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INTERSTATE COMMERCE COMMISSION

MONTANA-DAKOTA UTILITIES CO.
RAILROAD EQUIPMENT LEASE FINANCING
10-3/4% CONDITIONAL SALE INDEBTEDNESS
DUE JANUARY 15, 1991

CONDITIONAL SALE AGREEMENT

Dated as of October 31, 1975

between

CONTINENTAL ILLINOIS NATIONAL BANK AND
TRUST COMPANY OF CHICAGO, not in its
individual capacity but solely as
trustee under a Trust Agreement
dated as of the date hereof with
International Paper Equipment Leasing
Corporation

and

PULLMAN INCORPORATED
(Pullman Standard Division)

CONDITIONAL SALE AGREEMENT dated as of October 31, 1975, between PULLMAN INCORPORATED (Pullman Standard Division) (hereinafter called the Vendor or Builder as more particularly set forth in Article 1 hereof), and CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, not in its individual capacity but solely as trustee under a Trust Agreement dated as of the date hereof (hereinafter called the Vendee).

WHEREAS the Builder agrees to construct, sell and deliver to the Vendee, and the Vendee agrees to purchase, the railroad equipment described in Annex B hereto (hereinafter called the Equipment); and.

WHEREAS the Vendee is entering into a Lease dated as of the date hereof with PLM-Montana-Dakota, Inc. (hereinafter called the Lessee) in substantially the form annexed hereto as Annex C (hereinafter called the Lease) and the Lessee is entering into a Sublease with Montana-Dakota Utilities Co. (hereinafter called the Sublessee), in substantially the form annexed hereto as Annex C-1 (hereinafter called the Sublease); and

WHEREAS Lincoln National Bank and Trust Company of Fort Wayne (hereinafter sometimes called the Assignee or the Vendor) is acting as agent for the investor pursuant to the Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement), among the Assignee, the Lessee, the Sublessee, the Vendee, Professional Leasing Management, Inc., International Paper Equipment Leasing Corporation and The Lincoln National Life Insurance Company (hereinafter called the Investor).

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

ARTICLE 1. Assignment; Definitions. The parties hereto contemplate that the Vendee will furnish that portion of the Purchase Price (as hereinafter defined) for the Equipment as is required under subparagraph (a) of the third paragraph of Article 4 hereof and that an amount equal to the balance of such Purchase Price shall be paid to the Builder

by the Assignee pursuant to an Agreement and Assignment dated as of the date hereof between the Builder and the Assignee, as agent (such Agreement and Assignment being hereinafter called the Assignment).

The term "Vendor", whenever used in this Agreement, means, before any assignment of its rights hereunder, the party hereto which has manufactured the Equipment and any successor or successors for the time being to its manufacturing properties and business, and, after any such assignment, both any assignee or assignees for the time being of such particular assigned rights as regards such rights, and also any assignor as regards any rights hereunder that are retained or excluded from any assignment; and the term "Builder", whenever used in this Agreement, means, both before and after any such assignment, the party hereto which has manufactured the Equipment and any successor or successors for the time being to its manufacturing properties and business.

In case of such assignment, the Vendee will assign to the Vendor, as security for the payment and performance of all the Vendee's obligations hereunder, all right, title, and interest of the Vendee in and to the Lease, pursuant to an Assignment of Lease and Agreement in the form of Annex D hereto (hereinafter called the Lease Assignment) and the Lessee shall consent thereto pursuant to a Consent and Agreement in the form attached to Annex D (hereinafter called the Consent) and the Lessee will assign to the Vendee, as security for the Lessee's obligations under the Lease, all right, title and interest of the Vendee and the Lessee in and to the Sublease pursuant to Assignment of Sublease in substantially the form of Annex D-1 hereto (hereinafter called the Sublease Assignment) and the Sublessee shall consent thereto pursuant to the Sublessee Consent and Agreement in the form attached to Annex D-1 hereto (hereinafter called the Sublease Consent), and the Sublease will be reassigned by the Vendee to the Agent, as security for the Vendee's obligations hereunder, pursuant to a Reassignment of Sublease and Agreement in substantially the form of Annex D-II hereto (hereinafter called the Reassignment of Sublease) and the Sublessee shall consent thereto pursuant to the Reassignment of Sublease Consent and Agreement in the form attached to the Reassignment of Sublease (hereinafter called the Reassignment of Sublease Consent).

ARTICLE 2. Construction and Sale. Pursuant to this Agreement, the Builder shall construct the Equipment

at its plant set forth in Annex B hereto, and will sell and deliver to the Vendee, and the Vendee will purchase from the Builder and accept delivery of and pay for (as hereinafter provided), the Equipment, each unit of which shall be constructed in accordance with the specifications referred to in Annex B hereto and in accordance with such modifications thereof as may be agreed upon in writing between the Builder, the Vendee, the Lessee and the Sublessee (which specifications and modifications, if any, are hereinafter called the Specifications). The design, quality and component parts of each unit of the Equipment shall conform, on the date of completion of manufacture thereof, to all Department of Transportation and Interstate Commerce Commission requirements and specifications and to all standards, if any, recommended by the Association of American Railroads reasonably interpreted as being applicable to railroad equipment of the character of such unit, and each such unit (except to the extent, if any, referred to in Annex A hereto) will be new railroad equipment.

ARTICLE 3. Inspection and Delivery. The Builder will deliver the units of the Equipment to the Vendee at the place or places specified in Annex B hereto (or if Annex B does not specify a place or places, at the place or places designated from time to time by the Vendee), freight charges, if any, prepaid, in accordance with the delivery schedule set forth in Annex B hereto; provided, however, that delivery of any unit of the Equipment shall not be made until this Agreement, the Lease and the Sublease have been filed and recorded in accordance with the provisions of Article 18 hereof; and provided, further, that the Builder shall have no obligation to deliver any unit of Equipment hereunder (i) subsequent to the commencement of any proceedings specified in clauses (c) of Article 15 hereof or the occurrence of any event of default (as described in Article 15 hereof), or event which, with the lapse of time and/or demand, could constitute such an event of default or (ii) unless the Builder shall have been notified by the Assignee that the conditions contained in Paragraph 6 of the Participation Agreement have been met and not less than 63% of the Purchase Price (as defined in Article 4 hereof) of the units to be delivered shall have been paid, and the Builder shall have been notified by the Vendee that the conditions contained in Paragraph 7 of the Participation Agreement have been met or waived. The Builder agrees not to deliver any unit of Equipment following receipt of written notice from the Vendee or the Assignee (a) of the commencement of any such proceedings or the occurrence

of any such event, as aforesaid, or (b) that any of the conditions contained in Paragraph 6 or 7 of the Participation Agreement have not been met.

Any Equipment not delivered at the time of receipt by the Builder of the notice specified in the second sentence of the first paragraph of this Article 3 and any Equipment not delivered and accepted hereunder on or prior to December 31, 1975, by reason of failure of the conditions provided for in the next preceding paragraph or causes set forth in the next succeeding paragraph or otherwise shall be excluded from this Agreement and the Vendee shall be relieved of its obligation to purchase and pay for such Equipment. If any Equipment shall be excluded herefrom pursuant to the immediately preceding sentence, the parties hereto shall execute an agreement supplemental hereto limiting this Agreement to the Equipment not so excluded herefrom. Pursuant to the last paragraph of Paragraph 1 of the Participation Agreement, the Sublessee has agreed to purchase from the Builder such excluded Equipment and any Equipment excluded from this Agreement pursuant to the first paragraph of Article 4 hereof.

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

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

(who may be an employee of the Lessee or the Sublessee) shall execute and deliver to the Builder a certificate of acceptance (hereinafter called the Certificate of Acceptance) stating that such unit or units have been inspected and accepted on behalf of the Vendee and are marked in accordance with Article 9 hereof; provided, however, that the Builder shall not thereby be relieved of its warranty referred to in Article 13 hereof.

On delivery and acceptance of each such unit hereunder at the place specified for delivery, the Builder shall have no further responsibility for, nor bear any risk of, any damage or the destruction or loss of such unit; provided, however, that the Builder shall not thereby be relieved of its warranty referred to in Article 13 hereof.

Notwithstanding the foregoing or any other provision of this Agreement to the contrary, the delivery to and acceptance by or on behalf of the Vendee of any unit of Equipment excluded from this Agreement pursuant to the first paragraph of Article 4 hereof shall be ineffective, ab initio, to create in or transfer to the Vendee any legal or beneficial right or interest in such unit or (except as provided in the first paragraph of Article 4 hereof) to impose on the Vendee any liability, obligation or responsibility with respect thereto; any right or interest in any such unit created in or transferred to or purported to be created in or transferred to, the Vendee shall be held by the Vendee solely as trustee for the benefit of the Sublessee.

ARTICLE 4. Purchase Price and Payment. The base price or prices per unit of the Equipment are set forth in Annex B hereto. Such base price or prices are subject to such increase or decrease as is agreed to by the Builder, the Vendee, the Lessee and the Sublessee. The term "Purchase Price" as used herein shall mean the base price or prices as so increased or decreased as set forth in the Builder's invoice or invoices delivered to the Vendee and, if the Purchase Price is other than the base price or prices set forth in Annex B, the invoice or invoices shall be accompanied by, or have endorsed thereon, the agreement or approval of the Lessee, the Sublessee and the Vendee (such invoice or invoices being hereinafter called the Invoices). If on any Closing Date (as hereinafter defined in this Article) the aggregate Purchase Price of Equipment for which settlement has theretofore been and is then being made under this Agreement would, but for the provisions of this sentence,

exceed the Maximum Purchase Price specified in Item 5 of Annex A hereto (or such higher amount as the Vendee may at its option agree to prior to delivery of any unit or units of equipment that, but for such agreement, would be excluded from this Agreement), the Builder (and any assignee of the Builder) and the Vendee will enter into an agreement excluding from this Agreement such unit or units of Equipment then proposed to be settled for and specified by the Vendee, as will, after giving effect to such exclusion, reduce such aggregate Purchase Price under this Agreement to not more than the Maximum Purchase Price specified in Item 5 of Annex A hereto (or such higher amount as aforesaid) and the Vendee shall take such other steps, including the execution of instruments of transfer, as it may be reasonably requested by the Sublessee for the purpose of acknowledging and perfecting the interest of the Sublessee in any unit of Equipment so excluded from this Agreement, and the Vendee shall have no further obligation or liability in respect of units so excluded.

The Equipment shall be settled for in such number of groups of units of the Equipment delivered to and accepted by the Vendee as is provided in Item 2 of Annex A hereto (each such group being hereinafter called a Group). The term "Closing Date" with respect to any Group shall mean such date or dates (not earlier than November 1, 1975, and not later than January 14, 1976, such later date being herein called the Cut-Off Date), occurring not more than ten business days following presentation by the Builder to the Vendee of the Invoices and of the Certificate or Certificates of Acceptance for the Equipment and written notice thereof by the Builder to the Lessee, as shall be fixed by the Lessee by written notice delivered to the Vendee and the Assignee at least six business days prior to the Closing Date designated therein. The term "business days" as used herein means calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, or Fort Wayne, Indiana, are authorized or obligated to remain closed.

The Vendee hereby acknowledges itself to be indebted to the Vendor in the amount of, and hereby promises to pay in cash to the Vendor at such place as the Vendor may designate, the Purchase Price of the Equipment, as follows:

- (a) on the Closing Date with respect to each Group
 - (i) an amount equal to 37% of the aggregate Purchase Price of such Group plus
 - (ii) the amount, if any, by

which (x) 63% of the Purchase Price of all units of the Equipment covered by this Agreement for which settlement has theretofore and is then being made, as set forth in the Invoice or Invoices therefor (said invoiced prices being herein called the Invoices Purchase Prices), exceeds (y) the Maximum Conditional Sale Indebtedness specified in Item 6 of Annex A and any amount or amounts previously paid or payable with respect to the Invoiced Purchase Prices pursuant to this clause (ii); and

(b) in 30 consecutive semiannual instalments, as hereinafter provided, an amount equal to the aggregate Purchase Price of the units of Equipment for which settlement is then being made, less the aggregate amount paid or payable with respect thereto pursuant to subparagraph (a) of this paragraph.

The portion of the Purchase Price payable pursuant to subparagraph (b) of the preceding paragraph (herein called the Conditional Sale Indebtedness) shall be payable on each January 15 and July 15, commencing July 15, 1976, to and including January 15, 1991 (or if any such date is not a business day, on the next succeeding business day), each such date being hereinafter called a Payment Date. The unpaid balance of the Conditional Sale Indebtedness from time to time outstanding shall bear interest from the Closing Date in respect of which such indebtedness was incurred at the rate of 10-3/4% per annum and shall be payable, to the extent accrued, on January 15, 1976, and on each Payment Date thereafter. The instalments of principal payable on each Payment date shall be calculated so that the aggregate of such instalments of principal will amortize 100% of the Conditional Sale Indebtedness. The Vendor will furnish to the Vendee, the Lessee and the Sublessee promptly after each Closing Date a schedule, in such number of counterparts as shall be requested by the Vendee, showing the respective amounts of principal and interest payable on each Payment Date.

Interest under this Agreement shall be determined on the basis of a 360-day year of twelve 30-day months.

The Vendee will pay, to the extent legally enforceable, interest upon all amounts remaining unpaid after the same shall have become due and payable pursuant to the terms hereof at the rate of 11-3/4% per annum.

All payments provided for in this Agreement shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Except as provided in Article 7 hereof, the Vendee shall not have the privilege of prepaying any portion of the Conditional Sale Indebtedness prior to the date it becomes due.

The obligation of the Vendee to pay to the Vendor the amount required to be paid pursuant to subparagraph (a) of the third paragraph of this Article 4 with respect to any Group shall be subject to the receipt by the Vendee of the documents required to be furnished by the Builder pursuant to Section 4 of the Assignment in respect of such Group.

Notwithstanding any other provision of this Agreement (including, but not limited to, any provision of Articles 15 and 16 hereof), it is understood and agreed by the Vendor that the liability of the Vendee or any assignee of the Vendee for all payments to be made by it under and pursuant to this Agreement, including any liability arising out of or in connection with the performance of its obligations hereunder and excluding only the obligations set forth in the proviso in the third paragraph of Article 12 hereof and the payments to be made pursuant to subparagraph (a) of the third paragraph of this Article, shall not exceed an amount equal to, and shall be payable only out of, the "income and proceeds from the Equipment". In addition, the Vendor agrees that the Vendee (i) makes no representation or warranty, and is not responsible for, the due execution, validity, sufficiency or enforceability of the Lease, the Sublease or this Agreement in so far as it relates to the Lessee or the Sublessee (or any document relative thereto) or of any of the Lessee's or the Sublessee's obligations thereunder and hereunder and (ii) shall not be responsible for the performance or observance by the Lessee or the Sublessee of any of their respective agreements, representations, indemnities, obligations or other undertakings under the Lease, any Sublease, the Lease Assignment or the Sublease Assignment; it being understood that as to all such matters the Vendor will look solely to the Vendor's rights under this Agreement against the Equipment and to the Vendor's rights under the Lease, the Sublease, the Lease Assignment and the Sublease Assignment against the Lessee, the Sublessee and the Equipment. As used herein the term "income and proceeds from the Equipment" shall mean (i) if one of the events of default specified in Article 15 hereof shall have

occurred and while it shall be continuing, so much of the following amounts as are indefeasibly received by the Vendee or any assignee of the Vendee at any time after any such event and during the continuance thereof: (a) all amounts of rental and amounts in respect of Casualty Occurrences (as defined in Article 7 hereof) paid for or with respect to the Equipment pursuant to the Lease or the Sublease and any and all other payments received under § 10 or any other provision of the Lease and under § 10 or any other provision of any Sublease and (b) any and all payments or proceeds received for or with respect to the Equipment as the result of the sale, lease or other disposition thereof, after deducting all costs and expenses of such sale, lease or other disposition, and (ii) at any other time only that portion of the amounts referred to in the foregoing clauses (a) and (b) as are indefeasibly received by the Vendee or any assignee of the Vendee and as shall equal the portion of the Conditional Sale Indebtedness (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon due and payable on the date such amounts were required to be paid pursuant to the Lease or the Sublease or as shall equal any other payments then due and payable under this Agreement; it being understood that "income and proceeds from the Equipment" shall in no event include amounts referred to in the foregoing clauses (a) and (b) received by the Vendee or any assignee of the Vendee prior to the existence of such an event of default which exceeded the amounts required to discharge that portion of the Conditional Sale Indebtedness (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon due and payable on the date on which amounts with respect thereto received by the Vendee or any assignee of the Vendee were required to be paid to it pursuant to the Lease or the Sublease or which exceeded any other payments due and payable under this Agreement at the time such amounts were payable under the Lease or the Sublease. Notwithstanding anything to the contrary contained in Article 15 or 16 hereof, the Vendor agrees that in the event it shall obtain a judgment against the Vendee for an amount in excess of the amounts payable by the Vendee pursuant to the limitations set forth in this paragraph, it will limit its execution of such judgment to amounts payable pursuant to the limitations set forth in this paragraph. Nothing contained herein limiting the liability of the Vendee shall derogate from the right of the Vendor to proceed against the Equipment for the full unpaid Purchase Price of the Equipment and interest thereon and all other payments and obligations

hereunder.

ARTICLE 5. Security Interest in the Equipment.

The Vendor shall and hereby does retain a security interest in the Equipment until the Vendee shall have made all its payments under this Agreement and shall have kept and performed all its agreements herein contained, notwithstanding any provision of this Agreement limiting the liability of the Vendee and notwithstanding the delivery of the Equipment to and the possession and use thereof by the Vendee, the Lessee and the Sublessee as provided in this Agreement, the Lease and the Sublease. Any and all additions to any unit of the Equipment and any and all parts installed on and replacements made to any unit of the Equipment shall constitute accessions to the Equipment and shall be subject to all the terms and conditions of this Agreement and included in the term "Equipment" as used in this Agreement.

Except as otherwise specifically provided in Article 7 hereof, when and only when the Vendor shall have been paid the full indebtedness in respect of the Purchase Price of the Equipment, together with interest and all other payments as herein provided, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee without further transfer or action on the part of the Vendor. However, the Vendor, if so requested by the Vendee at that time, will (a) execute a bill or bills of sale for the Equipment releasing its security interest therein to the Vendee or upon its order, free of all liens, security interests and other encumbrances created or retained hereby and deliver such bill or bills of sale to the Vendee at its address referred to in Article 20 hereof, (b) execute and deliver at the same place, for filing, recording or depositing in all necessary public offices, such instrument or instruments in writing as may be necessary or appropriate in order then to make clear upon the public records the title of the Vendee to the Equipment and (c) pay to the Vendee any money paid to the Vendor pursuant to Article 7 hereof and not theretofore applied as therein provided. The Vendee hereby waives and releases any and all rights, existing or that may be acquired, in or to the payment of any penalty, forfeit or damages for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file any certificate of payment in compliance with any law or statute requiring the filing of the same, except for failure to execute and deliver such bill or bills of sale or instrument or instru-

ments or to file such certificate within a reasonable time after written demand by the Vendee.

ARTICLE 6. Taxes. All payments to be made by the Vendee hereunder will be free of expense to the Vendor for collection or other charges and will be free of expense to the Vendor with respect to the amount of any local, state, federal or foreign taxes (other than gross receipts taxes [except gross receipt taxes in the nature of or in lieu of sales or use or rental taxes], taxes measured by net income, excess profits taxes and similar taxes) or license fees, assessments, charges, fines or penalties hereafter levied or imposed upon or in connection with or measured by this Agreement or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called impositions), all of which such impositions the Vendee assumes and agrees to pay on demand in addition to the Purchase Price of the Equipment. The Vendee will also pay promptly all impositions which may be imposed upon the Equipment delivered to it or for the use or operation thereof or upon the earnings arising therefrom (except as provided above) or upon the Vendor solely by reason of its ownership thereof (except as provided above) and will keep at all times all and every part of the Equipment free and clear of all impositions which might in any way affect the security interest of the Vendor or result in a lien upon any part of the Equipment; provided, however, that the Vendee shall be under no obligation to pay any impositions of any kind so long as it is contesting in good faith and by appropriate legal or administrative proceedings such impositions and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the security interest, property or rights of the Vendor in or to the Equipment or otherwise under this Agreement. If any impositions shall have been charged or levied against the Vendor directly and paid by the Vendor, the Vendee shall reimburse the Vendor upon presentation of an invoice therefor, and any amounts so paid by the Vendor shall be secured by and under this Agreement; provided, however, that the Vendee shall not be obligated to reimburse the Vendor for any impositions so paid unless the Vendor shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for the Vendor) or unless the Vendee shall have approved in writing the payment thereof.

ARTICLE 7. Maintenance; Casualty Occurrences; Insurance. The Vendee shall, at its own cost and expense,

maintain and keep each unit of the Equipment in good operating order, repair and condition.

In the event that (i) any unit of the Equipment shall be or become worn out, lost, stolen, destroyed, or, in the opinion of the Vendee, the Lessee or the Sublessee, irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise by the United States Government for a stated period which shall exceed the then remaining term of this Agreement or for an indefinite period, or by any other governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days or (ii) the Lease shall terminate by reason of the Equipment becoming economically obsolete for use in the Lessee's business as provided in § 7 of the Lease (any of such occurrences specified in Clauses (i) and (ii) being herein called Casualty Occurrences), the Vendee shall, promptly after it shall have determined that such unit has suffered a Casualty Occurrence cause the Vendor to be fully informed in regard thereto. On the next succeeding date for the payment of interest on the Conditional Sale Indebtedness (hereinafter called a Casualty Payment Date), the Vendee shall pay to the Vendor a sum equal to the Casualty Value (as hereinafter defined in this Article) of such unit suffering a Casualty Occurrence as of the date of such payment and shall file, or cause to be filed, with the Vendor a certificate setting forth the Casualty Value of such unit. Any money paid to the Vendor pursuant to this paragraph shall be applied (after the payment of the interest and principal due on such date) to prepay without penalty or premium, ratably in accordance with the unpaid balance of each instalment, the Conditional Sale Indebtedness. The Vendor will promptly furnish to the Vendee, the Lessee and the Sublessee a revised schedule of payments of principal and interest thereafter to be made, in such number of counterparts as each may request. In the event of the requisition for use by the United States Government of any unit of the Equipment for a stated period not in excess of the then remaining term of this Agreement, all of the Vendee's obligations hereunder with respect to such unit shall continue to the same extent as if such requisition had not occurred.

Upon payment by the Vendee to the Vendor of the Casualty Value of any unit of the Equipment having suffered a Casualty Occurrence, absolute right to the possession of, title to and property in such unit shall pass to and vest in the Vendee, without further transfer or action on the part of the Vendor, except that the Vendor, if requested by the

Vendee, will execute and deliver to the Vendee, at the expense of the Vendee, an appropriate instrument confirming such passage to the Vendee of all the Vendor's right, title and interest, and the release of the Vendor's security interest, in such unit, in recordable form, in order that the Vendee may make clear upon the public records the title of the Vendee to such unit.

The Casualty Value of each unit of the Equipment suffering a Casualty Occurrence shall be deemed to be that portion of the original Purchase Price thereof remaining unpaid on the date as of which such Casualty Value shall be determined (without giving effect to any prepayment or prepayments theretofore made under this Article with respect to any other unit), plus interest accrued thereon but unpaid as of such date. For the purpose of this paragraph, each payment of the Purchase Price in respect of Equipment made pursuant to Article 4 hereof shall be deemed to be a payment on each unit of the Equipment in like proportion as the original Purchase Price of such unit bears to the aggregate original Purchase Price of the Equipment.

The Vendee will at all times prior to the payment of the full indebtedness in respect of the Purchase Price of the Equipment, together with interest thereon and all other payments required hereby, at its own expense, cause to be carried and maintained property insurance in respect of the Equipment at the time subject hereto, and public liability insurance, in amounts and against risks customarily insured against by the user in respect of similar equipment owned or leased by it. The proceeds of such insurance shall be payable to the Vendor, the Vendee, the Lessee and the Sublessee as their interests may appear.

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

ARTICLE 8. Reports and Inspections. On or before

March 1 in each year, commencing with the year 1976, the Vendee shall cause to be furnished to the Vendor an accurate statement (a) setting forth as at the preceding December 31 the amount, description and numbers of all units of the Equipment then subject to this Agreement, the amount, description and numbers of all units of the Equipment that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and setting forth such other information regarding the condition and state of repair of the Equipment as the Vendor may reasonably request and (b) stating that, in the case of all Equipment repaired or repainted during the period covered by such statement, the numbers and markings required by Article 9 hereof have been preserved or replaced. The Vendor shall have the right, by its agents, to inspect the Equipment and the Lessee's or the Sublessee's records with respect thereto at such reasonable times as the Vendor may request during the term of this Agreement.

ARTICLE 9. Marking of Equipment. The Vendee will cause each unit of the Equipment to be kept numbered with the road number of the Lessee as set forth in Annex B hereto, or, in the case of Equipment not there listed, such road number as shall be set forth in any amendment or supplement hereto extending this Agreement to cover such Equipment, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each unit, in letters not less than one inch in height, the words "Ownership subject to a Security Agreement filed under the Interstate Commerce Act, Section 20c", or other appropriate words designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Vendor's interest in the Equipment and its rights under this Agreement. The Vendee will not permit any such unit to be placed in operation or exercise any control or dominion over the same until such markings shall have been made thereon and will replace or will cause to be replaced promptly any such markings which may be removed, defaced or destroyed. The Vendee will not permit the identifying number of any unit of the Equipment to be changed except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been filed with the Vendor and filed, recorded and deposited by the Vendee in all public offices where this Agreement shall have been filed, recorded and deposited.

Except as provided in the immediately preceding paragraph, the Vendee will not allow the name of any person, association or corporation to be placed on any unit of the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Equipment may be lettered with the names or initials or other insignia customarily used by the Sublessee or its affiliates.

ARTICLE 10. Compliance with Laws and Rules. During the term of this Agreement, the Vendee will comply, and will cause every lessee or user of the Equipment to comply, in all respects (including, without limitation, with respect to the use, maintenance and operation of the Equipment) with all laws of the jurisdictions in which its or such lessee's or user's operations involving the Equipment may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment, to the extent that such laws and rules affect the title, operation or use of the Equipment, and in the event that such laws or rules require any alteration, replacement or modification of or to any part on any unit of the Equipment, the Vendee will conform therewith at its own expense; provided, however, that the Vendee or the Lessee or the Sublessee may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Vendor, adversely affect the property or rights of the Vendor under this Agreement.

ARTICLE 11. Possession and Use. The Vendee, so long as an event of default shall not have occurred and be continuing under this Agreement, shall be entitled, from and after delivery of the Equipment by the Builder to the Vendee, to the possession and quiet enjoyment of the Equipment and the use thereof, but only upon and subject to all the terms and conditions of this Agreement.

The parties hereto acknowledge that the Vendee simultaneously is leasing the Equipment to the Lessee as provided in the Lease and the Lessee is subleasing the Equipment to the Sublessee as provided in the Sublease, and the rights of the Lessee and its permitted assigns under the Lease, and the rights of the Sublessee and its permitted assigns under the Sublease, shall be subordinated and junior in rank to the rights, and shall be subject to the remedies, of the Vendor

under this Agreement; provided, however, that so long as the Lessee shall not be in default under the Lease (subject to the provisions for curing a default provided in Article 15(e) below), the Lessee shall be entitled to the possession and use of the Equipment, and that so long as the Sublessee shall not be in default under the Sublease (subject to the provisions for curing a default provided in Article 15(e) below), the Sublessee shall be entitled to the possession and use of the Equipment. The Lease and the Sublease shall not be amended or terminated (except in accordance with its terms) without the prior written consent of the Vendor.

The Vendee may also lease the Equipment to any other person, but only with the prior written consent of the Vendor, which consent shall not be unreasonably withheld.

ARTICLE 12. Prohibition Against Liens. The Vendee will pay or discharge any and all sums claimed by any party from, through or under the Vendee or its successors or assigns which, if unpaid, might become a lien, charge or security interest on or with respect to the Equipment, or any unit thereof, or the Vendee's interests in the Lease and the payments to be made thereunder equal or superior to the Vendor's security interest therein, and will promptly discharge any such lien, charge or security interest which arises, but shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the security interest of the Vendor in or to the Equipment or otherwise under this Agreement. Any amounts paid by the Vendor in discharge of liens, charges or security interests upon the Equipment shall be secured by and under this Agreement.

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

The foregoing provisions of this Article 12 shall be subject to the limitations set forth in the last paragraph of Article 4 hereof and the provisions of Article 21 hereof; provided, however, that the Vendee will pay or discharge any and all claims, liens, charges or security interests claimed by any party from, through or under the Vendee or its successors or assigns, not arising out of the transactions contem-

plated hereby (but including tax liens arising out of the receipt of the income and proceeds from the Equipment), equal or superior to the Vendor's interest therein, which, if unpaid, might become a lien, charge or security interest on or with respect to the Equipment, or any Unit thereof, or the Vendee's interest in the Lease or Sublease and the payments to be made thereunder, but the Vendee shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the security interest of the Vendor in or to the Equipment or otherwise under this Agreement or in and to the Lease and the Sublease and the payments to be made thereunder.

ARTICLE 13. Indemnities and Warranties. The Vendee agrees to indemnify, protect and hold harmless the Vendor from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including but not limited to counsel fees and expenses, penalties and interest, arising out of or as the result of the entering into or the performance of this Agreement, the retention by the Vendor of title to or a security interest in the Equipment, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any of the Equipment, any accident, in connection with the operation, use, condition, possession, storage or return of any of the Equipment resulting in damage to property or injury or death to any person during the period when title thereto remains in the Vendor or the transfer of title to the Equipment by the Vendor pursuant to any of the provisions of this Agreement, except, however, in the case of the Builder, any losses, damages, injuries, liabilities, claims and demands whatsoever arising out of any tort, breach of warranty or failure to perform any covenant hereunder by the Builder. This covenant of indemnity shall continue in full force and effect notwithstanding the full payment of the indebtedness in respect of the Purchase Price of, and the release of the security interest in, the Equipment, as provided in Article 5 hereof, or the termination of this Agreement in any manner whatsoever.

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

loss of any unit of or all the Equipment.

The Builder represents and warrants to the Vendee that, at the time of delivery and acceptance of each unit of the Equipment under this Agreement, the Vendee will have good and marketable title to such unit, free and clear of all claims, liens, security interests and other encumbrances of any nature except only the rights of the Vendor under this Agreement, the rights of the Lessee under the Lease and the rights of the Sublessee under the Sublease.

The agreement of the parties relating to the Builder's warranty of material and workmanship and the agreement of the parties relating to patent indemnification are set forth in Items 3 and 4 of Annex A hereto.

ARTICLE 14. Assignments. The Vendee will not (a) except as provided in Article 11 hereof, transfer the right to possession of any unit of the Equipment or (b) sell, assign, transfer or otherwise dispose of its rights under this Agreement without the prior written consent of the Vendor unless such sale, assignment, transfer or disposition is made expressly subject in all respects to the rights and remedies of the Vendor hereunder (including, without limitation, rights and remedies against the Vendee, the Lessee and the Sublessee) to a bank or trust company, with a capital and surplus of not less than \$50,000,000 that is a member of the Federal Deposit Insurance Corporation, and such bank or trust company expressly assumes, in writing, in form satisfactory to the Vendor, all of the obligations of the Vendee hereunder.

All or any of the rights, benefits and advantages of the Vendor under this Agreement, including the right to receive the payments herein provided to be made by the Vendee and the benefits arising from the undertakings of the Lessee hereunder, may be assigned by the Vendor and reassigned by any assignee at any time or from time to time; provided, however, that no such assignment shall be made to the Lessee or Sublessee or their affiliates; and provided, further, that no such assignment shall have a material adverse effect on the rights of the Lessee under the Lease or the Sublessee under the Sublease. No such assignment shall subject any assignee to, or relieve the Builder from, any of the obligations of the Builder to construct and deliver the Equipment in accordance herewith or to respond to its warranties and indemnities referred to in Article 13 hereof, or relieve the Vendee of their respective obligations to the Builder contained in Articles 2, 3, 4, 6, 13 and 18 hereof, Annex

A hereto and this Article 14, or any other obligation which, according to its terms or context, is intended to survive an assignment.

Upon any such assignment, either the assignor or the assignee shall give written notice to the Vendee, the Lessee and the Sublessee, together with a counterpart or copy of such assignment, stating the identity and post office address of the assignee, and such assignee shall, by virtue of such assignment, acquire all the assignor's right, title and interest in and to the Equipment and this Agreement, or in and to a portion thereof, as the case may be, subject only to such reservations as may be contained in such assignment. From and after the receipt by the Vendee of the notification of any such assignment, all payments thereafter to be made by the Vendee under this Agreement shall, to the extent so assigned, be made to the assignee in such manner as it may direct.

The Vendee recognizes that this Agreement will be assigned to the Assignee as provided in the Assignment. The Vendee expressly represents, for the purpose of assurance to any person, firm or corporation considering the acquisition of this Agreement or of all or any of the rights of the Vendor hereunder, and for the purpose of inducing such acquisition, that the rights of the assignee to the entire unpaid indebtedness in respect of the Purchase Price of the Equipment or such part thereof as may be assigned together with interest thereon, as well as any other rights hereunder which may be so assigned, shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever arising out of any breach of any obligation of the Builder with respect to the Equipment or the manufacture, construction, delivery or warranty thereof, or with respect to any indemnity herein contained, nor subject to any defense, setoff, counterclaim or recoupment whatsoever arising by reason of any other indebtedness or liability at any time owing to the Vendee or the Lessee by the Builder. Any and all such obligations, howsoever arising, shall be and remain enforceable by the Vendee or the Lessee, as the case may be, against and only against the Builder.

ARTICLE 15. Defaults. In the event that any one or more of the following events of default shall occur and be continuing, to wit:

- (a) the Vendee shall fail to pay in full any sum payable by the Vendee when payment thereof shall be due

hereunder (irrespective of the provisions of Article 4 or 21 hereof or any other provision of this Agreement limiting the liability of the Vendee) and such default shall continue for ten days after the date such payment is due and payable; or

(b) the Vendee (irrespective of the provisions of Article 4 or 21 hereof or any other provision of this Agreement limiting the liability of the Vendee) or the Sublessee shall, for more than 30 days after the Vendor shall have demanded in writing performance thereof, fail or refuse to comply with any other covenant, agreement, term or provision of this Agreement, or of any agreement entered into concurrently herewith relating to the financing of the Equipment, on its part to be kept and performed, or to make provision satisfactory to the Vendor for such compliance; or

(c) any proceeding shall be commenced by or against the Vendee, the Beneficiary or the Sublessee for any relief which includes, or might result in, any modification of the obligations of the Vendee hereunder or of the Sublessee under the Sublease and the Sublease Consent under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of such obligations), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Vendee under this Agreement, the Beneficiary under the Trust Agreement or of the Sublessee under the Sublease and the Sublease Consent shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Vendee, the Beneficiary or the Sublessee, as the case may be, or for their respective property in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier; or

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

(e) an Event of Default shall have occurred under the Sublease or the Sublease shall for any reason be terminated prior to January 16, 1991, without the consent of the Vendor; provided, however, that such Event of Default under the Sublease shall not be deemed to be an event of default hereunder if the default under the Sublease is the default referred to in either paragraph A or C of § 10 of the Sublease and such default is prevented or cured by the Lessee or the Vendee according to the following procedure: (i) with respect to paragraph A of § 10 of the Sublease, if a payment required by said paragraph A is not received on the date it is due, the Vendor shall give notice of such nonpayment to the Lessee and the Vendee by telegram or telex dispatched on such date whereupon the Lessee shall have the right to make such payment within 7 days of the date on which such payment was due, or, upon failure of the Lessee to so make such payment within said 7 days, the Vendee shall have the right to make such payment within 10 days of the date on which such payment was due; and (ii) with respect to paragraph C of § 10 of the Sublease, the Lessee shall have the right to perform the covenants, conditions or agreements required by such paragraph C within 20 days after the notice referred to in such paragraph, or, upon the failure of the Lessee to so act, the Vendee shall have the right to perform the covenants, conditions or agreements required by such paragraph C within the remaining 10 days allowed by such paragraph; provided, further, however, that (i) the Lessee and the Vendee together shall not have the right to so prevent or cure more than six such defaults, (ii) in the event the Lessee or the Vendee so prevents or cures a default of the Sublessee, the Sublessee shall certify to the Investor in writing on the date such default is prevented or cured by either the Lessee or the Vendee that the Sublessee is properly maintaining the Equipment pursuant to its obligations under the Sublease, (iii) if the

Lessee elects to prevent or cure a default of the Sublessee under the Sublease as provided in this paragraph (e) it shall have no rights by way of subrogation or otherwise with respect to the equipment or the rights of the Investor or the Vendee, and (iv) any additional defaults under either paragraph A or C of § 10 of the Sublease shall constitute events of default hereunder whether or not so remedied.

then at any time after the occurrence of such an event of default the Vendor may, upon written notice to the Vendee, the Lessee and the Sublessee and upon compliance with any legal requirements then in force and applicable to such action by the Vendor, subject to the rights of the Lessee set forth in Article 11 hereof, (i) if an Event of Default shall have occurred under the Lease and such default has not been waived by the Vendee or Vendor or cured pursuant to Article 15 (e) hereof, cause the Lease immediately upon such notice to terminate (and the Vendee acknowledges the right of the Vendor to terminate the Lease), but without affecting the indemnities which by the provisions of the Lease survive its termination, (ii) if an Event of Default shall have occurred under the Sublease and such default has not been waived by the Vendee or Vendor or cured pursuant to Article 15 (e) hereof, cause the Sublease immediately upon such notice to terminate, but without affecting the indemnities which by the provisions of the Sublease survive its termination, and/or (iii) declare (hereinafter called a Declaration of Default) the entire unpaid Conditional Sale Indebtedness, together with the interest thereon then accrued and unpaid, immediately due and payable, without further demand, and thereafter the aggregate of the unpaid balance of such indebtedness and interest shall bear interest from the date of such Declaration of Default at the rate per annum specified in Article 4 hereof as being applicable to amounts remaining unpaid after becoming due and payable, to the extent legally enforceable. Upon a Declaration of Default, subject to Article 4 hereof, the Vendor shall be entitled to recover judgment for the entire unpaid balance of the Conditional Sale Indebtedness so payable, with interest as aforesaid, and to collect such judgment out of any property, wherever situated, of the Vendee, subject to the provisions of Articles 4 and 21 hereof, or the Lessee or the Sublessee. The Vendee, the Lessee or the Sublessee, as the case may be, shall promptly notify the Vendor of any event which has come to its attention which constitutes, or with the giving of notice and/or lapse of time could constitute, an event of default under this Agreement.

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

ARTICLE 16. Remedies. At any time during the continuance of a Declaration of Default, the Vendor may, and upon such further notice, if any, as may be required for compliance with any mandatory legal requirements then in force and applicable to the action to be taken by the Vendor, take or cause to be taken, by its agent or agents, immediate possession of the Equipment, or one or more of the units thereof, without liability to return to the Vendee any sums theretofore paid and free from all claims whatsoever, except as hereinafter in this Article 16 expressly provided, and may remove the same from possession and use of the Vendee, Sublessee or any other person and for such purpose may enter upon the premises of the Vendee, Sublessee or any other premises where the Equipment may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities or means of the Vendee, subject to all mandatory requirements of due process of law.

In case the Vendor shall demand possession of the Equipment pursuant to this Agreement and shall designate a reasonable point or points for the delivery of the Equipment to the Vendor, the Vendee shall, subject to the rights of the Lessee set forth in Article 11 hereof, at its own expense and risk:

(a) forthwith and in the usual manner cause the Equipment to be placed upon such storage tracks of the Sublessee as the Vendor reasonably may designate;

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

(c) cause the Equipment to be transported to any reasonable place, as directed by the Vendor.

During any storage period, the Vendee will, at its own cost and expense, insure, maintain and keep each such unit in good order and repair and will permit the inspection of the Equipment by the Vendor, the Vendor's representatives and prospective purchasers, lessees and users. This agreement to deliver the Equipment and furnish facilities as hereinbefore provided is of the essence of the agreement between the parties, and, upon application to any court of equity having jurisdiction in the premises, the Vendor shall be entitled to a decree against the Vendee requiring specific performance hereof. The Vendee hereby expressly waives any and all claims against the Vendor and its agent or agents for damages of whatever nature in connection with any retaking of any unit of the Equipment in any reasonable manner.

At any time during the continuance of a Declaration of Default, the Vendor (after retaking possession of the Equipment as hereinbefore in this Article 16 provided) may, at its election and upon such notice as is hereinafter set forth, retain the Equipment in satisfaction of the entire Conditional Sale Indebtedness and make such disposition thereof as the Vendor shall deem fit. Written notice of the Vendor's election to retain the Equipment shall be given to the Vendee, the Lessee and the Sublessee by telegram or registered mail, addressed as provided in Article 20 hereof, and to any other persons to whom the law may require notice, within 30 days after such Declaration of Default. In the event that the Vendor should elect to retain the Equipment and no objection is made thereto within the 30-day period described in the second proviso below, all the Vendee's rights in the Equipment shall thereupon terminate and all payments made by the Vendee or for its account may be retained by the Vendor as compensation for the use of the Equipment; provided, however, that if the Vendee, before the expiration of the 30-day period described in the proviso below, should pay or cause to be paid to the Vendor the total unpaid balance of the Conditional Sale Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee; provided, further, that if the Vendee, the Lessee, the Sublessee or any other persons notified under the terms of this paragraph object in writing to the Vendor within 30 days from the receipt of notice

of the Vendor's election to retain the Equipment, then the Vendor may not so retain the Equipment, but shall sell, lease or otherwise dispose of it or continue to hold it pending sale, lease or other disposition as hereinafter provided or as may otherwise be permitted by law. If the Vendor shall not have given notice to retain as hereinabove provided or notice of intention to dispose of the Equipment in any other manner, it shall be deemed to have elected to sell the Equipment in accordance with the provisions of this Article 16.

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

Any sale hereunder may be held or conducted at New York, New York, at such time or times as the Vendor may specify (unless the Vendor shall specify a different place or places, in which case the sale shall be held at such place or places as the Vendor may specify), in one lot and as an entirety or in separate lots and without the necessity of gathering at the place of sale the property to be sold, and

in general in such manner as the Vendor may determine, so long as such sale shall be in a commercially reasonable manner. The Vendor, the Vendee, the Lessee or the Sublessee may bid for and become the purchaser of the Equipment, or any unit thereof, so offered for sale. The Vendee, the Lessee and the Sublessee shall be given written notice of such sale not less than ten days prior thereto, by telegram or registered mail addressed as provided in Article 20 hereof. If such sale shall be a private sale (which shall be deemed to mean only a sale where an advertisement for bids has not been published in a newspaper of general circulation or a sale where less than 40 railroads have been solicited in writing to submit bids), it shall be subject to the rights of the Sublessee, the Lessee and the Vendee to purchase or provide a purchaser, within ten days after notice of the proposed sale price, at the same price offered by the intending purchaser or a better price. In the event that the Vendor shall be the purchaser of the Equipment, it shall not be accountable to the Vendee, the Lessee or the Sublessee (except to the extent of surplus money received as hereinafter provided in this Article 16), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all or any part of sums due to the Vendor hereunder. From and after the date of any such sale, the Vendee shall pay to the Vendor an amount equal to the interest rate on the unpaid Conditional Sale Indebtedness with respect to such unit which shall not have been assembled, as hereinabove provided, by the date of such sale for each day from the date of such sale to the date of delivery to the purchaser at such sale.

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

the Vendee's obligations hereunder. The Vendor's acceptance of any payment after it shall have become due hereunder shall not be deemed to alter or affect the Vendee's obligations or the Vendor's rights hereunder with respect to any subsequent payments or default therein.

If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall remain any amount due to it under the provisions of this Agreement, the Vendee shall pay the amount of such deficiency to the Vendor upon demand, together with interest thereon from the date of such demand to the date of payment at the rate per annum specified in Article 4 hereof as being applicable to amounts remaining unpaid after becoming due and payable, and, if the Vendee shall fail to pay such deficiency, the Vendor may bring suit therefor and shall, subject to the limitations of the last paragraph of Article 4 hereof, be entitled to recover a judgment therefor against the Vendee. If, after applying as aforesaid all sums realized by the Vendor, there shall remain a surplus in the possession of the Vendor, such surplus shall be paid to the Vendee.

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

The foregoing provisions of this Article 16 are subject in all respects to all mandatory legal requirements at the time in force and applicable thereto.

ARTICLE 17. Applicable State Laws. Any provision of this Agreement prohibited by any applicable law of any jurisdiction (which is not overridden by applicable federal law) shall as to such jurisdiction be ineffective, without modifying the remaining provisions of this Agreement. Where however, the conflicting provisions of any such applicable law may be waived, they are hereby waived by the Vendee to the full extent permitted by law, it being the intention of the parties hereto that this Agreement shall be deemed to be a conditional sale and enforced as such.

Except as otherwise provided in this Agreement, the

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

ARTICLE 18. Recording. The Vendee will cause this Agreement, any assignments hereof and any amendments or supplements hereto or thereto to be filed and recorded in accordance with Section 20c of the Interstate Commerce Act and shall cause to be filed and recorded such financing statements and other documents as may be necessary to perfect the security interest of the Vendor in the Equipment in accordance with the laws of the State of North Dakota; and the Vendee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record any and all further instruments required by law or reasonably requested by the Vendor for the purpose of proper protection, to the satisfaction of counsel for the Vendor, of its interest in the Equipment and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Vendee will promptly furnish to the Vendor certificates or other evidence of such filing, registering, depositing and recording satisfactory to the Vendor.

ARTICLE 19. Article Headings; Effect and Modification of Agreement. All article headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

Except for the Participation Agreement, this Agreement, including the Annexes hereto, exclusively and completely states the rights of the Vendor and the Vendee with respect to the Equipment and supersedes all other agreements, oral or written, with respect to the Equipment. No variation or modification of this Agreement and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized representatives of the Vendor and the Vendee.

ARTICLE 20. Notice. Any notice hereunder to any of the parties designated below shall be deemed to be properly served if delivered or mailed to it by first class mail, postage prepaid, at the following addresses

(a) to the Vendee, at 231 South LaSalle Street, Chicago, Illinois 60693, Attention of Corporate Trust Division,

(b) to the Assignee, at 116 East Berry Street, Fort Wayne, Indiana 48601, Attention of Corporate Trust Department,

(c) to the Lessee, at One Embarcadero Center, Suite 2202, San Francisco, California 94111, Attention of the President,

(d) to the Sublessee, at 400 North 4th Street, Bismarck, North Dakota 58501, Attention of B. H. Thompson, Vice President,

(e) to the Builder, at the address specified in Item 1 of Annex A hereto,

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

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

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

The obligations of the Vendee under the second paragraph of Article 16 and under Articles 3, 6, 7 (other than the second and third sentences of the second paragraph thereof), 8, 9, 10, 12 (other than the proviso to the last paragraph thereof), 13 and 18 hereof shall be deemed in all respects satisfied by the Lessee's undertakings contained in the Lease and the undertakings of the Lessee contained in the Lease shall be deemed in all respects satisfied by the performance of the undertakings of the Sublessee in the

Sublease. The Vendee shall not have any responsibility for the Lessee's failure to perform such obligations, but if the same shall not be performed they shall constitute the basis for an event of default hereunder pursuant to Article 15 hereof. No waiver or amendment of the Lessee's undertakings under the Lease or of any Sublessee's undertakings under a Sublease shall be effective unless joined in by the Vendor.

It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations, undertakings and agreements herein made on the part of the Vendee are each and every one of them made and intended not as personal representations, undertakings and agreements by Continental Illinois National Bank and Trust Company of Chicago or for the purpose or with the intention of binding the said bank personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Agreement is executed and delivered by the said bank solely in the exercise of the powers expressly conferred upon the said bank as trustee under the Trust Agreement; and that no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against the said bank or the Beneficiary or on account of any representation, undertaking or agreement of the Vendee or the Beneficiary, either expressed or implied, all such personal liability if any, being expressly waived and released by the Vendor and by all persons claiming by, through or under the Vendor; provided, however, that the Vendor or any person claiming by, through or under any of them, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

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

ARTICLE 23. Execution. This Agreement may be executed in any number of counterparts, such counterparts together constituting but one and the same contract, but the counterpart delivered to the Assignee pursuant to the Assign-

ment shall be deemed the original and all other counterparts shall be deemed duplicates thereof. It shall not be necessary for all parties hereto to execute all counterparts or the same counterpart so long as each party shall execute and deliver counterparts to each other party. Although for convenience this Agreement is dated as of the date first above written, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

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

PULLMAN INCORPORATED
(Pullman Standard Division),

by

B. R. Bunn
Vice President

[CORPORATE SEAL]

Attest:

William O. Colville
Assistant Secretary

CONTINENTAL ILLINOIS NATIONAL
BANK AND TRUST COMPANY OF CHICAGO,
not in its individual capacity
but solely as Trustee under a
Trust Agreement dated as of the
date hereof,

by

SEWARD W. Seward
Vice President

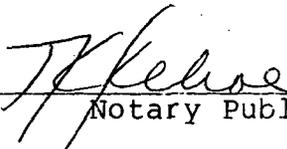
[CORPORATE SEAL]

Attest:

Demas J. Hart
Trust Officer

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

On this 30th day of December 1975, before me personally appeared M. J. Kruger, to me personally known, who, being by me duly sworn, says that he is a ^{SECOND} Vice President of CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



Notary Public

My Commission expires **NOVEMBER 16., 1977**

Annex A

to

Conditional Sale Agreement

- Item 1: Pullman Incorporated (Pullman Standard Division), a Delaware corporation, having an address at 200 South Michigan Avenue, Chicago, Illinois 60604.
- Item 2: The Equipment shall be settled for in a single Group of units of the Equipment delivered to and accepted by the Vendee unless a greater number shall be agreed to by the parties hereto.
- Item 3: The Builder warrants that the Equipment will be built in accordance with the requirements, specifications and standards set forth in Article 2 of the Conditional Sale Agreement to which this Annex A is attached (hereinafter called the Agreement) and warrants the Equipment to be free from defects in material (except as to specialties incorporated therein which were specified or supplied by the Vendee or the Lessee and not manufactured by the Builder) and workmanship under normal use and service, the Builder's obligation under this Item 3 being limited to making good at its factory any part or parts of any unit of the Equipment which shall be returned to the Builder with transportation charges prepaid, within one year after the delivery of such unit to the Vendee, and which the Builder's examination shall disclose to its satisfaction to have been thus defective. THE FOREGOING WARRANTY OF THE BUILDER IS EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND OF ALL OTHER OBLIGATIONS OR LIABILITIES UNDER ARTICLES 2, 3, 4, and 13 OF THE AGREEMENT, and the Builder neither assumes nor authorizes any person to assume for it any other liability in connection with the construction and delivery of the Equipment, except as aforesaid. It is further understood and agreed that in no event shall the Builder be liable for indirect or consequential damages of any kind.

The Builder further agrees with the Vendee that

neither the inspection as provided in Article 3 of the Agreement nor any examination nor the acceptance of any units of the Equipment as provided in said Article 3 shall be deemed a waiver or a modification by the Vendee of any of its rights under this Item 3.

Item 4: Except in cases of articles or materials specified by the Vendee or the Lessee and not manufactured by the Builder and in cases of designs, systems, processes, formulae or combinations specified by the Vendee or the Lessee and not developed or purported to be developed by the Builder, the Builder agrees to indemnify, protect and hold harmless the Vendee from and against any and all liability, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendee, its assigns or the users of the Equipment because of the use in or about the construction or operation of any of the Equipment of any design, system, process, formula, combination, article or material which infringes or is claimed to infringe on any patent or other right. The Vendee or the Lessee likewise will indemnify, protect and hold harmless the Vendor from and against any and all liability, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendor because of the use in or about the construction or operation of any of the Equipment of any article or material specified by the Vendee or the Lessee and not manufactured by the Builder or of any design, system, process, formula or combination specified by the Vendee or the Lessee and not developed or purported to be developed by the Builder which infringes or is claimed to infringe on any patent or other right. The Builder agrees to and hereby does, to the extent legally possible without impairing any claim, right or cause of action hereinafter referred to, assign, set over and deliver to the Vendee every claim, right and cause of action which the Builder has or hereafter shall have against the seller or sellers of any designs, systems, processes, formulae, combinations, articles or materials specified by the Vendee or the Lessee and purchased or otherwise acquired by the Builder for use in or about the construction or operation of any of the Equipment,

infringes or is claimed to infringe on any patent or other right. The Builder further agrees to execute and deliver to the Vendee or the users of the Equipment all and every such further assurance as may be reasonably requested by the Vendee more fully to effectuate the assignment and delivery of every such claim, right and cause of action. The Builder will give notice to the Vendee of any claim known to the Builder from which liability may be charged against the Vendee hereunder and the Vendee will give notice to the Builder of any claim known to them from which liability may be charged against the Builder hereunder. Such covenants of indemnity shall continue in full force and effect notwithstanding the full payment of all sums due under the Agreement, the satisfaction and discharge of the Agreement or the termination of the Agreement in any manner.

- Item 5: The Maximum Purchase Price referred to in Article 4 of the Conditional Sale Agreement to which this Annex A is attached is \$567,000.
- Item 6: The Maximum Conditional Sale Indebtedness referred to in Article 4 of the Conditional Sale Agreement to which this Annex A is attached is \$340,200.

Annex B
to
Conditional Sale Agreement

<u>Type</u>	<u>Builder's Specifications</u>	<u>Builder's Plant</u>	<u>Quantity</u>	<u>Subiessee's Road Numbers (Both Inclusive)</u>	<u>Unit Base Price</u>	<u>Total Base Price</u>	<u>Estimated Time and Place of Delivery</u>
100-ton open top hopper car 4,000 cubic foot capacity	9906, dated October 14, 1975	Butler, Pa.	20	PLMX-1446-1465	\$28,350	\$567,000	Prior to January, 1976, at Builder's Plant

LEASE OF RAILROAD EQUIPMENT

Dated as of October 31, 1975

between

CONTINENTAL ILLINOIS NATIONAL BANK AND
TRUST COMPANY OF CHICAGO, not in its
individual capacity but solely as Trustee
under a Trust Agreement dated as of the
date hereof,

and

PLM-MONTANA-DAKOTA, INC.

LEASE OF RAILROAD EQUIPMENT dated as of October 31, 1975 (hereinafter called this Lease), between CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, a national banking association (hereinafter called the Lessor), not in its individual capacity but solely as Trustee under a Trust Agreement dated as of the date hereof with International Paper Equipment Leasing Corporation, a Delaware corporation (hereinafter called the Beneficiary) and PLM-MONTANA-DAKOTA, INC., a California corporation (hereinafter called the Lessee).

WHEREAS the Lessor is entering into a Conditional Sale Agreement dated as of the date hereof with Pullman Incorporated (Pullman Standard Division), (hereinafter called the Builder), (such agreement being hereinafter called the Security Documentation), wherein the Builder has agreed to manufacture, sell and deliver to the Lessor the units of railroad equipment described in Schedule A hereto (hereinafter called the Equipment);

WHEREAS, pursuant to an Agreement and Assignment dated as of the date hereof, the Builder is assigning its interests in the Security Documentation to Lincoln National Bank and Trust Company of Fort Wayne, a national banking association, acting as agent (said Bank, as so acting, being hereinafter together with its successors and assigns called the Vendor) under a Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement) among the Lessee, the Lessor, the Beneficiary, the Vendor, Professional Lease Management, Inc. (hereinafter called PLM), Montana-Dakota Utilities Co. (hereinafter called the Sublessee) and The Lincoln National Life Insurance Company; and

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

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

§ 1. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or under the Security Documentation, including the Lessee's right by subrogation thereunder, or the Builder or the Vendor or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

§ 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the Security Documentation. The Lessor will cause each Unit to be delivered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under the Security Documentation. Upon such delivery, the Lessee will cause an agent or employee of the Lessee to inspect the same, and if such Unit is found to be acceptable, to accept delivery of such Unit and execute and deliver to the Lessor a certificate of acceptance (hereinafter called the Certificate

of Acceptance) in accordance with the provisions of Article 3 of the Security Documentation, stating that such Unit has been inspected and accepted on behalf of the Vendee, the Lessee and the Lessor on the date of such Certificate of Acceptance and is marked in accordance with § 5 hereof, whereupon, except as provided in the next sentence hereof, such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease. The delivery, inspection and acceptance hereunder of any unit of Equipment excluded from the Security Documentation pursuant to the first paragraph of Article 4 thereof shall be null and void and ineffective to subject such unit to this Lease.

§ 3. Rentals. The Lessee agrees to pay to the Lessor, as rental for each Unit subject to this Lease, 31 consecutive semiannual payments payable on January 15 and July 15 of each year commencing January 15, 1976. The rental payment payable on January 15, 1976, shall be in an amount equal to .0302% of the Purchase Price (as defined in Article 4 of the Security Documentation) of each Unit then subject to this Lease for each day elapsed from and including the Closing Date to January 15, 1976. The next 30 rental payments shall each be in an amount equal to 5.4372% of the Purchase Price of each Unit then subject to this Lease.

The rental payments hereinbefore set forth are subject to adjustment pursuant to § 9 and § 16 hereof.

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

The Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease, including, but not limited to, the payments provided for in this § 3 and in § 7 hereof, at the principal office of the Vendor, for the account of the Lessor in care of the Vendor, with instructions to the Vendor first, to apply such payments to satisfy the obligations of the Lessor under the Security Documentation, and second, so long as no event of default or event which with the lapse of time and/or demand provided for in

the Security Documentation could constitute an event of default under the Security Documentation, this Lease or the Sublease shall have occurred and be continuing, to pay the balance in accordance with the provisions of the second paragraph of Paragraph 9 of the Participation Agreement. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in Federal or other funds immediately available to the Vendor.

§ 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of §§ 7, 10 and 13 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due pursuant to § 3 hereof. The obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 6, 7, 9 and 14 hereof) shall survive the expiration of the term of this Lease.

All rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the Security Documentation; provided, however, that the Lessee shall be entitled to possession and use of the Units in accordance with the second paragraph of § 12 hereof.

§ 5. Identification Marks. The Lessee will cause each Unit to be kept numbered with the road number set forth in Schedule A hereto, or in the case of any Unit not there listed, such road number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "Ownership subject to a Security Agreement Filed under the Interstate Commerce Act, Section 20c", or other appropriate words designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's and Vendor's title to and interest in such Unit and the rights of the Lessor under this Lease and of the rights of the Vendor under the Security Documentation. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked and will replace promptly any such markings which may be removed, defaced or destroyed. The Lessee will not change the road number of any Unit unless and until (i) a statement of new

number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and duly filed, recorded and deposited by the Lessee in all public offices where this Lease and the Security Documentation shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to that effect. The Units may be lettered with the names or initials or other insignia customarily used by the Sublessee or its affiliates.

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

§ 6. Taxes. All payments to be made by the Lessee hereunder will be free of net expense (after giving effect to Federal, state and local income tax benefits accruing to the Lessor) to the Lessor for collection or other charges and will be free of net expense (after giving effect to Federal, state and local income tax benefits accruing to the Lessor) to the Lessor with respect to the amount of any local, state, federal, or foreign taxes (other than any United States federal income tax payable by the Lessor in consequence of the receipt of payments provided for herein and other than the aggregate of all state or city income taxes or franchise taxes measured by net income based on such receipts, up to the amount of any such taxes based on such receipts which would be payable to the state and city in which the Lessor has its principal place of business without apportionment to any other state, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided) or license fees, assessments, charges, fines or penalties (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called impositions) hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the Security Documentation, all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all impositions which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom (except as provided above) or upon the Lessor solely by reason of its ownership thereof

and will keep at all times all and every part of such Unit free and clear of all impositions which might in any way affect the title or the interest of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any impositions of any kind so long as it or the Sublessee is contesting in good faith and by appropriate legal or administrative proceedings such impositions and the nonpayment thereof does not, in the reasonable opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or the Vendor under the Security Documentation. The Lessee agrees to give the Lessor notice of such contest within 30 days after institution thereof and the Lessor agrees to provide such information as may be reasonably requested by the Lessee in furtherance of such contest. If any impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor; provided, however, that, where practicable, the Lessor shall have given the Lessee and the Sublessee written notice of such imposition prior to such payment and shall have given the Lessee and the Sublessee the opportunity to contest such imposition, provided that such contest shall be in good faith and by appropriate legal procedures and the nonpayment of such imposition shall not, in the opinion of the Lessor or the Vendor, materially adversely affect the property, rights or interests of the Lessor or the Vendor under this Lease or the Security Documentation.

In the event that the Lessor shall become obligated to make any payment to the Builder or the Vendor or otherwise pursuant to any correlative provision of the Security Documentation not covered by the foregoing paragraph of this § 6, the Lessee shall pay such additional amounts (which shall also be deemed impositions hereunder) to the Lessor as will enable the Lessor to fulfill completely its obligations pursuant to said provision.

In the event any returns, statements or reports with respect to impositions are required to be made, the Lessee will make such returns, statements and reports in such manner as to show the interest of the Lessor and the Vendor in such Units; provided, however, that the Lessor shall, with respect to any state or political subdivision thereof of the United States of America, file required returns, statements, and reports relating to sales or use taxes, and taxes, fees, and charges on or measured by Lessor's earnings or gross receipts arising from the Units,

or the value added by the Lessor thereto, and remit the amount thereof and the Lessee shall reimburse the Lessor promptly upon demand for the amount of such taxes, fees and charges.

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

To the extent the Lessee may be prohibited by law from performing in its own name the duties required by this § 6, the Lessor hereby authorizes the Lessee and the Sublessee to act in their respective names on its behalf; provided, however, that the Lessee shall indemnify and hold the Lessor harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action by the Lessee pursuant to this authorization.

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

§ 7. Maintenance; Casualty Occurrences; Insurance. The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit which is subject to this Lease in good operating order, repair and condition, reasonable wear and tear excepted.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed, or, in the opinion of the Lessee, irreparably damaged from any cause whatsoever, or taken or requisitioned by condemnation or otherwise by the United States Government for a stated period which shall exceed the then remaining term of this Lease or for an indefinite period, or by any other governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days (such occurrences being hereinafter called Casualty Occurrences), prior to the return of such Unit in the manner

set forth in § 14 hereof; the Lessee shall promptly and fully notify the Lessor and the Vendor with respect thereto. On the January 15 or July 15 next succeeding such notice the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with Schedule B hereto. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, complete destruction or return to the Builder of such Unit) the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

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

Whenever any Unit shall suffer a Casualty Occurrence after termination of this Lease and before such Unit shall have been returned in the manner provided in § 14 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be an amount equal to 20% of the Purchase Price of such Unit. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

In the event of the requisition for use by the United States Government or any agency thereof (hereinafter

called the Government) of any Unit during the term of this Lease or any renewal thereof for a stated period not in excess of the then remaining term of this Lease or any renewal thereof, all of the Lessee's obligations under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of the term of this Lease or any renewal thereof, the Lessee shall be obligated to return such Unit to the Lessor pursuant to § 11 or 14 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease or any renewal thereof, but the Lessee shall in all other respects comply with the provisions of said § 11 or 14, as the case may be, with respect to such Unit. All payments received by the Lessor or the Lessee from the Government for the use of such Unit during the term of this Lease or any renewal thereof shall be paid over to, or retained by, the Lessee provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or the Lessee from the Government for the use of such Unit after the term of this Lease or any renewal thereof, shall be paid over to, or retained by, the Lessor.

In the event that the Lessee shall in good faith reasonably determine that the Units have become economically obsolete in the Lessee's business during the original term of this Lease, the Lessee shall have the right at its option, on at least 60 days' prior written notice to the Lessor, to terminate (subject to the provisions for the survival of obligations contained herein) this Lease in respect of any or all Units then covered by this Lease on the first rental payment date following the expiration of such notice period (for the purpose of this § 7 called the "termination date"); provided, however, that (i) the termination date shall be not earlier than January 15, 1983, (ii) no Event of Default (or other event which after lapse of time or notice or both would become an Event of Default) shall have occurred and be continuing, (iii) on the termination date such Units shall be in the same condition as if being redelivered pursuant to § 14 hereof, and (iv) the Lessee shall have delivered to the Lessor a certificate signed by its Chairman of the Board, its President or one of its Vice Presidents to the effect that such Units are economically obsolete in the Lessee's business. Upon the giving of such notice to terminate, the Lessee shall (subject to the right of the Lessor to elect to retain the Units as provided below), during the period from the giving

of such notice until the fifth business day preceding the termination date, use its best efforts to obtain bids for the purchase of such Units, and the Lessee shall at least 5 business days prior to such termination date certify to the Lessor the amount of each such bid and the name and address of the party (which shall not be a corporation or individual affiliated with the Lessee or any party from whom the Lessee or any such affiliate intends thereafter to lease such Units) submitting such bid. On or before the termination date the Lessor shall, subject to the Lessee's obtaining, on behalf of the Lessor, any governmental consents required, sell such Units for cash to the bidder who shall have submitted the highest bid prior to the termination date. The total sales price realized at such sale shall be paid to the Lessor in immediately available funds on the termination date and, in addition, on the termination date the Lessee shall pay to the Lessor the excess, if any, of the Termination Value (as hereinafter defined) in respect of such Units, computed as of the termination date, over the net sales price of such Units after deducting from such sales price any and all costs and expenses whatsoever incurred by the Lessor in connection with such sale. If no sale shall occur on the date scheduled therefor as above provided, this Lease shall continue in full force and effect without change. In the event of such sale and the receipt by the Lessor of the amounts above described, the obligation of the Lessee to pay rent pursuant to § 3 hereof in respect of such Units on each rental payment date shall continue to and including the termination date but shall then terminate. The Lessor shall be under no duty to solicit bids, to inquire into the efforts of the Lessee to obtain bids or otherwise to take any action or incur any cost or expense in connection with any sale pursuant to this § 7, other than to transfer or to cause to be transferred to the purchaser named in the highest bid certified by the Lessee to the Lessor as above provided all of the Lessor's right, title and interest in and to such Units. Any sale pursuant to this § 7 shall be free and clear of all of the Lessee's rights to such Units, but otherwise shall be made without warranties other than against the Lessor's acts.

If the Lessee shall exercise its option to terminate under this § 7, the Lessor may, notwithstanding such election by the Lessee, elect to retain the Units then subject to this Lease and to credit to the Lessee an amount equal to the then Fair Market Value (as defined in § 13 hereof) of such Units, the Lessor being solely entitled to retain the

whole of such credit. In the event the Lessor shall so elect to retain the Units, the Lessee shall assemble and deliver the Units to the Lessor in accordance with the provisions of § 14 hereof.

The Termination Value of each Unit as of any rental payment date shall be that percentage of the Purchase Price of such Unit as is set forth in Schedule C hereto opposite such rental payment date.

The Lessee will, at all times prior to the return of the Equipment to the Lessor, at its own expense, cause to be carried and maintained property insurance in respect of the Units at the time subject hereto, and public liability insurance, in amounts and against risks customarily insured against by the Sublessee in respect of similar equipment owned or operated by it and in any event comparable to such insurance typically carried by railroad companies in respect of similar equipment, and the benefits thereof shall be payable to the Vendor, the Lessor, the Lessee and the Sublessee, as their interests may appear, so long as the indebtedness, if any, evidenced by the Security Documentation shall not have been paid in full, and thereafter to the Lessor, the Lessee and the Sublessee, as their interests may appear. If the Lessor shall receive any insurance proceeds or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee having made payment of the Casualty Value in respect of such Unit, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to a Unit paid by the Lessee and any balance of such proceeds or condemnation payments shall remain the property of the Lessor. All insurance proceeds received by the Lessor in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired.

It is hereby acknowledged and recognized that the Lessee, as lessor under the Sublease, has granted and passed through to the Sublessee the option to terminate the Sublease with respect to any or all the Units during the original term of the Sublease upon the determination by the Sublessee that such Units have become economically obsolete and the Lessor hereby consents to said termination provisions of the Sublease and the Lessee hereby consents to the simultaneous termination of this Lease upon such termination by the Sublessee

of the Sublease pursuant to § 13 of the Sublease.

§ 8. Reports. On or before March 1 in each year, commencing with the calendar year 1976, the Lessee will furnish to the Lessor, the Vendor and the Beneficiary an accurate statement (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the Security Documentation, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5 hereof and by Article 9 of the Security Documentation have been preserved or replaced. The Lessor shall have the right by its agents, to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO PATENT INFRINGEMENT, THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN (INCLUDING LATENT DEFECTS), THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder under the provisions of Items 3 and 4 of Annex A of the Security Documentation; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce,

at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all respects (including without limitation, with respect to the use, maintenance and operation of each Unit) with all laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units, and in the event that, prior to the expiration of this Lease or any renewal thereof, such laws or rules require any alteration, replacement or modification of or to any part on any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or the Vendor under this Lease or under the Security Documentation.

The Lessee agrees to indemnify, protect and hold harmless the Lessor, the Vendor and PLM from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest,

arising out of or as the result of the entering into or the performance of or the occurrence of a default under the Security Documentation, the Participation Agreement or this Lease, the ownership of any Unit, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any Unit or any accident in connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in § 14 of this Lease or the transfer of title to the Equipment by the Vendor pursuant to any provision of the Security Documentation. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the expiration or termination of the term of this Lease.

In the event that there are any losses, liabilities or expenses arising out of or resulting from the Investments made pursuant to Paragraph 8 of the Participation Agreement, including, but not limited to, any deficiency in respect thereof, the Lessee agrees that each rental payment due thereafter in respect of Units acquired after such deficiency arose shall be increased by such amount as, in the reasonable opinion of the Lessor, will cause the Lessor's net return (after giving effect to the payment of such losses, liabilities or expenses) to equal the net return (computed on the same assumptions used by the Lessor in originally evaluating this transaction) that would have been available to the Lessor if the Lessor had not been required to pay such losses, liabilities or expenses.

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

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

A. default shall be made in payment of any amount provided for in §§ 3, 7 or 13 hereof, and such default

shall continue for five days;

B. the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any thereof;

C. the Lessee shall carry out or become engaged in any other course of business other than to fulfill its obligations under this Lease, and the Participation Agreement or incurs additional debt or in any other way breaches its representations and warranties set forth in § 18 hereof;

D. default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Participation Agreement, and such default shall continue for 30 days after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

E. any proceeding shall be commenced by or against the Lessee for any relief which includes or might result in any modification of the obligations of the Lessee hereunder including the filing by the Lessee of a petition in voluntary bankruptcy under any of the provisions of any bankruptcy law; or the consenting by the Lessee to the filing of any bankruptcy or reorganization petition against it under any such law; or the filing by the Lessee of a petition to reorganize the Lessee pursuant to the Bankruptcy Act or any other similar statute; or the making by the Lessee of an assignment for the benefit of creditors; or the admitting in writing by the Lessee of its inability to pay its debts generally as they become due; or the consenting by the Lessee to the appointment of a receiver, trustee, liquidator or other similar official of it or of any substantial part of its property, and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject

to ratification) for the Lessee or for the property of the Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier; or

F. an event of default set forth in Article 15 of the Security Documentation shall have occurred arising out of any default by the Lessee in performing any of its obligations hereunder; or

G. an Event of Default shall have occurred under the Sublease (subject to the Lessee's right to cure a default as set forth in Article 15(e) of the Security Documentation), or the Lessee shall have breached any of its obligations under the Sublease;

H. the Sublease shall for any reason be terminated prior to January 16, 1991, without the consent of the Vendor;

then, in any such case, if the Sublease is then in effect, immediately and automatically and without any further action or consents (i) this Lease shall be terminated, (ii) the participation of the Lessee as lessor under the Sublease shall be terminated and (iii) the Lessor shall be substituted for the Lessee, for all purposes, as the lessor under the Sublease. If the Sublease is not then in effect (except due to termination pursuant to a default under the Sublease), the Lessor, at its option, may:

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

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon

the Lessor, subject to the applicable provisions of law, may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee with respect to such action or inaction for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor in its sole discretion, shall specify in such notice of termination: (x) a sum equal, with respect to each Unit, to (A) the excess, if any, of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 6% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, plus (B) an amount which, after deduction of all taxes required to be paid by the Beneficiary in respect of all amounts payable by the Lessee to the Lessor hereunder, under the laws of any Federal, state or local government or taxing authority of the United States of America or under the laws of any taxing authority or governmental subdivision of a foreign country, shall, in the reasonable opinion of the Beneficiary, be equal to all or such portion of the Investment Credit (as defined in § 16 hereof) lost, not claimed, not available for claim, disallowed or recaptured by or from the Beneficiary as a direct or indirect result of the breach of one or more of the representations,

warranties and covenants made by the Lessee in § 16 or any other provision of this Lease or the sale or other disposition of the Lessor's interest in any Unit after the occurrence of an Event of Default, plus such sum as shall cause the Beneficiary's net return under this Lease to be equal to the net return that would have been available to the Beneficiary if it had been entitled to utilization of all or such portion of the ADR Deduction and the Interest Deduction (as such deductions are defined in § 16 hereof) which was lost, not claimed, not available for claim or disallowed or recaptured in respect of Units as a direct or indirect result of the breach of one or more of the representations, warranties and covenants made by the Lessee in § 16 or any other provision of this Lease, the inaccuracy of any statement in any letter or document furnished to the Lessor by the Lessee, the termination of this Lease, the Lessee's loss of the right to use such Unit, any action or inaction by the Lessee or the sale or other disposition of the Lessor's interest in such Unit after the occurrence of an Event of Default plus such sum as will pay or reimburse the Beneficiary for any interest, penalties or additions to tax incurred in connection with such loss, failure to claim, inability to claim, disallowance or recapture; or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination specified for payment in such notice of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this subparagraph (ii) with respect to such Unit, may, if it shall so elect, demand that the Lessee shall pay to the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the rental payment date on or next preceding the date of termination specified for payment in such notice of termination, over the net proceeds of such sale.

In addition, the Lessee shall be liable, except as otherwise

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

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

The failure of the Lessor to exercise the rights granted to it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

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

(a) forthwith and in the usual manner place such Units upon such storage tracks as the Lessor reasonably may designate;

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

(c) transport the same to any reasonable place,

as directed by the Lessor.

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own cost and expense, maintain and keep the Equipment in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same. All amounts earned in respect of the Units after the date of expiration of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such expiration, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which the per diem interchange for such Unit for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

§ 12. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder (including, but not limited to, the rights under §§ 6, 7, 9, 10, 11 and 16 and the rights to receive the rentals payable under this Lease) shall inure to the benefit of the Lessor's assigns (including the Vendor).

So long as the Lessee shall not be in default under

this Lease and the Sublessee is not in default under the Sublease and the Lessee has not breached any of its obligations under the Sublease, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease but, without the prior written consent of the Lessor and the Vendor, which shall not be unreasonably withheld, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them, except pursuant to the Sublease. Except for the proviso in § 12 of the Sublease concerning after acquired property, the Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor or the Vendor or resulting from claims against the Lessor or the Vendor not related to the ownership of the Units) upon or with respect to any Unit or the interest of the Lessor, the Vendor or the Lessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the immediately succeeding paragraph.

So long as the Lessee shall not be in default under this Lease and the Sublessee shall not be in default under the Sublease, the Lessee shall be entitled to the possession of the Units in accordance with the terms hereof and to the use of the Units by it or by a railroad company or companies incorporated in the United States of America with which it has contractual arrangements for the use of the Units for its benefit upon trackage owned or operated by it or the Sublessee or upon lines of railroad owned or operated by such railroad company or companies or over which such railroad company or companies have trackage or other operating rights or over which railroad equipment of such railroad company or companies is regularly operated pursuant to contract, and also to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, but only upon and subject to all the terms and conditions of this Lease and the Security Documentation; provided, however, that the Lessee shall not assign or permit the assignment of any Unit to service involving the operation and maintenance thereof outside the United States of America. The Lessee may receive and retain compensation for such use from other

railroads so using any of the Units.

Nothing in this § 12 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder and under the Participation Agreement and the Consent (as defined in the Security Documentation) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety, provided that the net worth of the assignee or transferee shall not be less than the net worth of the Lessee, and provided further that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease.

§ 13. Purchase Option. It is hereby acknowledged and recognized that the Lessee, as lessor under the Sublease, has granted and passed through to the Sublessee the option to purchase the Units or renew the Sublease. The Lessor hereby consents to the said option provisions of the Sublease, subject to the provisions of this Lease and subject, further, to the understanding that in the event Sublessee shall exercise its purchase option under the Sublease, all payments to be made by Sublessee pursuant thereto are hereby irrevocably assigned to Lessor and shall be paid directly to Lessor.

If this Lease has not been earlier terminated, the Lessee is not in default hereunder and the Sublessee is not in default under the Sublease or the Security Documentation, the Lessee may, subject to the prior purchase and renewal rights of the Sublessee under the first paragraph of Section 13 of the Sublease, by written notice delivered to the Lessor not less than five months prior to the end of the original term of this Lease, elect to purchase all, but not fewer than all, the Units covered by this Lease at the end of the original term of this Lease for a purchase price equal to the "Fair Market Value" of such Units as of the end of such term.

Fair Market Value shall be determined on the basis of, and shall be equal in amount to, the value which would be obtained in an arm's-length transaction between an informed and willing buyer-user (other than (i) a lessee currently in

possession and (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell and, in such determination, costs of removal from the location of current use shall not be a deduction from such value. If, after 60 days from the giving of notice by the Lessee of the Lessee's election to extend the term of this Lease, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Value of the Units, such value shall be determined in accordance with the foregoing definition by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of such value by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 business days after such notice is given, each party shall appoint an independent appraiser within 25 business days after such notice is given, and the two appraisers so appointed shall within 35 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 35 business days after such notice is given, either party may apply, to make such appointment, to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Value of the Units within 90 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of Fair Market Value of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such averages shall be final and binding upon the parties hereto as the Fair Market Value. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Value and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne by the Lessee.

If upon the expiration of any extended term of the Sublease the Sublessee does not exercise its option to

purchase the Units, the Lessor shall promptly give written notice thereof to the Lessee which then may, by written notice delivered to the Lessor within 30 days from date of Lessor's notice to Lessee, elect to purchase such Units for a purchase price equal to the fair market value of such Units (plus all applicable taxes and transfer fees) at that time as determined by an arm's-length negotiation by Lessee and the Lessor; provided, however, that the option of Lessee hereunder shall be conditioned upon Lessee's representation and warranty that none of the Units so purchased shall, either directly or indirectly, be re-leased or resold to Sublessee, such representation and warranty to be deemed made by Lessee's exercise of its option hereunder and such representation and warranty being material in inducing Lessor to grant to Lessee the within option. In the event of breach by Lessee of its said representation and warranty Lessee shall pay to Lessor upon demand, a further amount equal to 100% of the purchase price of the Units, to the extent legally enforceable. If after 20 days subsequent to Lessee's exercise of its option to purchase pursuant to this paragraph, Lessee and the Lessor are unable to agree upon the purchase price, the purchase price shall be determined by an independent expert selected by Lessor. If Lessee shall not accept the determination by such expert, Lessee shall itself select a second independent expert and agreement by the two experts on the amount of the purchase price shall be binding upon the parties. If the two experts shall fail to agree, they shall select an independent third expert whose determination shall be binding. The determinations by the experts, in sequence, if such be the case, shall be made within 20 days after their respective appointments. The costs and fees of all experts shall be borne by Lessee.

Lessee's option pursuant to this paragraph may be assigned by Lessee to its parent company, PLM, subject to all the provisions hereof and the Sublease and provided that PLM also by the exercise of the option, if assigned to it, makes the representation and warranty herein set forth and assumes the obligations of Lessee by reason of such option, without releasing Lessee from such obligations.

Upon payment of the purchase price of any Unit, the Lessor shall upon request of the purchaser execute and deliver to the Lessee, or to the purchaser's assignee or nominee, a bill of sale (without warranties) for such Unit such as will transfer to the purchaser such title to such Unit as the Lessor derived from the Vendor, free and clear

of all liens, security interests and other encumbrances arising through the Lessor.

§ 14. Return of Units upon Expiration of Term.

As soon as practicable on or after the expiration of the original term of this Lease with respect to any Unit not purchased by the Lessee, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon such storage tracks as the Lessor may designate, or, in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Unit on such tracks for a period not exceeding six months from the date of expiration of this Lease and transport the same, at any time within such six-month period, to any reasonable place, as directed by the Lessor, the movement and storage of such Units to be at the expense and risk of the Lessee. If any Unit shall suffer a Casualty Occurrence as defined in § 7 hereof during such storage period, the Lessee shall pay to the Vendee the Casualty Value for such Unit as set forth in Schedule B hereto. All amounts earned in respect of the Units after the date of expiration of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such expiration, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which the per diem interchange for such Unit for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, lessee or user, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this § 14 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads and/or the applicable rules of any governmental agency or other organization with jurisdiction. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this

Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units.

§ 15. Recording. The Lessee, at its own expense, will cause this Lease, the Sublease, the Security Documentation and any assignment hereof or thereof to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act and shall cause to be filed and recorded such financing statements and other documents as may be necessary to perfect the security interest of the Vendor in the Units, the Security Documentation, this Lease and the payments due and to become due hereunder in accordance with the laws of the States of California and Illinois. The Lessee will undertake the filing, registering, deposit, and recording required of the Lessor under the Security Documentation and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the Sublease, the Security Documentation and the assignment thereof to the Vendor; and the Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease, the Sublease and the Security Documentation shall be filed and recorded with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

§ 16. Federal Income Taxes. It is the intent of the parties to the Lease that the Lease be recognized as a lease for federal, state and local income tax purposes, that the Lease does not convey to the Lessee any right, title or interest in the Units except as a lessee and that the Beneficiary, as the beneficial owner of the Units for Federal income tax purposes, shall 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, (a) the maximum depreciation deduction with respect to the Units authorized under section 167 of the Code based on the aggregate Purchase Price of

the Units utilizing the 12-year depreciable life prescribed for the Units in the Asset Guideline Class No. 00.25 in accordance with section 167(m) of the Code, employing the double-declining method of depreciation, and switching to the sum-of-the-years digits method when most beneficial to the Beneficiary utilizing the half-year convention as provided in Reg. Sec. 1.167(a)11(c)2(iii) and without taking into account the salvage value of the Units until the Units have been depreciated to a salvage value of zero (such zero salvage value being based upon an estimated gross salvage value of 10% of the Purchase Price of the Units which shall be reduced by 10% of the Purchase Price as provided in section 1.67(f) of the Code) (such deduction being herein called the ADR Deduction) (b) deductions with respect to interest payable under the Security Documentation pursuant to section 163 of the Code (such deduction being herein called the Interest Deduction), and (c) the 10% investment credit in 1975 (herein called the Investment Credit) with respect to the aggregate Purchase Price of the Units pursuant to section 38 and related sections of the Code.

For purposes of this § 16, the term "Beneficiary" shall include any affiliated group, within the meaning of section 1504 of the Code, of which the Beneficiary is a member, if consolidated returns are filed for such affiliated group for Federal income tax purposes.

The Lessee agrees that neither it nor any corporation controlled by it, in control of it, or under common control with it, directly or indirectly, will at any time take any action or file any returns or other documents inconsistent with the foregoing or which would increase the amount of rentals required to be taken into income by the Beneficiary over the amount specified to be payable under this Lease or the Sublease on the dates due hereunder, except as specifically provided in this Lease or the Sublease, and that each of such corporations will file such returns, take such actions and execute such documents as may be reasonable and necessary to facilitate accomplishment of the intent hereof. The Lessee agrees to keep and make available for inspection and copying by the Beneficiary such records as will enable the Beneficiary to determine the extent to which it is entitled to the benefit of the Investment Credit and the ADR Deduction with respect to the Units.

The Lessee represents and warrants that (i) all the Units constitute property the full Purchase Price of which qualifies for the Investment Credit under section 50 of the Code; (ii) at the time the Beneficiary becomes

the beneficial owner of the Units for Federal income tax purposes, the Units will constitute "new section 38 property" within the meaning of section 48 of the Code and at the time the Beneficiary becomes the beneficial owner of the Units, the Units will not have been used by any person so as to preclude "the original use of such property" within the meaning of sections 48(b) and 167(c)(2) of the Code from commencing with the Beneficiary; (iii) at all times during the term of this Lease and the Sublease, each Unit will constitute "section 38 property" within the meaning of section 48(a) of the Code, and the Lessee will not at any time during the term of this Lease and the Sublease 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; (iv) for Federal income tax purposes, all amounts includible in the gross income of the Beneficiary with respect to the Units and all deductions allowable to the Beneficiary with respect to the Units will be treated as derived from, or allocable to, sources within the United States; (v) the Beneficiary will be entitled to the ADR Deduction; (vi) the Beneficiary will be entitled to a 10% Investment Credit in 1975 with respect to the Purchase Price of the Units; (vii) the Lessee will maintain sufficient records to verify such use, which records will be furnished to the Beneficiary within 30 days after receipt of a written demand therefor.

If for any reason the Beneficiary shall lose, or shall not have, or shall lose the right to claim, or shall suffer a disallowance of or shall be required to recapture (any such event being hereinafter called a Loss), all or any portion of the Investment Credit, the ADR Deduction, or the Interest Deduction with respect to all or part of any Unit, or if for Federal income tax purposes any item of income, loss or deduction with respect to any Unit is treated as derived from, or allocable to, sources without the United States under the Code (any such loss, disallowance, recapture or treatment being hereinafter called a Loss), then the rentals for the Units set forth in § 3 hereof shall, on the next succeeding rental payment date after written notice to the Lessee by the Lessor of such fact, be increased to such amount or amounts as shall, in the reasonable opinion of the Beneficiary, cause the Beneficiary's net return to equal the net return that would have been realized by the Beneficiary if such Loss had not occurred, and the Lessee shall forthwith pay to the Beneficiary as additional rental the amount of any interest and/or penalties which may be

assessed by the United States of America against the Beneficiary attributable to such Loss; provided, however, that such rental rate shall not be so increased if the Beneficiary shall have suffered such Loss with respect to all or part of such Unit as a direct result of the occurrence of any of the following events:

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

(ii) a voluntary transfer or other voluntary disposition by the Lessor or the Beneficiary of any interest in such Unit or the voluntary reduction by the Lessor or the Beneficiary of its interest in the rentals from such Unit under the Lease (other than pursuant to the Assignment of this Lease to the Vendor), unless, in each case, an Event of Default shall have occurred and be continuing;

(iii) the failure of the Beneficiary to claim in a timely manner the Investment Credit, the ADR Deduction or the Interest Deduction; or

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

In the event the rental rates shall be adjusted as hereinbefore provided in this § 16, the Casualty Values set forth in Schedule B hereto, the Termination Values set forth in Schedule C hereto and the damages and amounts set forth in subparagraph (b) of § 10 hereof shall be adjusted accordingly.

§ 17 Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount equal to 11-3/4% per annum of the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

§ 18 Lessee's Representations. The Lessee repre-

sents and warrants that:

(a) it was duly organized and is now validly existing as a corporation under the laws of the State of California and that it shall maintain its corporate existence for the duration of the term of this Lease and that it shall not carry on or engage in any business other than the transactions contemplated by this Lease, the Participation Agreement the Consent and Agreement dated as of the date hereof, the Sublease and the Assignment of Sublease and Agreement dated as of the date hereof and that it will not amend or modify its certificate of incorporation or by laws in any way or form a subsidiary corporation or enter into a joint venture or any other similar type of arrangement with any other corporation for the purpose of carrying on or engaging in any such other course of business;

(b) each of the agreements referred to above in paragraph (a) of the § 18 to which the Lessee is or becomes a party has been or will be duly and timely authorized, executed and delivered by the Lessee, that each constitutes and will constitute a legal, valid and binding obligation of the Lessee enforceable against the Lessee in accordance with its terms and that each is not and will not be in contravention of the provisions of the Lessee's certificate of incorporation or by laws or of any law or governmental rule, regulation or order applicable to the Lessee, and would not or will not result in a violation of, or be in conflict with, or constitute a default under, or subject in property or any assets of the Lessee to any lien, charge or encumbrance (other than as contemplated in this Lease and the Participation Agreement) of any indenture, contract, agreement or other instrument binding on the Lessee;

(c) it will not incur any obligations or indebtedness of any nature other than those contemplated by the Lease, and that without the consent of the Owner and the Vendor it will not enter into any agreements with any person other than those referred to above in paragraph (a) of this § 18 and that it will not guarantee or otherwise become contingently liable on any obligations of any other person;

(d) each Unit will have a useful life of not less

than 20 years and will have a residual value at the expiration of the original term of this Lease of not less than 20% of the Purchase Price thereof (after subtracting from such value any cost to the Lessor for delivery of possession of the property to the Lessor at the end of the term of this Lease and without including in such value any increase or decrease for inflation or deflation during such term).

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

(a) if to the Lessor, at 231 South LaSalle Street, Chicago, Illinois, 60693, Attention of Corporate Trust Division, and

(b) if to the Lessee, in care of Professional Lease Management, Inc., One Embarcadero Center, Suite 2202, San Francisco, California 94111, Attention of President.

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

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

Except for the Participation Agreement, the Sublease and this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee, and no such variation shall be made without the written consent of the Vendor and the Sublessee.

§ 21. Quiet Enjoyment. The Lessor covenants that

if, and so long as, the Lessee keeps and performs each and every covenant, condition and agreement to be performed or observed by it hereunder, and the Sublessee keeps and performs each and every covenant, condition and agreement to be performed or observed by it under the Sublease, the Lessee shall have the right to quiet enjoyment of the Units leased hereunder without hindrance by the Lessor or any other person lawfully claiming the same by, through or under the Lessor, and the Sublessee as a third party beneficiary hereof shall have the right to quiet enjoyment of the Units leased to it by the Lessee under the Sublease without hindrance by the Lessor or any other person lawfully claiming the same by, through or under the Lessor.

§ 22. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor pursuant to the Assignment hereof to the Vendor shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. It shall not be necessary for all parties hereto to execute all counterparts or the same counterpart so long as as each party shall execute and deliver counterparts to each other party. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

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

§ 24. Performance by Sublessee; Immunities. The obligations of the Lessee under §§ 1, 2, 5-9, 11, 12, 14-17, 20, 22 and 23 of this Lease shall be deemed to be satisfied by the performance by the Sublessee of its obligations under the Sublease.

No recourse shall be had in respect of any obligation due under this Lease, or referred to herein, against any incorporator, stockholder, director or officer, as such, past, present or future, of the parties hereto, whether by virtue of any constitutional provision, statute or rule of law, or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in

equity, by any constitutional provision, statute or otherwise, of such incorporators, stockholders, directors or officers, as such, being forever released as a condition of and as consideration for the execution of this Lease.

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

CONTINENTAL ILLINOIS NATIONAL
BANK AND TRUST COMPANY OF CHICAGO,
not in its individual capacity
but solely as Trustee under a
Trust Agreement dated as of the
date hereof,

by

[Corporate Seal]

Vice President

Attest:

Trust Officer

PLM-MONTANA-DAKOTA, INC.,

by

[Corporate Seal]

President

Attest:

Secretary

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

On this day of 1975, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a Vice President of CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission expires

SCHEDULE A TO LEASE

<u>Type</u>	<u>Quantity</u>	<u>Lessee's Road Numbers (Both Inclusive)</u>
100-ton open top hopper car	20	PLMX-1446 to 1465

SCHEDULE B TO LEASE

<u>Date</u>	<u>Casualty Value Percentage</u>
January 15, 1976	83.82
July 15, 1976	84.98
January 15, 1977	85.78
July 15, 1977	86.27
January 15, 1978	86.42
July 15, 1978	86.29
January 15, 1979	85.85
July 15, 1979	85.12
January 15, 1980	84.09
July 15, 1980	82.80
January 15, 1981	81.23
July 15, 1981	79.40
January 15, 1982	77.32
July 15, 1982	75.01
January 15, 1983	72.47
July 15, 1983	69.72
January 15, 1984	66.83
July 15, 1984	63.85
January 15, 1985	60.85
July 15, 1985	57.75
January 15, 1986	54.62
July 15, 1986	51.40
January 15, 1987	48.14
July 15, 1987	44.80
January 15, 1988	41.42
July 15, 1988	37.96
January 15, 1989	34.46
July 15, 1989	30.88
January 15, 1990	27.25
July 15, 1990	23.55
January 15, 1991, and thereafter	20.00

The foregoing percentages have been computed without regard to recapture of the Investment Credit (as defined in § 16 hereof). Consequently, the Casualty Value of any Unit Suffering a Casualty Occurrence on or before the third, fifth and seventh anniversary of the date of delivery and acceptance of such Unit shall be increased by the applicable percentage of the Purchase Price set forth below.

<u>Anniversary of Delivery and Acceptance</u>	<u>Percentage of Purchase Price</u>
Third	20.00
Fifth	13.34
Seventh	6.67

SCHEDULE C TO LEASE

<u>Date</u>	<u>Termination Value Percentage</u>
July 15, 1983	68.68
January 15, 1984	65.72
July 15, 1984	62.67
January 15, 1985	59.56
July 15, 1985	56.38
January 15, 1986	53.14
July 15, 1986	49.81
January 15, 1987	46.44
July 15, 1987	42.97
January 15, 1988	39.46
July 15, 1988	35.85
January 15, 1989	32.20
July 15, 1989	28.45
January 15, 1990	24.65
July 15, 1990	20.76
January 15, 1991, and thereafter	00.00

SUBLEASE OF RAILROAD EQUIPMENT

Dated as of October 31, 1975

between

PLM-MONTANA-DAKOTA, INC.

and

MONTANA-DAKOTA UTILITIES CO.

SUBLEASE OF RAILROAD EQUIPMENT dated as of October 31, 1975 (hereinafter called this Lease), between PLM-MONTANA-DAKOTA, INC., a California corporation (hereinafter called the Lessor), and MONTANA-DAKOTA UTILITIES CO., a Delaware corporation (hereinafter called the Lessee).

WHEREAS Continental Illinois National Bank and Trust Company of Chicago (hereinafter called the Vendee), not in its individual capacity but solely as Trustee under a Trust Agreement dated as of the date hereof with International Paper Equipment Leasing Corporation (hereinafter called the Beneficiary), and Pullman Incorporated (Pullman Standard Division) (hereinafter called the Builder) are entering into a Conditional Sale Agreement dated the date hereof (hereinafter called the Security Documentation), wherein the Builder has agreed to manufacture, sell and deliver to the Vendee the units of railroad equipment described in Schedule A hereto (hereinafter called the Equipment);

WHEREAS, pursuant to an Agreement and Assignment dated as of the date hereof, the Builder is assigning its interests in the Security Documentation to Lincoln National Bank and Trust Company of Fort Wayne, a national banking association, acting as agent (said Bank, as so acting, being hereinafter together with its successors and assigns called the Vendor) under a Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement) among the Lessee, the Lessor, the Vendor, the Vendee, the Beneficiary, Professional Lease Management, Inc. (hereinafter called PLM) and The Lincoln National Life Insurance Company; and

WHEREAS the Lessor is entering into a Lease of Railroad Equipment dated as of the date hereof (hereinafter called the Original Lease), to lease such number of units of the Equipment as are delivered and accepted and settled for under the Security Documentation (hereinafter called the Units) from the Vendee, and the Lessor desires to sublease the Units to the Lessee at the rentals and for the terms and upon the conditions hereinafter provided;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor

hereby leases the Units to the Lessee upon the following terms and conditions:

§ 1. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or under the Security Documentation, including the Lessee's right by subrogation thereunder, or the Builder or the Vendor or the Vendee or PLM or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

§ 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the Security Documentation. The Lessor will cause each Unit to be delivered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under the Original Lease. Upon such delivery, the Lessee will cause an employee or agent of the Lessee to inspect the same,

and if such Unit is found to be acceptable, to accept delivery of such Unit and execute and deliver to the Vendee a certificate of acceptance (hereinafter called the Certificate of Acceptance) in accordance with the provisions of Article 3 of the Security Documentation, stating that such Unit has been inspected and accepted on behalf of the Lessee and the Lessor on the date of such Certificate of Acceptance and is marked in accordance with § 5 hereof, whereupon, except as provided in the next sentence hereof, such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease. The delivery, inspection and acceptance hereunder of any unit of Equipment excluded from the Security Documentation pursuant to the first paragraph of Article 4 thereof shall be null and void and ineffective to subject such unit to this Lease.

§ 3. Rentals. The Lessee agrees to pay to the Lessor, as rental for each Unit subject to this Lease, (i) one payment on the Closing Date (as defined in Article 4 of the Security Documentation), and (ii) 180 monthly rental payments on the 15th day of each calendar month commencing January 15, 1976, to and including December 15, 1990. The rental payment payable on the Closing Date shall be in an amount equal to 0.03097% of the Purchase Price (as defined in Article 4 of the Security Documentation) of each Unit subject to this Lease for each day which will elapse from and including the Closing Date to January 15, 1976. The remaining 180 rental payments each shall be in an amount equal to 0.9292% of the Purchase Price of each Unit then subject to this Lease.

The rental payments hereinbefore set forth are subject to adjustment pursuant to § 9 and § 16 hereof.

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

The Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease, including, but not limited to, the payments provided for in this § 3 and in

§ 7 hereof, at the principal office of the Vendor, for the account of the Lessor in care of the Vendor, with instructions to the Vendor first, to apply such payments to satisfy the obligations of the Vendee under the Security Documentation, and second, so long as no event of default or event which with the lapse of time and/or demand provided for in the Security Documentation could constitute an event of default under the Security Documentation, the Original Lease or this Lease shall have occurred and be continuing, to pay the balance in accordance with the provisions of the second paragraph of Paragraph 9 of the Participation Agreement. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in Federal or other funds immediately available to the Vendor.

§ 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of §§ 7, 10 and 13 hereof, shall terminate 30 days after the date on which the final payment of rent in respect thereof is due pursuant to § 3 hereof. The obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 6, 7, 9 and 14 hereof) shall survive the expiration of the term of this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the Security Documentation and the Vendee under the Original Lease. If an Event of Default should occur under Section 10 of the Original Lease (subject to the Lessor's right to cure a default as set forth in Article 15(e) of the Security Documentation), the participation of the Lessor under this Lease shall, without the consent of the Lessor and immediately and automatically and without any further action, be terminated, and the Vendee without its further consent and immediately and automatically and without any further action shall become the lessor under this Lease; and the Lessor hereby agrees and acknowledges that in such event it shall no longer be a party to this Lease and that it would no longer have any claim whatsoever to any rental payments paid to the Vendor pursuant to § 3 hereof subsequent to such event.

§ 5. Identification Marks. The Lessee will cause each Unit to be kept numbered with the road number set forth

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

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

§ 6. Taxes. All payments to be made by the Lessee hereunder and by the Lessor under the Original Lease will be free of net expense (after giving effect to Federal, state and local income tax benefits accruing to the Lessor and the Vendee) to the Lessor for collection or other charges and will be free of net expense (after giving effect to Federal, state and local income tax benefits accruing to the Lessor) to the Lessor with respect to the amount of any local, state, federal, or foreign taxes (other than any United States federal income tax payable by the Lessor or the Vendee in consequence of the receipt of payments provided for herein and

other than the aggregate of all state or city income taxes or franchise taxes measured by net income based on such receipts, up to the amount of any such taxes based on such receipts which would be payable to the state and city in which the Lessor or the Vendee, as the case may be, has its principal place of business without apportionment to any other state, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided) or license fees, assessments, charges, fines or penalties (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called impositions) hereafter levied or imposed upon or in connection with or measured by this Lease or the Original Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the Original Lease or the Security Documentation, all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all impositions which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom (except as provided above) or upon the Lessor by reason of its leasehold interest in the Units or upon the Vendee solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all impositions which might in any way affect the title or the interest of the Lessor or the Vendee or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any impositions of any kind so long as it is contesting in good faith and by appropriate legal or administrative proceedings such impositions and the nonpayment thereof does not, in the reasonable opinion of the Vendee or the Lessor, adversely affect the title, property or rights of the Vendee or the Lessor hereunder or the Vendor under the Security Documentation. The Lessee agrees to give the Vendee and the Lessor notice of such contest within 30 days after institution thereof and the Lessor and the Vendee agree to provide such information as may be reasonably requested by the Lessee in furtherance of such contest. If any impositions shall have been charged or levied against the Lessor or the Vendee directly and paid by the Lessor or the Vendee, the Lessee shall reimburse the Lessor or the Vendee, as the case may be, on presentation of an invoice therefor.

In the event that the Vendee shall become obligated to make any payment to the Builder or the Vendor or otherwise pursuant to any correlative provision of the Security Documentation not covered by the foregoing paragraph of this § 6,

the Lessee shall pay such additional amounts (which shall also be deemed impositions hereunder) to the Lessor as will enable the Vendee to fulfill completely its obligations pursuant to said provision. In the event that the Lessor shall become obligated to make any payment to the Vendee or perform any act pursuant to any correlative provision of the Original Lease not covered by this § 6, the Lessee shall pay such additional amounts (which shall also be deemed impositions hereunder) to the Lessor or perform any act as will enable the Lessor to fulfill completely its obligations pursuant to said provision.

In the event any returns, statements or reports with respect to impositions are required to be made, the Lessee will make such returns, statements and reports in such manner as to show the interest of the Lessor, the Vendee and the Vendor in such Units; provided, however, that the Vendee or the Lessor, as the case may be, shall, with respect to any state or political subdivision thereof of the United States of America, file required returns, statements, and reports relating to sales, use or other taxes and fees and charges on the earnings or gross receipts of the Vendee or the Lessor, as the case may be, arising from the Units, or the value added by the Vendee or the Lessor, as the case may be, thereto, and remit the amount thereof and the Lessee shall reimburse the Vendee or the Lessor, as the case may be, promptly upon demand for the amount of such taxes, fees and charges.

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

To the extent the Lessee may be prohibited by law from performing in its own name the duties required by this § 6, the Lessor and the Vendee, as the case may be, hereby authorizes the Lessee to act in their respective names on its behalf; provided, however, that the Lessee shall indemnify and hold the Lessor and the Vendee, as the case may be, 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 by the Lessee pursuant to this authorization.

The Lessee shall, whenever reasonably requested by

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

§ 7. Maintenance; Casualty Occurrences; Insurance.

The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit which is subject to this Lease in good operating order, repair and condition, reasonable wear and tear excepted.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed, or, in the opinion of the Lessee or the Vendee, irreparably damaged from any cause whatsoever, or taken or requisitioned by condemnation or otherwise by the United States Government for a stated period which shall exceed the then remaining term of this Lease or for an indefinite period, or by any other governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days (such occurrences being hereinafter called Casualty Occurrences), prior to the return of such Unit in the manner set forth in § 14 hereof, the Lessee shall promptly and fully notify the Lessor, the Vendee and the Vendor with respect thereto. On the January 15 or July 15 next succeeding such notice the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with the Schedule B hereto. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, complete destruction or return to the Builder of such Unit) the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Vendee.

The Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be that percentage of the Purchase Price of such Unit as is set forth in Schedule B hereto opposite such date for the original term of this Lease; the Casualty Value of each Unit as of any such payment date during any extended term of this Lease shall be calculated in accordance with the provisions of § 13 hereof.

Whenever any Unit shall suffer a Casualty Occurrence after termination of the original and any extended term of this Lease and before such Unit shall have been returned in the manner provided in § 14 hereof, the Lessee shall promptly and fully notify the Lessor and the Vendee with respect thereto and pay to the Vendee an amount equal to the Casualty Value of such Unit, which shall be an amount equal to 20% of the Purchase Price of such Unit. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), the Vendee shall be entitled to recover possession of such Unit. The Vendee hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Vendee, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Vendee.

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

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

In the event that the Lessee shall in good faith reasonably determine that the Units have become economically obsolete in the Lessee's business during the original term of this Lease, the Lessee shall have the right at its option, on at least 60 days' prior written notice to the Lessor and the Vendee, to terminate (subject to the provisions for the survival of obligations contained herein) this Lease in respect of any or all Units then covered by this Lease on the January 15 or July 15, next succeeding the expiration of such notice period (for the purpose of this § 7 called the "termination date"); provided, however, that (i) the termination date shall be not earlier than January 15, 1983, (ii) no Event of Default (or other event which after lapse of time or notice or both would become an Event of Default) shall have occurred and be continuing, (iii) on the termination date such Units shall be in the same condition as if being redelivered pursuant to § 14 hereof, and (iv) the Lessee shall have delivered to the Lessor and the Vendee a certificate signed by its Chairman of the Board, its President or one of its Vice Presidents to the effect that such Units are economically obsolete in the Lessee's business. During the period from the giving of such notice until the fifth business day preceding the termination date, the Lessee shall use its best efforts to obtain bids for the purchase of such Units, and the Lessee shall at least 5 business days prior to such termination date certify to the Lessor and the Vendee the amount of each such bid and the name and address of the party (which shall not be a corporation or individual affiliated with the Lessee or any party from whom the Lessee or any such affiliate intends thereafter to lease such Units) submitting such bid. On or before the termination date the Vendee shall, subject to the Lessee's obtaining, on behalf of the Lessor and the Vendee, any governmental consents required, sell such Units for cash to the bidder who shall have submitted the highest bid prior to the termination date. The total sales price realized at such sale shall be paid to the Vendee in immediately available funds on the termination date and, in addition, on the termination date the Lessee shall pay to the Vendee the excess, if any, of the Termination Value (as hereinafter defined) in respect of such Units, computed as of the termination date, over the net sales price of

such Units after deducting from such sales price any and all costs and expenses whatsoever incurred by the Lessor and the Vendee in connection with such sale. If no sale shall occur on the date scheduled therefor as above provided, this Lease shall continue in full force and effect without change. In the event of such sale and the receipt by the Vendee of the amounts above described, the obligation of the Lessee to pay rent pursuant to § 3 hereof in respect of such Units on each rental payment date shall continue to and including the termination date but shall then terminate. The Lessor and the Vendee shall be under no duty to solicit bids, to inquire into the efforts of the Lessee to obtain bids or otherwise to take any action or incur any cost or expense in connection with any sale pursuant to this § 7, other than to transfer or to cause to be transferred to the purchaser named in the highest bid certified by the Lessee to the Lessor and the Vendee as above provided all of the Vendee's right, title and interest in and to such Units. Any sale pursuant to this § 7 shall be free and clear of all of the Lessee's rights to such Units, but otherwise shall be made without warranties other than against Lessor's and Vendee's acts.

If the Lessee shall exercise its option to terminate under this § 7, the Lessor may, notwithstanding such election by the Lessee, elect to retain the Units then subject to this Lease and to credit to the Lessee an amount equal to the then fair market value of such Units, the Lessor being solely entitled to retain the whole of such credit. In the event the Lessor shall so elect to retain the Units, the Lessee shall assemble and deliver the Units to the Lessor in accordance with the provisions of § 14 hereof.

The Termination Value of each Unit as of any rental payment date shall be that percentage of the Purchase Price of such Unit as is set forth in Schedule C hereto opposite such rental payment date.

The Lessee will, at all times prior to the return of the Equipment to the Vendee, at its own expense, cause to be carried and maintained property insurance in respect of the Units at the time subject hereto, and public liability insurance, in amounts and against risks customarily insured against by the Lessee in respect of similar equipment owned or operated by it and in any event comparable to such insurance typically carried by railroad companies in respect of similar equipment, and the benefits thereof shall be payable to the Vendor, the Vendee, the Lessor and the Lessee, as their interests may appear, so long as the indebtedness, if any, evidenced

by the Security Documentation shall not have been paid in full, and thereafter to the Vendee, the Lessor and the Lessee as their interests may appear. If the Lessor or the Vendee shall receive any proceeds of insurance carried by the Lessee or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor or the Vendee, as the case may be, shall, subject to the Lessee having made payment of the Casualty Value in respect of such Unit, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to a Unit paid by the Lessee and any balance of such proceeds or condemnation payments shall remain the property of the Vendee. All insurance proceeds received by the Lessor or the Vendee in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor or the Vendee, as the case may be, that any damage to such Unit in respect of which such proceeds were paid has been fully repaired.

§ 8. Reports. On or before March 1 in each year, commencing with the calendar year 1976, the Lessee will furnish to the Lessor, the Vendor, the Vendee and the Beneficiary an accurate statement (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the Security Documentation, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor, the Vendee or the Vendor may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5 hereof and by Article 9 of the Security Documentation have been preserved or replaced. The Lessor and the Vendee shall have the right by its agents, to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor or the Vendee may request during the continuance of this Lease.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO PATENT INFRINGEMENT, THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN (INCLUDING LATENT DEFECTS), THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PUR-

POSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder under the provisions of Items 3 and 4 of Annex A of the Security Documentation; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee, on the one hand, and the Lessor and the Vendee, on the other hand, that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor or the Vendee based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor, the Vendee and the Vendor, to comply in all respects (including without limitation, with respect to the use, maintenance and operation of each Unit) with all laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units, and in the event that, prior to the

expiration of this Lease or any renewal thereof, such laws or rules require any alteration, replacement or modification of or to any part on any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Vendee, the Lessor or the Vendor, adversely affect the property or rights of the Vendee, the Lessor or the Vendor under this Lease, the Original Lease or under the Security Documentation.

The Lessee agrees to indemnify, protect and hold harmless the Lessor, the Vendee, the Vendor and PLM from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of or the occurrence of a default under the Security Documentation, the Participation Agreement or this Lease, the Original Lease, the ownership of any Unit, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any Unit or any accident in connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in § 14 of this Lease or the transfer of title to the Equipment by the Vendor pursuant to any provision of the Security Documentation. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the expiration or termination of the term of this Lease.

In the event that there are any losses, liabilities or expenses arising out of or resulting from the Investments made pursuant to Paragraph 8 of the Participation Agreement, including, but not limited to, any deficiency in respect thereof, the Lessee agrees that each rental payment due thereafter in respect of Units acquired after such deficiency arose shall be increased by such amount (adjusted to reflect the differential in rent paid by the Lessee under this Lease and the Lessor as lessee under the Original Lease) as, in the reasonable opinion of the Vendee, will cause the Vendee's net return (after giving effect to the payment of such losses, liabilities or expenses) to equal the net return (computed on the same assumptions used by

the Lessor in originally evaluating this transaction) that would have been available to the Lessor if the Lessor had not been required to pay such losses, liabilities or expenses.

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

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

A. default shall be made in payment of any amount provided for in §§ 3, 7 or 13 hereof, and such default shall continue for five days subject to Article 15(e) of the Security Documentation;

B. the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any thereof;

C. default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Participation Agreement, and such default shall continue for 30 days after written notice from the Lessor, the Vendee or the Vendor to the Lessee (with copies thereof being provided by the party giving notice to the Lessor, the Vendee and the Vendor, as the case may be) specifying the default and demanding that the same be remedied;

D. any proceeding shall be commenced by or against the Lessee for any relief which includes or might result in any modification of the obligations of the Lessee hereunder including the filing by the Lessee of a petition in voluntary bankruptcy under any of the provisions of any bankruptcy law; or the consenting by the Lessee to the filing of any bankruptcy or reorganization peti-

tion against it under any such law; or the filing by the Lessee of a petition to reorganize the Lessee pursuant to the Bankruptcy Act or any other similar statute; or the making by the Lessee of an assignment for the benefit of creditors; or the admitting in writing by the Lessee of its inability to pay its debts generally as they become due; or the consenting by the Lessee to the appointment of a receiver, trustee, liquidator or other similar official of it or of any substantial part of its property, and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for the property of the Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier; or

E. an event of default set forth in Article 15 of the Security Documentation shall have occurred arising out of any default by the Lessee in performing any of its obligations hereunder (subject to the Lessor's and Vendee's right to cure a default as set forth in Article 15(e) of the Security Documentation); or

F. an Event of Default shall have occurred under the Original Lease arising out of any default by the Lessee in performing any of its obligations hereunder;

then, in any such case, the Vendee, at its option, may:

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

(b) by notice in writing to the Lessee terminate

this Lease and the Original Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Vendee, subject to the applicable provisions of law, may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee with respect to such action or inaction for any proceeds arising therefrom; but the Vendee shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Vendee in its sole discretion, shall specify in such notice of termination: (x) a sum equal, with respect to each Unit, to (A) the excess, if any, of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rental which the Vendee reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 6% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, plus (B) an amount which, after deduction of all taxes required to be paid by the Beneficiary in respect of all amounts payable by the Lessee to the Vendee hereunder, under the laws of any Federal, state or local government or taxing authority of the United States of America or under the laws of any taxing authority or governmental subdivision of a foreign country, shall, in the reasonable opinion of the Beneficiary, be equal to all or such portion of the Investment

Credit (as defined in § 16 hereof) lost, not claimed, not available for claim, disallowed or recaptured by or from the Beneficiary as a direct or indirect result of the breach of one or more of the representations, warranties and covenants made by the Lessee in § 16 or any other provision of this Lease or the sale or other disposition of the Vendee's interest in any Unit after the occurrence of an Event of Default, plus such sum as shall cause the Beneficiary's net return under this Lease to be equal to the net return that would have been available to the Beneficiary if it had been entitled to utilization of all or such portion of the ADR Deduction and the Interest Deduction (as such deductions are defined in § 16 hereof) which was lost, not claimed, not available for claim or disallowed or recaptured in respect of Units as a direct or indirect result of the breach of one or more of the representations, warranties and covenants made by the Lessee in § 16 or any other provision of this Lease, the inaccuracy of any statement in any letter or document furnished to the Vendee by the Lessee, the termination of this Lease, the Lessee's loss of the right to use such Unit, any action or inaction by the Lessee or the sale or other disposition of the Vendee's interest in such Unit after the occurrence of an Event of Default plus such sum as will pay or reimburse the Beneficiary for any interest, penalties or additions to tax incurred in connection with such loss, failure to claim, inability to claim, disallowance or recapture; or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination specified for payment in such notice of termination over the amount the Vendee reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event the Vendee shall have sold any Unit, the Vendee, in lieu of collecting any amounts payable to the Vendee by the Lessee pursuant to the preceding clauses (x) and (y) of this subparagraph (ii) with respect to such Unit, may, if it shall so elect, demand that the Lessee shall pay to the Vendee and the Lessee shall pay to the Vendee on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the rental payment date on or next preceding the date of termination specified for payment in such notice of termination, over the net proceeds of such sale.

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

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

The failure of the Lessor or the Vendee to exercise the rights granted to 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.

Breach by the Lessee of its representations and warranties set forth in the fourth paragraph of § 16 hereof and in § 18 hereof shall not be deemed a default hereunder if and so long as the Lessee shall pay such additional rentals and perform such other obligations as may be or become due pursuant to the fifth paragraph of § 16 hereof by reason of such breach.

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

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

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

(c) transport the same to any reasonable place, as directed by the Vendee.

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Vendee shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own cost and expense, maintain and keep the Equipment in good order and repair and will permit the Vendee or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same. All amounts earned in respect of the Units after the date of expiration of this Lease shall belong to the Vendee and, if received by the Lessee, shall be promptly turned over to the Vendee. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such expiration, the Lessee shall, in addition, pay to the Vendee for each day thereafter an amount equal to the amount, if any, by which the per diem interchange for such Unit for each such day exceeds the actual earnings received by the Vendee on such Unit for each such day.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 11, the Lessee hereby irrevocably appoints the Vendee as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Vendee, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

§ 12. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor and the Vendee hereunder (including, but not limited to, the rights under §§ 6, 7, 9, 10, 11 and 16 and the rights to receive the rentals payable under this Lease) shall

inure to the benefit of the Lessor's assigns (including the Vendor).

So long as the Lessee shall not be in default under this Lease and the Lessor is not in default under the Original Lease and the Lessor has not breached any of its obligations under this Lease, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease but, without the prior written consent of the Vendee, the Lessor and the Vendor, which shall not be unreasonably withheld, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them. The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor, the Vendee or the Vendor or resulting from claims against the Lessor, the Vendee or the Vendor not related to the ownership of the Units) upon or with respect to any Unit or the interest of the Lessor, the Vendee, the Vendor or the Lessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises; provided, however, that this sentence shall not be deemed to prohibit any lien attaching to the leasehold interest of the Lessee under this Lease by reason of the existence of an after-acquired property clause in any existing or future mortgage to which the Lessee is a party covering substantially all of its property. The Lessee shall not, without the prior written consent of the Vendee and the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the immediately succeeding paragraph.

So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the Units in accordance with the terms hereof and to the use of the Units by it or by a railroad company or companies incorporated in the United States of America with which it has contractual arrangements for the use of the Units for its benefit upon trackage owned or operated by it or upon lines of railroad owned or operated by such railroad company or companies or over which such railroad company or companies have trackage or other operating rights or over which railroad equipment of such railroad company or companies is regularly operated pursuant to contract, and also to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, but only upon and subject to all the terms and

conditions of this Lease and the Security Documentation; provided, however, that the Lessee shall not assign or permit the assignment of any Unit to service involving the operation and maintenance thereof outside the contiguous United States of America. The Lessee may receive and retain compensation for such use from other railroads so using any of the Units.

Nothing in this § 12 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder and under the Participation Agreement the Sublease Consent or the Reassignment of Sublease Consent (as defined in the Participation Agreement) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety, provided that the net worth of the assignee or transferee shall not be less than the net worth of the Lessee, and provided further that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease.

§ 13. Purchase and Renewal Options. If this Lease has not been earlier terminated, the Lessee is not in default hereunder or under the Security Documentation and the Lessor is not in default under the Original Lease, the Lessee may, by written notice delivered to the Vendee not less than six months prior to the end of the original term of this Lease or any extended term hereof, as the case may be, elect (a) to extend the term of this Lease in respect of all, but not fewer than all, of such Units then covered by this Lease, for additional two-year periods commencing on the scheduled expiration of the original term or extended term of this Lease, as the case may be, provided that no such extended term shall extend beyond January 15, 1997, at a "Fair Market Rental Value" payable in semiannual payments on the semiannual anniversaries of the expiration of such original term, or (b) to purchase all, but not fewer than all, the Units then covered by this Lease at the end of the original or any extended term of this Lease for a purchase price equal to the "Fair Market Value" of such Units as of the end of such term; if the renewal option provided for in clause (a) is exercised, (i) all the other terms of this Lease shall be applicable during any extended term, except that the Casualty Values of the Units shall be calculated using

the same assumptions used in calculating the Casualty Values for the original term of this Lease, taking into consideration the then Fair Market Value of the Units (both at the beginning and the end of the extended term), but in no event, however, shall such Casualty Values be less than 20% of the purchase price of the Units, and (ii) the Vendee or its successor in interest under the Original Lease shall become the lessor under this Lease for such extended term and the Lessee shall make its rental payments during such extended term at the principal office of the Vendee for the account of the Beneficiary or at such other place and/or to such other person as the Vendee may from time to time advise in writing. Any and all claims or disputes against Lessor or obligations of the Lessor of any kind arising out of or with respect to the initial term of this Lease or otherwise shall be made and/or resolved solely with Lessor, and Lessee shall have, claim or take no action, claim, dispute or set-off against Vendee by reason of or with respect thereto.

Fair Market Value and Fair Market Rental Value shall be determined on the basis of, and shall be equal in amount to, the value which would be obtained in an arm's-length transaction between an informed and willing buyer-user or lessee (other than (i) a lessee currently in possession and (ii) a used equipment dealer), as the case may be, and an informed and willing seller or lessor, as the case may be, under no compulsion to sell or lease, as the case may be, and, in such determination, costs of removal from the location of current use shall not be a deduction from such value. If, after 60 days from the giving of notice by the Lessee of its election to extend the term of this Lease or to purchase the Units, the Vendee and the Lessee are unable to agree upon a determination of the Fair Market Value or Fair Market Rental Value of the Units, as the case may be, such value shall be determined in accordance with the foregoing definition by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of such value by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 business days after such notice is given, each party shall appoint an independent appraiser within 25 business days after such notice is given, and the two appraisers so appointed shall within 35 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 35 business days after such notice is given,

either party may apply, to make such appointment, to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Value or Fair Market Rental Value, as the case may be, of the Units within 90 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of Fair Market Value or Fair Market Rental Value, as the case may be, of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such average shall be final and binding upon the parties hereto as the Fair Market Value or Fair Market Rental Value, as the case may be. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Value or Fair Market Rental Value, as the case may be, and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne by the Lessee.

Upon payment of the purchase price of any Unit, the Vendee shall upon request of the Lessee execute and deliver to the Lessee, or to the Lessee's assignee or nominee, a bill of sale (without warranties) for such Unit such as will transfer to the Lessee such title to such Unit as the Vendee derived from the Vendor, free and clear of all liens, security interests and other encumbrances arising through the Vendee.

The Lessee hereby agrees that if the Units are acquired by the Lessor or PLM pursuant to § 13 of the Original Lease it shall not enter into any lease for such Units or purchase such Units directly or indirectly from the Lessor or PLM.

§ 14. Return of Units upon Expiration of Term. As soon as practicable on or after the expiration of the original or extended term of this Lease with respect to any Unit not purchased by the Lessee, the Lessee will, at its own cost and expense, at the request of the Vendee, deliver possession of such Unit to the Vendee upon such storage tracks as the Vendee may reasonably designate, or, in the absence of such

designation, as the Lessee may select, and permit the Vendee to store such Unit on such tracks for a period not exceeding six months from the date of expiration of this Lease and transport the same, at any time within such six-month period, to any reasonable place, as directed by the Vendee, the movement and storage of such Units to be at the expense and risk of the Lessee. If any Unit shall suffer a Casualty Occurrence as defined in § 7 hereof during such storage period, the Lessee shall pay to the Vendee the Casualty Value for such Unit as set forth in Schedule B hereto. All amounts earned in respect of the Units after the date of expiration of this Lease shall belong to the Vendee and, if received by the Lessee, shall be promptly turned over to the Vendee. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such expiration, the Lessee shall, in addition, pay to the Vendee for each day thereafter an amount equal to the amount, if any, by which the per diem interchange for such Unit for each such day exceeds the actual earnings received by the Vendee on such Unit for each such day. During any such storage period the Lessee will permit the Vendee or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Vendee or any prospective purchaser, lessee or user, the rights of inspection granted under this sentence. Each Unit returned to the Vendee pursuant to this § 14 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads and/or the applicable rules of any governmental agency or other organization with jurisdiction. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Vendee shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units.

§ 15. Recording. The Lessee, at its own expense, will cause this Lease, the Original Lease, the Security Documentation and any assignment hereof or thereof to be filed and recorded with the Interstate Commerce Commission in

accordance with Section 20c of the Interstate Commerce Act and shall cause to be filed and recorded such financing statements and other documents as may be necessary to perfect the security interest of the Vendor in the Units, the Security Documentation, this Lease and the payments due and to become due hereunder in accordance with the laws of the state of North Dakota. The Lessee will undertake the filing, registering, deposit, and recording required of the Lessor under the Original Lease and the Vendee under the Security Documentation and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Vendee, the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Lessor's, the Vendor's and the Vendee's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the Original Lease, the Security Documentation and the assignment thereof to the Vendor; and the Lessee will promptly furnish to the Lessor, the Vendor and the Vendee evidence of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Lessor, the Vendor and the Vendee. This Lease, the Original Lease and the Security Documentation shall be filed and recorded with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

§ 16. Federal Income Taxes. It is the intent of the parties to the Lease that the Lease and the Original Lease be recognized as a lease for federal, state and local income tax purposes, that the Lease does not convey to the Lessee any right, title or interest in the Units except as a lessee and that the Beneficiary, as the beneficial owner of the Units for Federal income tax purposes, shall 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, (a) the maximum depreciation deduction with respect to the Units authorized under section 167 of the Code based on the aggregate Purchase Price of the Units utilizing the 12-year depreciable life prescribed for the Units in the Asset Guideline Class No. 00.25 in accordance with section 167(m) of the Code, employing the double-declining method of depreciation, and switching to the sum-of-the-years digits method when most beneficial to the Beneficiary

utilizing the half-year convention as provided in Reg. Sec. 1.167(a) 11(c)2(iii) and without taking into account the salvage value of the Units until the Units have been depreciated to a salvage value of zero (such zero salvage value being based upon an estimated gross salvage value of 10% of the Purchase Price of the Units which shall be reduced by 10% of the Purchase Price as provided in section 1.67(f) of the Code) (such deduction being herein called the ADR Deduction), (b) deductions with respect to interest payable under the Security Documentation pursuant to section 163 of the Code (such deduction being herein called the Interest Deduction), and (c) the 10% investment credit in 1975 (herein called the Investment Credit) with respect to the aggregate Purchase Price of the Units pursuant to section 38 and related sections of the Code.

For purposes of this § 16, the term "Beneficiary" shall include any affiliated group, within the meaning of section 1504 of the Code, of which the Beneficiary is a member, if consolidated returns are filed for such affiliated group for Federal income tax purposes.

The Lessee agrees that neither it nor any corporation controlled by it, in control of it, or under common control with it, directly or indirectly, will at any time take any action or file any returns or other documents inconsistent with the foregoing or which would increase the amount of rentals required to be taken into income by the Beneficiary over the amount specified to be payable under this Lease or the Original Lease on the dates due hereunder, except as specifically provided in this Lease or the Original Lease, and that each of such corporations will file such returns, take such actions and execute such documents as may be reasonable and necessary to facilitate accomplishment of the intent hereof. The Lessee agrees to keep and make available for inspection and copying by the Beneficiary such records as will enable the Beneficiary to determine the extent to which it is entitled to the benefit of the Investment Credit and the ADR Deduction with respect to the Units.

The Lessee represents and warrants that (i) all the Units constitute property the full Purchase Price of which qualifies for the Investment Credit under section 50 of the Code; (ii) at the time the Beneficiary becomes the beneficial owner of the Units for Federal income tax purposes, the Units will constitute "new section 38 property" within the meaning of section 48 of the Code and at the time the Beneficiary

becomes the beneficial owner of the Units, the Units will not have been used by any person so as to preclude "the original use of such property" within the meaning of sections 48(b) and 167 (c)(2) of the Code from commencing with the Beneficiary; (iii) at all times during the term of this Lease and the Original Lease, each Unit will constitute "section 38 property" within the meaning of section 48(a) of the Code, and the Lessee will not at any time during the term of this Lease and the Original 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; (iv) for Federal income tax purposes, all amounts includible in the gross income of the Beneficiary with respect to the Units and all deductions allowable to the Beneficiary with respect to the Units will be treated as derived from, or allocable to, sources within the United States; (v) the Beneficiary will be entitled to the ADR Deduction; (vi) the Beneficiary will be entitled to a 10% Investment Credit in 1975 with respect to the Purchase Price of the Units; (vii) the Lessee will maintain sufficient records to verify such use, which records will be furnished to the Beneficiary within 30 days after receipt of a written demand therefor.

If for any reason the Beneficiary shall lose, or shall not have, or shall lose the right to claim, or shall suffer a disallowance of or shall be required to recapture (any such event being hereinafter called a Loss), all or any portion of the Investment Credit, the ADR Deduction, or the Interest Deduction with respect to all or part of any Unit, or if for Federal income tax purposes any item of income, loss or deduction with respect to any Unit is treated as derived from, or allocable to, sources without the United States under the Code (any such loss, disallowance, recapture or treatment being hereinafter called a Loss), then the rentals for the Units set forth in § 3 hereof shall, on the next succeeding rental payment date after written notice to the Lessee by the Vendee of such fact, be increased to such amount or amounts (and maintaining and with due regard for the differential in the rent paid by the Lessee under this Lease and the Lessor as lessee under the Original Lease) as shall, in the reasonable opinion of the Beneficiary, cause the Beneficiary's net return under the Original Lease to equal the net return that would have been realized by the Beneficiary under the Original Lease if such Loss had not occurred, and the Lessee shall forthwith pay to the Beneficiary as additional rental the amount of any interest and/or penalties which may be assessed by the United States of

America against the Beneficiary attributable to such Loss; provided, however, that such rental rate shall not be so increased if the Beneficiary shall have suffered such Loss with respect to all or part of such Unit as a direct result of the occurrence of any of the following events:

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

(ii) a voluntary transfer or other voluntary disposition by the Vendee or the Beneficiary of any interest in such Unit or the voluntary reduction by the Vendee or the Beneficiary of its interest in the rentals from such Unit under the Lease (other than pursuant to the Assignment of this Lease to the Vendor), unless, in each case, an Event of Default shall have occurred and be continuing;

(iii) the failure of the Beneficiary to claim in a timely manner the Investment Credit, the ADR Deduction or the Interest Deduction; or

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

In the event the rental rates shall be adjusted as hereinbefore provided in this § 16 the Casualty Values set forth in Schedule B hereto, the Termination Values set forth in Schedule C hereto and the damages and amounts set forth in subparagraph (b) of § 10 hereof shall be adjusted accordingly.

§ 17. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount equal to 11-3/4% per annum of the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

§ 18. Lessee's Representations. The Lessee represents and warrants that each unit will have a useful life of

not less than 20 years and will have a residual value at the expiration of the original term of this Lease of not less than 20% of the Purchase Price thereof (after subtracting from such value any cost to the Lessor for delivery of possession of the property to the Lessor at the end of the term of this Lease and without including in such value any increase or decrease for inflation or deflation during such term).

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

(a) if to the Lessor, in care of Professional Lease Management, Inc., One Embarcadero Center, Suite 2202, San Francisco, California 94111, Attention of President.

(b) if to the Lessee, at 400 North 4th Street, Bismarck, North Dakota 58501, Attention of William Hansen, Esq., Vice President, and

(c) if to the Vendee, at 231 South LaSalle Street, Chicago, Illinois, 60693, Attention of Corporate Trust Division,

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

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

Except for the Participation Agreement and the Original Lease, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee, and no such variation shall be made without the written con-

sent of the Vendor and the Vendee.

§ 21. Quiet Enjoyment. The Lessor covenants that if, and so long as, the Lessee keeps and performs each and every covenant, condition and agreement to be performed or observed by it hereunder, the Lessee shall have the right to quiet enjoyment of the Units leased hereunder without hindrance by the Lessor or any other person lawfully claiming the same by, through or under the Lessor.

§ 22. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor pursuant to the assignment or reassignment hereof to the Vendor shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. It shall not be necessary for all parties hereto to execute all counterparts or the same counterpart so long as each party shall execute and deliver counterparts to each other party. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

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

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

PLM-MONTANA-DAKOTA, INC.,

by

President

[Corporate Seal]

Attest:

Secretary

MONTANA-DAKOTA UTILITIES CO.,

by

Vice President

[Corporate Seal]

Attest:

Assistant Secretary

Continental Illinois National Bank and Trust Company of Chicago, not in its individual capacity but solely as Trustee under a Trust Agreement dated as of the date hereof, hereby agrees and consents to the provisions of the foregoing Sublease of Railroad Equipment, including without limitation the provisions of the second paragraph of § 4 and the first paragraph of § 13.

Dated as of October 31, 1975

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, not in its individual capacity but solely as Trustee under a Trust Agreement dated as of the date hereof,

by

Vice President

[Corporate Seal]

Attest:

Trust Officer

STATE OF CALIFORNIA ,)
) ss.:
COUNTY OF SAN FRANCISCO,)

On this day of 1975, before me personally appeared , to me personally known, who, being by me duly sworn says that he is of PLM-MONTANA-DAKOTA, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Stamp]

My Commission expires

SCHEDULE A TO LEASE

<u>Type</u>	<u>Quantity</u>	<u>Lessee's Road Numbers (Both Inclusive)</u>
100-ton open top hopper car	20	PLMX-1446 to 1465

STATE OF NORTH DAKOTA,)
) ss.:
COUNTY OF ,)

On this day of 1975, before me personally appeared , to me personally known, who, being by me duly sworn says that he is of MONTANA-DAKOTA UTILITIES CO., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission expires

SCHEDULE B TO SUBLEASE

<u>Date</u>	<u>Casualty Value Percentage</u>
January 15, 1976	88.82
July 15, 1976	89.98
January 15, 1977	90.78
July 15, 1977	91.27
January 15, 1978	91.42
July 15, 1978	91.29
January 15, 1979	90.85
July 15, 1979	90.12
January 15, 1980	89.09
July 15, 1980	87.80
January 15, 1981	86.23
July 15, 1981	84.40
January 15, 1982	82.32
July 15, 1982	80.01
January 15, 1983	77.47
July 15, 1983	74.72
January 15, 1984	71.83
July 15, 1984	68.86
January 15, 1985	65.85
July 15, 1985	62.75
January 15, 1986	59.62
July 15, 1986	56.40
January 15, 1987	53.14
July 15, 1987	49.80
January 15, 1988	46.42
July 15, 1988	42.96
January 15, 1989	39.46
July 15, 1989	35.88
January 15, 1990	32.75
July 15, 1990	28.55
January 15, 1991	25.00

The foregoing percentages have been computed without regard to recapture of the Investment Credit (as defined in § 16 hereof). Consequently, the Casualty Value of any Unit Suffering a Casualty Occurrence on or before the third, fifth and seventh anniversary of the date of delivery and acceptance of such Unit shall be increased by the applicable percentage of the Purchase Price set forth below.

<u>Anniversary of Delivery and Acceptance</u>	<u>Percentage of Purchase Price</u>
Third	20.00
Fifth	13.34
Seventh	6.67

SCHEDULE C TO SUBLEASE

<u>Date</u>	<u>Termination Value Percentage</u>
July 15, 1983	68.68
January 15, 1984	65.72
July 15, 1984	62.67
January 15, 1985	59.56
July 15, 1985	56.38
January 15, 1986	53.14
July 15, 1986	49.81
January 15, 1987	46.44
July 15, 1987	42.97
January 15, 1988	39.46
July 15, 1988	35.85
January 15, 1989	32.20
July 15, 1989	28.45
January 15, 1990	24.65
July 15, 1990	20.76
January 15, 1991, and thereafter	00.00

ASSIGNMENT OF LEASE AND AGREEMENT dated as of October 31, 1975 (hereinafter called this Lease Assignment), by and between CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, not in its individual capacity but solely as Trustee under a Trust Agreement dated as of the date hereof (hereinafter called the Lessor or the Vendee), and LINCOLN NATIONAL BANK AND TRUST COMPANY OF FORT WAYNE, as Agent (hereinafter called the Vendor) under a certain Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement).

WHEREAS the Vendee is entering into a Conditional Sale Agreement dated as of the date hereof (hereinafter called the Security Documentation) with Pullman Incorporated (Pullman Standard Division) (hereinafter called the Builder), providing for the sale to the Vendee of such units of railroad equipment (hereinafter called the Units) described in the Annexes thereto as are delivered to and accepted by the Vendee thereunder;

WHEREAS the Lessor and PLM-Montana-Dakota, Inc. (hereinafter called the Lessee), have entered into a Lease of Railroad Equipment dated as of the date hereof (hereinafter called the Lease), providing for the leasing by the Lessor to the Lessee of the Units; and

WHEREAS in order to provide security for the obligations of the Lessor under the Security Documentation and as an inducement to The Lincoln National Life Insurance Company (hereinafter called the Investor) to invest in the Conditional Sale Indebtedness (as that term is defined in the Security Documentation), the Lessor agrees to assign for security purposes all its rights in, to and under the Lease to the Vendor;

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

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

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

The Vendor agrees to accept any Payments made by the Lessee for the account of the Lessor pursuant to the Lease. To the extent received, the Vendor will apply such Payments to satisfy the obligations of the Lessor under the Security Documentation, and to provide for the payments required to be made in accordance with the provisions of Paragraph 9 of the Participation Agreement, by check mailed to the Investor, International Paper Equipment Leasing Corporation (hereinafter called the Equity Investor) or Professional Lease Management, Inc. (hereinafter called PLM), as the case may be, on the Payment Date (as defined in the Security Documentation) or, upon written request of the Investor, the Equity Investor or PLM, as the case may be, by bank wire to the Investor, the Equity Investor or PLM, as the case may be, at such address as may be specified to the Vendor in writing. If the Vendor shall not receive any rental payment under the first paragraph of § 3 of the Lease when due, the Vendor shall notify the Lessor at the address set forth in the Lease; provided, however, that the failure of the Vendor to so notify the Lessor shall not affect the obligations of the Lessor hereunder or under the Security Documentation.

2. This Lease Assignment is executed only as security and, therefore, the execution and delivery of this

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

3. The Lessor will faithfully abide by, perform and discharge each and every obligation, covenant and agreement which the Lease provides are to be performed by the Lessor; without the written consent of the Vendor, the Lessor will not anticipate the rents under the Lease or waive, excuse, condone, forgive or in any manner release or discharge the Lessee thereunder of or from the obligations, covenants, conditions and agreements to be performed by the Lessee, including, without limitation, the obligation to pay the rents in the manner and at the time and place specified therein or enter into any agreement amending, modifying or terminating the Lease and the Lessor agrees that any amendment, modification or termination thereof without such consent shall be void.

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

5. Upon the full discharge and satisfaction of all the Lessor's obligations under the Security Documentation and the Participation Agreement, this Lease Assignment and all rights herein assigned to the Vendor shall terminate, and all estate, right, title and interest of the Vendor in and to the Lease shall revert to the Lessor.

6. The Lessor will pay and discharge any and all claims, liens, charges or security interests (other than

created by the Security Documentation) on the Lease or the rentals or other payments due or to become due thereunder claimed by any party from, through or under the Lessor, or its successors and assigns (other than the Vendor), not arising out of the transactions contemplated by the Security Documentation or the Lease (but including tax liens arising out of the receipt of the income and proceeds from the Units) unless such claims, liens, charges or security interests would rank subordinate to the interests of the Vendor in and to the Lease or such rentals or other payments, or unless the Lessor shall be contesting the same in good faith by appropriate proceedings in any reasonable manner and the nonpayment thereof does not adversely affect such interests of the Vendor.

7. The Lessor will, from time to time, execute, acknowledge and deliver any and all further instruments required by law or reasonably requested by the Vendor in order to confirm or further assure the interest of the Vendor hereunder.

8. The Vendor may assign all or any of the rights assigned to it hereby or arising under the Lease, including, without limitation, the right to receive any Payments due or to become due; provided, however, that no such assignment shall be made to the Lessee or to Montana-Dakota Utilities Co. as sublessee under a Sublease dated as of the date hereof, or any affiliate of either. In the event of any such assignment, any such subsequent or successive assignee or assignees shall, to the extent of such assignment, enjoy all the rights and privileges and be subject to all the obligations of the Vendor hereunder.

9. The Lessor will cause this Lease Assignment and any amendments or supplements hereof to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act and shall cause to be filed and recorded such financing statements and other documents as may be necessary to perfect the security interest of the Vendor in the Lease and the payments due and to become due thereunder in accordance with the laws of the States of California, Illinois and North Dakota, and the Lessor will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record any and all continuation statements and further instruments required by law or reasonably requested by the Vendor for the purpose of proper protection, to the satisfaction of

counsel for the Vendor, of the Vendor's interests in the Lease and the payments due and to become due thereunder and its rights under this Assignment, or for the purposes of carrying out the intention of this Assignment; and the Lessor will promptly furnish to the Vendor evidence of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Lessor with respect thereto satisfactory to the Vendor. The obligations of the Lessor under this section shall be deemed in all respects satisfied by the performance of the undertakings of Montana-Dakota Utilities Co. under Section 15 of the Sublease of Railroad Equipment dated as of the date hereof.

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

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

12. The Vendor hereby agrees with the Lessor that the Vendor will not, so long as no event of default under the security Documentation has occurred and is continuing, exercise or enforce, or seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits which are assigned and transferred by the Lessor to the Vendor by this Lease Assignment and which are for the sole benefit of the Lessor, without the prior consent of the Lessor.

13. This Lease Assignment may be executed in any number of counterparts, such counterparts constituting one and the same instrument. It shall not be necessary for all parties hereto to execute all counterparts or the same counterpart so long as each party shall execute and deliver counterparts to each other party.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in their respective corporate names by officers thereunto duly authorized, and their respective corporate seals to be affixed and duly attested, all as

of the date first above written.

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO,
not in its individual capacity but
solely as Trustee under a Trust
Agreement dated as of the date
hereof,

by

Vice President

[Corporate Seal]

Attest:

Trust Officer

LINCOLN NATIONAL BANK AND TRUST
COMPANY OF FORT WAYNE, as Agent,

by

Authorized Officer

[Corporate Seal]

Attest:

Authorized Officer

STATE OF INDIANA,)
) ss.:
COUNTY OF ALLEN,)

On this day of 1975, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a of LINCOLN NATIONAL BANK AND TRUST COMPANY OF FORT WAYNE, a national banking association, 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 Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said association.

Notary Public

[Notarial Seal]

My Commission expires

CONSENT AND AGREEMENT

The undersigned, PLM-MONTANA-DAKOTA, INC., a California corporation (hereinafter called the Lessee), the lessee named in the Lease (hereinafter called the Lease) referred to in the foregoing Assignment of Lease and Agreement (hereinafter called the Lease Assignment), hereby (a) acknowledges receipt of a copy of the Lease Assignment and (b) consents to all the terms and conditions of the Lease Assignment.

As an inducement to The Lincoln National Life Insurance Company to invest in the Conditional Sale Indebtedness, as that term is defined in the Security Documentation referred to in the Lease Assignment pursuant to which Continental Illinois National Bank and Trust Company of Chicago, not in its individual capacity but solely as Trustee under a Trust Agreement dated as of the date hereof (hereinafter called the Lessor), is financing its purchase of units of railroad equipment (hereinafter called the Units), which Units the Lessor is leasing to the Lessee pursuant to the Lease; and in consideration of other good and valuable consideration, the Lessee agrees that:

(1) it will pay all rentals, casualty payments liquidated damages, indemnities and other moneys provided for in the Lease (which moneys are hereinafter called the Payments) due and to become due under the Lease or otherwise in respect of the Units leased thereunder, directly to Lincoln National Bank and Trust Company of Fort Wayne, as Agent (hereinafter called the Vendor) under a certain Participation Agreement dated as of October 31, 1975, the assignee named in the Lease Assignment, at 116 East Berry Street, Fort Wayne, Indiana 46802, attention of Corporate Trust Department (or at such other address as may be furnished in writing to the Lessee by the Vendor);

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

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

(4) the Lease shall not, without the prior written consent of the Vendor, be terminated or modified, nor

shall any action be taken or omitted by the Lessee the taking or omission of which might result in an alteration or impairment of the Lease or the Lease Assignment or this Consent and Agreement or of any of the rights created by any thereof.

This Consent and Agreement, when accepted by the Vendor by signing the acceptance at the foot hereof, shall be deemed to be a contract under the laws of Illinois and, of all purposes, shall be construed in accordance with the laws of

PLM-MONTANA-DAKOTA, INC., as
Lessee,

by

[Corporate Seal]

President

Attest:

Assistant Secretary

The foregoing Consent and Agreement is hereby accepted, as of the 31st day of October 1975.

LINCOLN NATIONAL BANK AND TRUST
COMPANY OF FORT WAYNE, as Agent,

by

Authorized Officer

ASSIGNMENT OF SUBLEASE AND AGREEMENT dated as of October 31, 1975 (hereinafter called this Sublease Assignment), by and between PLM-MONTANA-DAKOTA, INC. (hereinafter called the Lessor), and CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, not in its individual capacity but solely as Trustee under a Trust Agreement dated as of the date hereof (hereinafter called the Vendee).

WHEREAS the Vendee is entering into a Conditional Sale Agreement dated as of the date hereof (hereinafter called the Security Documentation) with Pullman Incorporated (Pullman Standard Division) (hereinafter called the Builder), providing for the sale to the Vendee of such units of railroad equipment (hereinafter called the Units) described in the Annexes thereto as are delivered to and accepted by the Vendee thereunder;

WHEREAS the Vendee and the Lessor have entered into a Lease of Railroad Equipment dated as of the date hereof (hereinafter called the Original Lease) providing for the leasing by the Vendee to the Lessor of the Units;

WHEREAS the Lessor and Montana-Dakota Utilities Co. (hereinafter called the Lessee) have entered into a Sublease of Railroad Equipment dated as of the date hereof (hereinafter called the Lease), providing for the leasing by the Lessor to the Lessee of the Units; and

WHEREAS, in order to provide security for the obligations of the Lessor under the Original Lease and as an inducement to The Lincoln National Life Insurance Company (hereinafter called the Investor) to invest in the Conditional Sale Indebtedness (as that term is defined in the Security Documentation), the Lessor agrees to assign for security purposes all its rights in, to and under the Lease to the Vendee;

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

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

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

The parties hereto acknowledge that this Sublease Assignment is to be reassigned by the Vendee to Lincoln National Bank and Trust Company of Fort Wayne, as Agent (hereinafter called the Vendor) under a Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement) and that pursuant to the Original Lease and the Lease all moneys payable thereunder are to be paid at the principal office of the Vendor for application by the Vendor pursuant to the Original Lease, the Lease and Participation Agreement. In the event that the Vendee receives any amounts of money under the terms of the Original Lease or the Lease, the Vendee shall forthwith forward such amounts to the Vendor for its application as aforesaid.

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

3. The Lessor will faithfully abide by, perform

and discharge each and every obligation, covenant and agreement which the Lease provides are to be performed by the Lessor; without the written consent of the Vendor, the Lessor, except as otherwise provided in the Participation Agreement, will not anticipate the rents under the Lease or waive, excuse, condone, forgive or in any manner release or discharge the Lessee thereunder of or from the obligations, covenants, conditions and agreements to be performed by the Lessee, including, without limitation, the obligation to pay the rents in the manner and at the time and place specified therein or enter into any agreement amending, modifying or terminating the Lease and the Lessor agrees that any amendment, modification or termination thereof without such consent shall be void.

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

5. Upon the full discharge and satisfaction of all the Lessor's obligations under the Original Lease and the Participation Agreement, this Sublease Assignment and all rights herein assigned to the Vendee shall terminate, and all estate, right, title and interest of the Vendor in and to the Lease shall revert to the Lessor.

6. The Lessor will pay and discharge any and all claims, liens, charges or security interests (other than created by the Security Documentation) on the Lease or the rentals or other payments due or to become due thereunder claimed by any party from, through or under the Lessor, or its successors and assigns (other than the Vendor), not arising out of the transactions contemplated by the Security Documentation or the Lease or the Original Lease (but including tax liens arising out of the receipt of the income and proceeds from the Units) unless such claims, liens, charges or security interests would rank subordinate to the interests of the Vendor in and to the Lease or the Original

Lease or such rentals or other payments, or unless the Lessor shall be contesting the same in good faith by appropriate proceedings in any reasonable manner and the nonpayment thereof does not adversely affect such interests of the Vendor.

7. The Lessor will, from time to time, execute, acknowledge and deliver any and all further instruments required by law or reasonably requested by the Vendee in order to confirm or further assure the interest of the Vendee hereunder.

8. The Vendee may assign all or any of the rights assigned to it hereby or arising under the Lease, including, without limitation, the right to receive any Payments due or to become due. In the event of any such assignment, any such subsequent or successive assignee or assignees shall, to the extent of such assignment, enjoy all the rights and privileges and be subject to all the obligations of the Vendee hereunder.

9. The Lessor will cause this Sublease Assignment and any amendments or supplements hereof to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act and shall cause to be filed and recorded such financing statements and other documents as may be necessary to perfect the security interest of the Vendor in the Lease and the payments due and to become due thereunder in accordance with the laws of the States of California, Illinois and North Dakota, and the Lessor will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record any and all continuation statements and further instruments required by law or reasonably requested by the Vendor for the purpose of proper protection, to the satisfaction of counsel for the Vendor, of the Vendor's interests in the Lease and the payments due and to become due thereunder and its rights under this Sublease Assignment, or for the purposes of carrying out the intention of this Sublease Assignment; and the Lessor will promptly furnish to the Vendor evidence of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Lessor with respect thereto satisfactory to the Vendor. The obligations of the Lessor under this section shall be deemed in all respects satisfied by the performance of the undertakings of Louisville Gas and Electric Company under Section 15 of the Sublease of Railroad Equipment dated as of the date hereof.

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

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

12. The Vendee hereby agrees with the Lessor that the Vendee will not, so long as no event of default under the Security Documentation has occurred and is continuing, exercise or enforce, or seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits which are assigned and transferred by the Lessor to the Vendee by this Sublease Assignment and which are for the sole benefit of the Lessor, without the prior consent of the Lessor.

13. This Sublease Assignment may be executed in any number of counterparts, such counterparts constituting one and the same instrument. It shall not be necessary for all parties hereto to execute all counterparts or the same counterpart so long as each party shall execute and deliver counterparts to each other party.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in their respective corporate names by officers thereunto duly authorized, and their respective corporate seals to be affixed and duly attested, all as of the date first above written.

PLM-MONTANA-DAKOTA, INC.,

by

[Corporate Seal]

President

Attest:

Secretary

CONTINENTAL ILLINOIS NATIONAL BANK
and TRUST COMPANY OF CHICAGO, not
in its individual capacity but
solely as Trustee under a Trust
Agreement dated as of the date
hereof,

by

Vice President

[Corporate Seal]

Attest:

Trust Officer

SUBLEASE CONSENT AND AGREEMENT

The undersigned, MONTANA-DAKOTA UTILITIES CO., a Delaware corporation (hereinafter called the Lessee), the lessee named in the Lease (hereinafter called the Lease) referred to in the foregoing Assignment of Sublease and Agreement (hereinafter called the Sublease Assignment), hereby (a) acknowledges receipt of a copy of the Sublease Assignment and (b) consents to all the terms and conditions of the Sublease Assignment.

As an inducement to The Lincoln National Life Insurance Company to invest in the Conditional Sale Indebtedness, as that term is defined in the Security Documentation referred to in the Sublease Assignment, pursuant to which CONTINENTAL ILLINOIS NATIONAL BANK and TRUST COMPANY OF CHICAGO, a national banking association, not in its individual capacity but solely as Trustee under a Trust Agreement dated as of the date hereof (hereinafter called the Vendee) is financing its purchase of units of railroad equipment (hereinafter called the Units), which Units the Vendee is leasing to PLM-Montana-Dakota, Inc. (hereinafter called the Lessor), pursuant to the Original Lease and the Lessor is leasing to the Lessee pursuant to the Lease; and in consideration of other good and valuable consideration, the Lessee agrees that:

(1) it will pay all rentals, casualty payments liquidated damages, indemnities and other moneys provided for in the Lease (which moneys are hereinafter called the Payments) due and to become due under the Lease or otherwise in respect of the Units leased thereunder, directly to Lincoln National Bank and Trust Company of Fort Wayne, as Agent (hereinafter called the Vendor) under a certain Participation Agreement dated as of October 31, 1975, at 116 East Berry Street, Fort Wayne, Indiana 46802, attention of Corporate Trust Department (or at such other address as may be furnished in writing to the Lessee by the Vendor);

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

(3) the Vendee shall not, by virtue of the Sublease Assignment or this Consent and Agreement, be or become

subject to any liability or obligation under the Lease or otherwise; and

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

This Consent and Agreement, when accepted by the Vendee by signing the acceptance at the foot hereof, shall be deemed to be a contract under the laws of Illinois and, for all purposes, shall be construed in accordance with the laws of Illinois.

MONTANA-DAKOTA UTILITIES CO.,

by

Vice President

[Corporate Seal]
Attest:

Assistant Secretary

The foregoing Consent and Agreement is hereby accepted, as of the 31st day of October 1975.

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO, not in
its individual capacity but solely as
Trustee under a Trust Agreement dated
as of the date hereof, as Vendee,

by

Vice President

[Corporate Seal]
Attest:

Trust Officer

REASSIGNMENT OF SUBLEASE AND AGREEMENT dated as of October 31, 1975 (hereinafter called the Reassignment of Sublease), by and between CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, not in its individual capacity but solely as Trustee under a Trust Agreement dated as of the date hereof (hereinafter called the Vendee) and LINCOLN NATIONAL BANK AND TRUST COMPANY OF FORT WAYNE (hereinafter called the Vendor), as Agent under a Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement).

WHEREAS the Vendee is entering into a Conditional Sale Agreement dated as of the date hereof (hereinafter called the Security Documentation) with Pullman Incorporated (Pullman Standard Division) (hereinafter called the Builder), providing for the sale to the Vendee of such units of railroad equipment (hereinafter called the Units) described in the Annexes thereto as are delivered to and accepted by the Vendee thereunder;

WHEREAS the Vendee and PLM-Montana-Dakota, Inc. (hereinafter called the Lessor) have entered into a Lease of Railroad Equipment dated as of the date hereof (hereinafter called the Original Lease) providing for the leasing by the Vendee to the Lessor of the Units;

WHEREAS the Lessor and Montana-Dakota Utilities Co. (hereinafter called the Lessee) have entered into a Sublease of Railroad Equipment dated as of the date hereof (hereinafter called the Lease), providing for the leasing by the Lessor to the Lessee of the Units;

WHEREAS the Lessor has assigned all its rights in, to and under the Lease to the Vendee pursuant to an Assignment of Sublease and Agreement dated as of the date hereof (hereinafter called the Sublease Assignment); and

WHEREAS, in order to provide security for the obligations of the Vendee under the Security Documentation and as an inducement to The Lincoln National Life Insurance Company (hereinafter called the Investor) to invest in the Conditional Sale Indebtedness (as that term is defined in the Security Documentation), the Vendee agrees to assign for security purposes all its rights in, to and under the Lease to the Vendor;

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

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

The Vendor agrees to accept any Payments made by the Lessee for the account of the Lessor pursuant to the Lease. To the extent received, the Vendor will apply such Payments to satisfy the obligations of the Vendee under the Security Documentation and to provide for the payments required to be made in accordance with the provisions of Paragraph 9 of the Participation Agreement, by check mailed to the Investor, International Paper Equipment Leasing Corporation (hereinafter called the Equity Investor) or Professional Lease Management, Inc. (hereinafter called PLM), as the case may be, on the Payment Date (as defined in the Security Documentation) or, upon written request of the Investor, the Equity Investor or PLM, as the case may be, by bank wire to the Investor, the Equity Investor or PLM, as the case may be, at such address as may be specified to the Vendor in writing. If the Vendor shall not receive any rental payment under the first paragraph of

§ 3 of the Lease when due, the Vendor shall notify the Vendee at the address set forth in the Lease; provided, however, that the failure of the Vendor to so notify the Vendee shall not affect the obligations of the Vendee hereunder or under the Security Documentation.

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

3. The Vendee will faithfully abide by, perform and discharge each and every obligation, covenant and agreement which the Sublease Assignment provides are to be performed by the Vendee; without the written consent of the Vendor, the Vendee will not anticipate the rents under the Lease or waive, excuse, condone, forgive or in any manner release or discharge the Lessee thereunder of or from the obligations, covenants, conditions and agreements to be performed by the Lessee, including, without limitation, the obligation to pay the rents in the manner and at the time and place specified therein or enter into any agreement amending, modifying or terminating the Lease and the Vendee agrees that any amendment, modification or termination thereof without such consent shall be void.

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

5. Upon the full discharge and satisfaction of all the Vendee's obligations under the Security Documenta-

tion and the Participation Agreement, this Reassignment of Sublease and all rights herein assigned to the Vendor shall terminate, and all estate, right, title and interest of the Vendor in and to the Lease shall revert to the Vendee.

6. The Vendee will pay and discharge any and all claims, liens, charges or security interests (other than created by the Security Documentation) on the Lease or the rentals or other payments due or to become due thereunder claimed by any party from, through or under the Lessor, or its successors and assigns (other than the Vendor), not arising out of the transactions contemplated by the Security Documentation or the Lease or the Original Lease (but including tax liens arising out of the receipt of the income and proceeds from the Units) unless such claims, liens, charges or security interests would rank subordinate to the interests of the Vendor in and to the Lease or the Original Lease or such rentals or other payments, or unless the Vendee shall be contesting the same in good faith by appropriate proceedings in any reasonable manner and the nonpayment thereof does not adversely affect such interests of the Vendor.

7. The Vendee will, from time to time, execute, acknowledge and deliver any and all further instruments required by law or reasonably requested by the Vendor in order to confirm or further assure the interest of the Vendor hereunder.

8. The Vendor may assign all or any of the rights assigned to it hereby or arising under the Lease, including, without limitation, the right to receive any Payments due or to become due. In the event of any such assignment, any such subsequent or successive assignee or assignees shall, to the extent of such assignment, enjoy all the rights and privileges and be subject to all the obligations of the Vendor hereunder.

9. The Vendee will cause this Reassignment of Sublease and any amendments or supplements hereof to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act and shall cause to be filed and recorded such financing statements and other documents as may be necessary to perfect the security interest of the Vendor in the Lease and the payments due and to become due thereunder in accordance with the laws of the States of California, Illinois and North Dakota, and the Vendor will from time to time do and

perform any other act and will execute, acknowledge, deliver, file, register, record any and all continuation statements and further instruments required by law or reasonably requested by the Vendor for the purpose of proper protection, to the satisfaction of counsel for the Vendor, of the Vendor's interests in the Lease and the payments due and to become due thereunder and its rights under this Reassignment of Sublease, or for the purposes of carrying out the intention of this Reassignment of Sublease; and the Vendee will promptly furnish to the Vendor evidence of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Vendee with respect thereto satisfactory to the Vendor. The obligations of the Vendee under this section shall be deemed in all respects satisfied by the performance of the undertakings of Montana-Dakota Utilities Co. under Section 15 of the Sublease of Railroad Equipment dated as of the date hereof.

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

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

12. The Vendor hereby agrees with the Vendee that the Vendor will not, so long as no event of default under the Security Documentation has occurred and is continuing, exercise or enforce, or seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits which are assigned and transferred by the Vendee to the Vendor by this Reassignment of Sublease and which are for the sole benefit of the Vendee, without the prior consent of the Vendee.

13. This Reassignment of Sublease may be executed in any number of counterparts, such counterparts constituting one and the same instrument. It shall not be necessary for all parties hereto to execute all counterparts or the same counterpart so long as each party shall execute and deliver counterparts to each other party.

IN WITNESS WHEREOF, the parties hereto have caused

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

CONTINENTAL ILLINOIS NATIONAL BANK
and TRUST COMPANY OF CHICAGO, not
in its individual capacity but
solely as Trustee under a Trust
Agreement dated as of the date
hereof,

by

Vice President

[Corporate Seal]

Attest:

Trust Officer

LINCOLN NATIONAL BANK AND TRUST
COMPANY OF FORT WAYNE, as Agent,

by

Authorized Officer

[Corporate Seal]

Attest:

Authorized Officer

STATE OF INDIANA,)
) ss.:
COUNTY OF ALLEN,)

On this day of 1975, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a of LINCOLN NATIONAL BANK AND TRUST COMPANY OF FORT WAYNE, a national banking association, 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 Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said association.

Notary Public

[Notarial Seal]

My Commission expires

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

On this day of 1975, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a Vice President of CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

My Commission expires

REASSIGNMENT OF SUBLEASE CONSENT AND AGREEMENT

The undersigned, MONTANA-DAKOTA UTILITIES CO., a Delaware corporation (hereinafter called the Lessee), the lessee named in the Lease (hereinafter called the Lease) referred to in the foregoing Reassignment of Sublease and Agreement (hereinafter called the Reassignment of Sublease), hereby (a) acknowledges receipt of a copy of the Reassignment of Sublease and (b) consents to all the terms and conditions of the Reassignment of Sublease.

As an inducement to The Lincoln National Life Insurance Company to invest in the Conditional Sale Indebtedness, as that term is defined in the Security Documentation referred to in the Reassignment of Sublease, pursuant to which CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, a national banking association, not in its individual capacity but solely as Trustee under a Trust Agreement dated as of the date hereof (hereinafter called the Vendee) is financing its purchase of units of railroad equipment (hereinafter called the Units), which Units the Vendee is leasing to PLM-Montana-Dakota, Inc. (hereinafter called the Lessor), pursuant to the Original Lease and the Lessor is leasing to the Lessee pursuant to the Lease; and in consideration of other good and valuable consideration, the Lessee agrees that:

(1) it will pay all rentals, casualty payments liquidated damages, indemnities and other moneys provided for in the Lease (which moneys are hereinafter called the Payments) due and to become due under the Lease or otherwise in respect of the Units leased thereunder, directly to Lincoln National Bank and Trust Company of Fort Wayne, as Agent (hereinafter called the Vendor) under a certain Participation Agreement dated as of October 31, 1975, at 116 East Berry Street, Fort Wayne, Indiana 46802, attention of Corporate Trust Department (or at such other address as may be furnished in writing to the Lessee by the Vendor);

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

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

Lease or otherwise; and

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

This Consent and Agreement, when accepted by the Vendor by signing the acceptance at the foot hereof, shall be deemed to be a contract under the laws of Illinois and, for all purposes, shall be construed in accordance with the laws of Illinois.

MONTANA-DAKOTA UTILITIES CO.,

by

[Corporate Seal]

Vice President

Attest:

Assistant Secretary

The foregoing Consent and Agreement is hereby accepted, as of the 31st day of October 1975.

LINCOLN NATIONAL BANK AND TRUST
COMPANY OF FORT WAYNE, as Agent,

by

Authorized Officer

[Corporate Seal]

Attest:

Authorized Officer