27. Binding Effect. This Lease shall be binding upon and shall inure to the benefit of the respective successors and permitted assigns of Lessee and Lessor.

SECTION 28. Use of Units Beyond Lease Term. If Lessor permits the use of any Unit beyond the term of lease with respect thereto, the obligations of Lessee hereunder shall continue; provided, however, that such permissive use shall not be construed as a renewal of such term of lease nor as a waiver of any right or continuation of any obligation of Lessor hereunder, and Lessor may take possession of such Unit at any time upon demand.

SECTION 29. Limitation of Liability. It is expressly understood and agreed by and between Lessor and Lessee that this Lease is executed by First Security Bank of Utah, N.A., not in its individual capacity but solely as Trustee under the Trust Agreement in the exercise of the power and authority conferred and vested in it as such Trustee (and First Security Bank of Utah, N.A., hereby warrants that it possesses full power and authority to enter into and perform this Lease); it is further understood and agreed that, except as otherwise expressly provided herein or in the Participation Agreement and except in the case of gross negligence or willful misconduct of Lessor for which Lessor alone shall be liable, nothing herein contained shall be construed as creating any liability on First Security Bank of Utah, N.A., in its individual capacity or on Owners to perform any covenant contained herein, all such liability being expressly waived by Lessee; and so far as First Security Bank of Utah, N.A., or any Owner is concerned, Lessee shall look solely to the Estate (as defined in the Trust Agreement) for the performance of the obligations of Lessor herein.

SECTION 30. Rights, Remedies and Powers. Each and every right, remedy and power granted to Lessor hereunder shall not be exclusive but shall be cumulative and in addition to any other right, remedy or power herein specifically granted or now or hereafter existing in equity, at law, by virtue of statute or otherwise and may be exercised by Lessor from time to time concurrently or independently and as often and in such order as Lessor may deem expedient. Any failure or delay on the part of Lessor in exercising any such right, remedy or power, or abandonment or discontinuance of steps to enforce the same, shall not operate as a waiver thereof or affect Lessor's right thereafter to exercise the same, and any single or partial exercise of any such right, remedy or power shall not preclude any other or further exercise thereof or the exercise of any other right, remedy or power. In the event Lessor shall have proceeded to enforce any such right, remedy or power and such proceeding shall have been determined adversely to Lessor, then in such event Lessee and Lessor shall be restored to their former

positions and the rights, remedies and powers of Lessor shall continue as if no such proceeding had been taken.

SECTION 31. Execution. This Lease may be executed in any number of counterparts, but the counterpart delivered to Security Trustee shall be deemed to be the original counterpart. Although this Lease is dated for convenience as of March 15, 1979, 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, each pursuant to due corporate authority, have caused this Lease to be signed in their respective corporate names by duly authorized officers and their respective corporate seals to be hereunto affixed and duly attested, all as of the date first above written.

FIRST SECURITY BANK OF UTAH, N.A.,
not in its individual capacity
but solely as Owner Trustee,
as Lessor

(Corporate Seal)

By _____
Authorized Officer

ATTEST:

_____
Authorized Officer

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY,
as Lessee

(Corporate Seal)

By _____
Vice President

ATTEST:

_____
Assistant Secretary

STATE OF UTAH)
) SS
COUNTY OF SALT LAKE)

On this 23 day of April, 1979, before me personally appeared WILLIAM C. McGREGOR, to me personally known, who, being by me duly sworn, says that he is an authorized officer of First Security Bank of Utah, N.A., that one of the seals 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 By-laws, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said association.

Verna L. DeCora
Notary Public

(Notarial Seal)

My Commission Expires 11-15-81

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 20th day of April, 1979, before me personally appeared J. M. Butler, 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 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.

Janet A. Pellow
Notary Public

(Notarial Seal)

My Commission Expires 8/3/82

10311 A

Annex A to
Lease of Railroad Equipment

DESCRIPTION OF UNITS

Quantity	AAR Mechanical Designation	Description	Lessee's Road Numbers (Both Inclusive)
6	GP-7	1500 H.P. Diesel Electric Locomotives	CNW 4481-4486
4	GP-9	1750 H.P. Diesel Electric Locomotives	CNW 4537-4540