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INTERSTATE COMMERCE COMMISSION

EQUIPMENT LEASE
dated as of August 1, 1974
Between

ALASKA INTERNATIONAL INDUSTRIES, INC.,
Lessor

and

CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY,
Lessee

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Attachments to Lease

Schedule A - Description of Equipment

Schedule B - Certificate of Acceptance under
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Schedule C - Schedule of Casualty Value

This Equipment Lease dated as of August 1, 1974 between Alaska International Industries, Inc., an Alaska corporation (the "Lessor") and Chicago, Milwaukee, St. Paul And Pacific Railroad Company, a Wisconsin corporation (the "Lessee");

W I T N E S S E T H :

Whereas, Milwaukee Land Company, an Iowa corporation (the "Vendee"), and the Lessee have entered into or propose to enter into certain conditional sale agreements (the "Conditional Sale Agreements") to be dated as of the date hereof with certain manufacturers named therein (individually, a "Manufacturer" and, collectively, the "Manufacturers") providing for the sale by the Manufacturers to the Vendee of items of railroad equipment described in Schedule A hereto (collectively, the "Equipment" and, individually, an "Item" or "Item of Equipment"); and

Whereas, the Vendee and the Lessor have entered into an equipment lease (the "Lease") dated as of the date hereof, a copy of which has been delivered to the Lessee, providing for the leasing, subject to the Conditional Sale Agreements, of the Equipment by the Vendee to the Lessor; and

Whereas, by instruments of Agreement and Assignment (the "Assignments") to be dated as of the date hereof the Manufacturers have assigned or will assign their respective right, security title and interest under the respective Conditional Sale Agreements to American National Bank and Trust Company of Chicago, Agent for certain Interim Lenders and Investors (the "Agent" or the "Assignee"); and

Whereas, the Lessee desires to lease all of the Items of Equipment or such lesser number as are delivered to and accepted under the Conditional Sale Agreements on or prior to June 1, 1975, 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 Equipment to the Lessee upon the following terms and conditions, namely, but subject to all the rights and remedies of the respective Manufacturers and their assigns under the Conditional Sale Agreements.

Section 1. Delivery and Acceptance of Equipment.

Pursuant to Section 2 of the Conditional Sale Agreements, the Manufacturers will cause each Item of Equipment to be tendered to the Lessee at the respective places of delivery set forth in Schedule A to the Conditional Sale Agreements. Upon such tender, the Lessee will cause an authorized representative of the Lessee to inspect the same, and if such Item of Equipment is found to conform to the specifications therefor, to accept delivery of such Item of Equipment and to execute and deliver to the Lessor and to the Vendee and the Manufacturer a certificate of acceptance (hereinafter called "Certificate of Acceptance") substantially in the form attached hereto as Schedule B, whereupon such Item of Equipment shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all of the terms and conditions hereof.

Section 2. Rentals and Payment Dates.

2.1. Rentals for Equipment. The Lessee agrees to pay the Lessor for each Item of Equipment leased hereunder fixed rental (the "Fixed Rental") as follows:

(a) with respect to each Item delivered prior to November 11, 1974, there shall be payable on November 11, 1974 an amount equal to interest on the Conditional Sale Indebtedness (as that term is defined in Section 3 of the Conditional Sale Agreements) in respect of such Item from the Closing Date (as defined in Section 3.2 of the Conditional Sale Agreements) with respect to such Item to November 11, 1974 at a rate per annum equal to 120% of the minimum commercial lending rate charged by Continental Illinois National Bank and Trust Company of Chicago to its customers of highest credit standing as in effect from time to time during such period; and

(b) with respect to each Item delivered prior to January 2, 1975, there shall be payable on January 2, 1975 an amount equal to interest on the Conditional Sale Indebtedness in respect of such Item from the later of (i) the Closing Date with respect to such item or (ii) November 11, 1974 to January 2, 1975 at the rate of 11% per annum; and

(c) with respect to all Items leased hereunder, 60 consecutive quarterly installments of Fixed Rental each in the aggregate amount of 2.745995% of the purchase price (as that term is defined in the Conditional Sale Agreements) of such Items payable on each January 1, April 1, July 1 and October 1, commencing April 1, 1975; and

2.2. Place of Payment. Subject to the rights of the Vendee set forth in Section 16 hereof, all payments required to be made to the Lessor hereunder shall be made to the Lessor by wire transfer of Federal funds at its address set forth in Section 20.1 hereof, or at such other place as the Lessor or its assigns shall specify in writing.

2.3. Net Lease. This equipment lease is a net lease and the Lessee shall not be entitled to any abatement of rent or reduction thereof, including, but not limited to, abatements or reductions due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise or against the Vendee, any Manufacturer or the Assignee; nor except as otherwise expressly provided herein, shall this equipment lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss or destruction of all or any of the Equipment from whatsoever cause, the taking or requisitioning of the Equipment by condemnation or otherwise, the lawful prohibition of Lessee's use of the Equipment, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this equipment lease, or lack of right, power or authority of the Lessor to enter into this equipment lease, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events unless the obligation to pay the same shall be terminated pursuant to Section 11 hereof, or until, pursuant to Section 13 hereof, the Equipment is placed and ready for delivery to the Lessor on the the Lessee's lines, or is stored for the Lessor on the Lessee's lines or leaves the Lessee's lines for off-line delivery to the Lessor.

2.4. Federal Income Taxes. The Lessor, as lessee of the Equipment under the Lease, shall be entitled to such deduction, credits and other benefits as are provided by the Internal Revenue Code of 1954, as amended to the date hereof, to a lessee of property, including, without limitation, the Investment Tax Credit with respect to the Equipment. Notwithstanding any other provision of this agreement, if the Vendee fails to receive a favorable tax ruling of the Internal Revenue Service satisfactory to counsel for the Lessor with respect to all matters requested as set forth in Exhibit C to the Lease by September 30, 1975 or such later date as may be mutually agreed between the Lessor and Vendee, then Lessor may at its option assign its interests in and obligations under the Lease and this Sublease to a corporation to be formed by the Vendee for the purpose of accepting assignment of the Lease and this Sublease. Lessee agrees that it will take such actions as may be necessary to aid establishment of such corporation and to assure a valid legal and binding assignment which will result in the termination of all interest of the Lessor in the Lease and this Sublease.

Section 3. Term.

The term of this equipment lease as to each Item of Equipment shall begin on the date of delivery to and acceptance by the Lessee of such Item of Equipment and, subject to the provisions of Section 11 hereof, shall terminate on January 1, 1990.

Section 4. Title To The Equipment.

4.1. Retention of Title. The Vendee has acquired full legal title to the Equipment under the Conditional Sale Agreements (but only upon compliance with all the terms and conditions thereof) and has granted to the Lessor the right to use and possess the Equipment pursuant to the Lease and it is understood that (i) Lessee shall acquire no right, title and interest to the Equipment hereunder except the right to use and possess the same in accordance with the terms hereof notwithstanding the delivery of the Equipment to and the possession and use thereof by the Lessee and (ii) this equipment lease is in all respects subject to the terms and provisions of the Conditional Sale Agreements.

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

"SUBLEASED FROM ALASKA INTERNATIONAL INDUSTRIES, INC., SUBLESSOR AND LESSEE FROM MILWAUKEE LAND COMPANY, LESSOR AND VENDEE - AND SUBJECT TO A SECURITY INTEREST RECORDED WITH THE I.C.C."

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the Vendee to such Item of Equipment, its rights under the Lease and the rights of the Bank, the Assignee and any assignee under Section 16 of the Lease. The Lessee will not place any such Item of Equipment in operation or exercise any control or dominion over the same until the required legend shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced or destroyed. The Lessee will not change the road number of any Item of Equipment except with the consent of the Lessor, the

Vendee and the Assignee and in accordance with a statement of new road numbers to be substituted therefor, which consent and statement previously shall have been filed with the Lessor by the Lessee and filed, recorded or deposited in all public offices where this equipment lease shall have been filed, recorded or deposited.

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

Section 5. Disclaimer of Warranties.

THE LESSOR LEASES THIS EQUIPMENT, AS-IS, IN WHATEVER CONDITION IT MAY BE, WITHOUT ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, BY THE LESSOR, THE LESSOR EXPRESSLY DISCLAIMING ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO (A) THE FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY OF ANY ITEM OR ITEMS OF EQUIPMENT INCLUDING BUT NOT LIMITED TO THEIR VALUE, CONDITION, DESIGN OR OPERATION, (B) THE LESSOR'S TITLE THERETO, (C) THE LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF, (D) THE DESIGN OR CONDITION OF, OR THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE EQUIPMENT, OR (E) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE.

The Lessor hereby appoints and constitutes the Lessee its agent and attorney-in-fact and hereby substitutes the Lessee for the Lessor as agent and attorney-in-fact of the Vendee pursuant to Section 5 of the Lease during the term of this equipment lease, so long as the Lessee is not in default hereunder, to assert and enforce, from time to time, in the name and for the account of the Lessor, the Vendee and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor or the Vendee may have as owner or lessee of the Equipment under the Lease against any Manufacturer.

Section 6. Lessee's Indemnity.

6.1. Scope of Indemnity. The Lessee shall defend, indemnify and save harmless the Lessor and the Assignee and their successors and assigns from and against:

(a) any and all loss or damage of or to the Equipment, usual wear and tear excepted, and

(b) any claim, cause of action, damages, liability, cost or expense (including counsel fees and costs in connection therewith) which may be incurred in any manner by or for the account of any of them (i) relating to the Equipment or any part thereof, including without limitation, the construction, purchase, delivery, installation, ownership, leasing or return of the Equipment or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects are latent or discoverable by the Lessor or by the Lessee), (ii) by reason or as the result of any act or omission of the Lessee for itself as agent or attorney-in-fact for the Lessor hereunder, (iii) as a result of claims for patent infringements, or (iv) as a result of claims for negligence or strict liability in tort.

6.2. Continuation of Indemnities and Assumptions. The indemnities and assumptions of liability in this Section 6 contained shall continue in full force and effect notwithstanding the termination of this equipment lease, or the termination of the term hereof in respect of any one or more Items of Equipment, whether by expiration of time, by operation of law or otherwise.

Section 7. Rules, Laws and Regulations.

The Lessee agrees to comply with all governmental laws, regulations, requirements and rules (including the rules of the United States Department of Transportation and Interstate Commerce Commission and the American Association of Railroads) with respect to the use, maintenance and operation of each Item of Equipment subject to this equipment lease. In case any equipment or appliance is required to be installed on such Item of Equipment or other action is required in order to comply with such laws, regulations, _____

requirements and rules, the Lessee agrees to make such changes, additions and replacements or undertake such action, without cost or expense to the Lessor.

Section 8. Use and Maintenance of Equipment.

The Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Lessee shall, at its own cost and expense, maintain and keep the Equipment in the same order, condition and repair as when delivered hereunder, ordinary wear and tear excepted, suitable for use in interchange. The Lessee shall not modify any Item of Equipment without the written authority and approval of the Lessor and the Vendee which shall not be unreasonably withheld. Any parts installed or replacements made by the Lessee upon any Item of Equipment shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Vendee, without cost or expense to the Lessor.

Section 9. Liens on the Equipment.

Throughout the term of this equipment lease and during the period of any storage of the Equipment by the Lessee provided for in Section 13 or 15 hereof, the Lessee shall pay or satisfy and discharge any and all claims against, through or under the Lessee and its successors or assigns which, if unpaid, might constitute or become a lien, encumbrance or charge upon the Equipment, and any liens, encumbrances or charges which may be levied against or imposed upon any Item of Equipment as a result of the failure of the Lessee to perform or observe any of its covenants or agreements under this equipment lease, but the Lessee shall not be required to pay or discharge any such claims so long as it shall, in good faith and by appropriate legal proceedings contest the validity thereof in any reasonable manner which will not affect or endanger the interest of the Lessor in the Equipment. The Lessee's obligations under this Section 9 shall survive termination of this equipment lease.

Section 10. Filing, Payment of Fees and Taxes.

10.1. Filing. Prior to the delivery and acceptance of the first Item of Equipment, the Lessee will, at its sole expense, cause this equipment lease, the Lease, the Conditional Sale Agreements and the instruments of assignment thereof to be duly filed, recorded or deposited in conformity with Section 20c of the Interstate Commerce Act and in such other places within or without the United States as may be necessary for the protection

of the Vendee's title or the security interest of the Assignee and will furnish the Lessor and said persons proof thereof. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record (and will re-file, re-register, re-deposit or re-record whenever required) any and all further instruments required by law or reasonably requested by the Lessor and said persons for the purpose of protecting the Vendee's title to, or the Assignee's security interest in the Equipment to the satisfaction of the Vendee's or the Assignee's counsel or for the purpose of carrying out the intention hereof and in connection with any such action, will deliver to the Lessor and said persons proof of such filings and an opinion of the Lessee's counsel that such action has been properly taken. The Lessee will pay all costs, charges and expenses incident to any such filing, re-filing, recording, re-recording, depositing, re-depositing, registering or re-registering of any such instruments or incident to the taking of such action.

10.2. Payment of Taxes. The Lessee, or the Lessor at the Lessee's expense, shall report, pay and discharge when due all license and registration fees, assessments, sales, use and property taxes, gross receipts taxes arising out of receipts from use or operation of the Equipment, and other taxes, fees and governmental charges similar or dissimilar to the foregoing (excluding any tax measured by the Lessor's net income and any gross receipts or gross income taxes in substitution for or by way of relief from the payment of taxes measured by such net income, provided that the Lessee agrees to pay (i) that portion of any such tax on or measured by rentals payable hereunder or the net income therefrom which is in direct substitution for, or which relieves the Lessee from, a tax which the Lessee would otherwise be obligated to pay under the terms of this Section, and (ii) any tax measured by rentals payable hereunder or the net income therefrom which is imposed by any commonwealth or state or political subdivision thereof),

together with any penalties or interest thereon, imposed by any state, federal or local government upon any Item of Equipment and whether or not the same shall be assessed against or in the name of the Lessor or the Lessee; provided, however, that the Lessee shall not be required to pay or discharge any such tax or assessment (i) so long as it shall, in good faith and by appropriate legal proceedings, contest the validity thereof in any reasonable manner which will not affect or endanger the interests of the Lessor, the Vendee and the Assignee in the Equipment; however, the Lessee shall reimburse the Lessor for any damages or expenses resulting from such failure to pay or discharge, or (ii) as to assessments against or in the name of anyone other than the Lessee, until 20 days after written notice thereof shall have been given to the Lessee.

Section 11. Insurance; Payment for Casualty Occurrence.

11.1. Insurance. The Lessee will at all times after delivery and acceptance of each Item of Equipment, at its own expense, keep or cause to be kept each such Item insured by a reputable insurance company or companies in amounts and against risks customarily insured against by other railroad companies on similar equipment. Such insurance may provide that losses shall be adjusted with the Lessee and shall provide that the proceeds thereof shall be payable to the Lessor, the Vendee, the Assignee and the Lessee, as their interests shall appear. All proceeds of insurance received by the Lessor, the Vendee or the Assignee with respect to any Items of Equipment not suffering a Casualty Occurrence (as hereinafter defined) shall be paid to the Lessee upon proof satisfactory to the Lessor, the Vendee and the Assignee that any damage to any Item with respect to which such proceeds were paid has been fully repaired. Any such proceeds of insurance received by the Lessor, the Vendee or the Assignee with respect to a Casualty Occurrence shall be credited toward the payment required by this Section 11 with respect to such Casualty Occurrence.

11.2. Duty of Lessee to Notify Lessor. In the event that any Item of Equipment shall be or become lost, stolen, destroyed, or, in the reasonable opinion of the Lessee, irreparably damaged during the term hereof or thereafter while the Item of Equipment is in possession of the Lessee pursuant to Section 13 or 15 hereof, or shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise during the term hereof (any such occurrence, except for any requisition which by its terms is for an indefinite period or is for a stated period which does not exceed the term hereof, being hereinafter called a Casualty Occurrence), the Lessee shall promptly and fully (after it has knowledge of such Casualty Occurrence) inform the Lessor, the Vendee and the Assignee in regard thereto and shall pay the Casualty Value (as herein defined) of such Item in accordance with the terms hereof.

11.3. Payment of Casualty Loss. The Lessee, on the next succeeding Fixed Rental payment date following a Casualty Occurrence with respect to any Item of Equipment, shall pay to the Lessor the rental installment due on such payment date with respect to such Item of Equipment plus a sum equal to the Casualty Value of such Item of Equipment as of the date of such payment.

11.4. Rent Termination. Upon (and not until) payment of the Casualty Value in respect of any Item of Equipment and the rental installment due on such payment date, the obligation to pay rent for such Item of Equipment accruing subsequent to the Casualty

Value payment date shall terminate, but the Lessee shall continue to pay rent for all other Items of Equipment.

11.5. Disposition of Equipment. The Lessee shall, as agent for the Lessor and sub-agent for the Vendee, dispose of such Item of Equipment having suffered a Casualty Occurrence as soon as it is able to do so for the fair market value thereof. Any such disposition shall be on an "as is", "where is" basis without representation or warranty, express or implied. As to each separate Item of Equipment so disposed of the Lessee may retain all amounts of such price plus any insurance proceeds and damages received by the Lessee by reason of such Casualty Occurrence up to the Casualty Value attributable thereto and shall remit the excess, if any, to the Lessor. In disposing of such Item of Equipment, the Lessee shall take such action as the Lessor shall reasonably request to terminate any contingent liability which the Lessor might have arising after such disposition from or connected with such Item of Equipment.

11.6. Casualty Value. The Casualty Value of each Item of Equipment shall be an amount determined as of the date the Casualty Value is paid as provided in this Section 11 (and not the date of the Casualty Occurrence) equal to that percentage of the Purchase Price of such Item of Equipment as is set forth in the Schedule of Casualty Value attached hereto as Schedule C opposite such date of payment.

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

11.8. Eminent Domain. In the event that during the term of this equipment lease the use of any Item of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for an indefinite period or for a stated period which does not exceed the term of this equipment lease, the Lessee's obligation to pay rent shall

continue for the duration of such requisitioning or taking. The Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession to an amount equal to the rent paid or payable hereunder for such period, and the balance, if any, shall be payable to and retained by the Lessor as its sole property.

Section 12. Annual Reports.

12.1. Duty of Lessee to Furnish. On or before May 1 in each year, commencing with the year 1975, the Lessee will furnish to the Lessor and to the Assignee an accurate statement, as of the preceding December 31, (a) showing the amount, description and numbers of the Items of Equipment then leased hereunder, the amount, description and numbers of all Items of Equipment that may have suffered a Casualty Occurrence during the preceding 12 months (or since the date hereof, in the case of the first such statement), and such other information regarding the condition or repair of the Equipment as the Lessor or the Assignee may reasonably request, (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4.2 hereof shall have been preserved or replaced, and (c) describing the insurance coverage, if any, maintained by the Lessee pursuant to Section 11.1 hereof.

12.2. Lessor's Inspection Rights. The Lessor and the Assignee each shall have the right, at its sole cost and expense by its authorized representative, to inspect the Equipment and the Lessee's records with respect thereto, at such times as shall be reasonably necessary to confirm to the Lessor or, as the case may be, the Assignee the existence and proper maintenance thereof during the continuance hereof.

12.3. Financial Reports. The Lessee will furnish to the Lessor at the same time reports as are required to be furnished to the Assignee, such reports as are required to be furnished to the Assignee pursuant to Section 10 of the Finance and Agency Agreement ("Finance Agreement") among the Lessee (as Guarantor), the Interim Lenders and Investors named therein and American National Bank and Trust Company of Chicago, as Agent.

Section 13. Return of Equipment Upon Expiration of Term.

Upon the expiration of the term of this equipment lease with respect to any Item of Equipment, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Item of Equipment to the Lessor upon such storage tracks of the Lessee as the Lessor may designate, or in

the absence of such designation, as the Lessee may select, and permit the Lessor to store such Item of Equipment on such tracks for a period not exceeding 180 days and transport the same at any time within such 180 day period to any reasonable place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as directed by the Lessor upon not less than 30 days' written notice to the Lessee. All movement and storage of each such Item is to be at the risk and expense of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Item, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. During any such storage period the Lessee shall maintain the Items of Equipment in such manner as the Lessee normally maintains similar equipment owned or leased by it in similar storage circumstances. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so assemble, deliver, store and transport the Equipment.

Section 14. Default.

14.1. Events of Default. Any of the following events shall constitute an Event of Default hereunder:

(a) Default shall be made in the payment of any part of the rental or other sums provided in Section 2 hereof or in Section 11 hereof and such default shall continue for five days; or

(b) The Lessee shall make or permit any unauthorized assignment or transfer of this equipment lease, or of possession of the Equipment, or any portion thereof, and shall fail or refuse to cause such assignment or transfer to be cancelled by agreement of all parties having any interest therein and to recover possession of such Equipment within 30 days after written notice from the Lessor to the Lessee demanding such cancellation and recovery of possession; or

(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 Conditional Sale Agreements and such default shall continue for 30 days after written notice from the Lessor to the Lessee, specifying the default and demanding the same to be remedied; or

(d) A petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may be hereafter amended, shall be filed by or against the Lessee; or

(e) Any other proceedings shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder under any bankruptcy or insolvency law, or law relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions, or extensions, and, unless such proceedings shall within 30 days from the filing or effective date thereof be 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 hereunder shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed for the Lessee or for its 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.

14.2. Remedies. Subject to the provisions of Section 17.1 of the Lease, if any Event of Default has occurred and is continuing, 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 hereof or to recover damages for the breach thereof; or

(b) By notice in writing to the Lessee, terminate this equipment lease, whereupon all right of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this equipment lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be located and take possession of all or any of such Equipment and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Equipment for any purpose whatever, but

the Lessor, shall, nevertheless, have a right to recover from the Lessee any and all amounts 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 a fraction of which the numerator is such accrued number of days in such full rental period and the denominator is 90) and also to recover forthwith from the Lessee (i) as damages for loss of the bargain and not as a penalty, a sum, with respect to each Item of Equipment, which represents the excess of the present worth, at the time of such termination, of all rentals for such Item which would otherwise have accrued hereunder from the date of such termination to the end of the term of this equipment lease over the then present worth of the then fair rental value of such Item for such period computed by discounting from the end of such term to the date of such termination rentals which the Lessor reasonably estimates to be obtainable for the use of the Item during such period, such present worth to be computed in each case on a basis of a 6% per annum discount, compounded quarterly from the respective dates upon which rentals would have been payable hereunder had this equipment lease not been terminated, and (ii) any damages and expenses, including reasonable attorney's fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this equipment lease, other than for the payment of rental.

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

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

14.5. Termination by Assignee of Conditional Sale Agreements. Anything herein to the contrary notwithstanding, if the Assignee of the Conditional Sale Agreements shall, upon the occurrence of an Event of Default as defined therein, state in a written notice to the Lessor and Lessee that this equipment lease is terminated with respect to part or all of the Equipment, this equipment lease shall, immediately upon receipt by Lessee of such notice, terminate as to all or such part of the Equipment and the rights of the Lessee hereunder shall at all times and in all respects be subject and subordinate to the rights and remedies of the Assignee under the Conditional Sale Agreements.

14.6. Notwithstanding the provisions of this Section 14 hereof if an Event of Default shall occur and be continuing, then the Lessor may at its option assign its interests in and obligations under the Lease and this sublease to a corporation to be formed by the Lessor for the purpose of accepting assignment of the Lease and this Sublease and Lessee further agrees that it will take such actions as may be necessary to aid establishment of such corporation and to assure a valid, legal and binding assignment which will result in the termination of all interest of the Lessor in this sublease and the Lease.

Section 15. Return of Equipment Upon Default.

15.1. Lessee's Duty to Return. If the Lessor or the Assignee shall terminate this equipment lease with respect to part or all of the Equipment pursuant to Section 14 hereof, the Lessee shall forthwith deliver possession of the Equipment, or such part thereof as to which this equipment lease shall have been terminated, to the Lessor or elsewhere at the Lessor's request. For the purpose of delivering possession of any Item of Equipment as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

(a) Forthwith place such Equipment in such reasonable storage place on the Lessee's lines of railroad as the Lessor may designate or, in the absence of such designation, as the Lessee may select;

(b) Permit the Lessor to store such Equipment in such reasonable storage place on the Lessee's lines of railroad for a period not exceeding 180 days at the risk of the Lessee; and

(c) Transport the Equipment, at any time within such 180 days' period, to any place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as the Lessor may reasonably direct upon not less than 30 days' written notice to the Lessee.

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

15.3. Lessor Appointed Lessee's Agent. Without in any way limiting the obligations of the Lessee under the foregoing provisions of this Section 15, the Lessee hereby irrevocably appoints the Lessor, with full power of substitution, as the agent and attorney of Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of

any Items of Equipment to Lessor, to demand and take possession of such Item in the name and on behalf of the Lessee from whosoever shall be at the time in possession of such Item.

Section 16. Assignments By Lessor.

This equipment lease and all Fixed Rental due and to become due under Section 2.1(c) hereof have been assigned to the Vendee pursuant to Section 17 of the Lease, and the Vendee's right thereto has been or will be assigned to the Manufacturers pursuant to Section 14 of the Conditional Sale Agreements. All Fixed Rental due and to become due under Section 2.1(c) hereof shall be paid by wire transfer of Federal funds to the Assignee at such bank or trust company in the United States of America as the Assignee shall from time to time specify in writing. Without limiting the foregoing, the Lessee further acknowledges and agrees that (i) the rights of the Assignee in and to the sums payable by the Lessee under any provisions of this equipment lease shall not be subject to any abatement whatsoever, and shall not be subject to any defense, set-off, counterclaim or recoupment whatsoever whether by reason of or defect in Lessor's leasehold interest, or any interference from whatsoever cause (other than from a wrongful act of the Assignee) in the use, operation or possession of the Equipment or any part thereof, or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that, except in the event of a wrongful act on the part of the Assignee, the Lessee shall be unconditionally and absolutely obligated to pay the Assignee all of the rents and other sums which are the subject matter of the assignment, and (ii) the Assignee shall have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of the Assignee) which by the terms hereof are permitted or provided to be exercised by the Lessor.

Section 17. Assignments By Lessee; Use and Possession.

17.1. Lessee's Rights to the Equipment. So long as the Lessee shall not be in default hereunder, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms hereof, but, without the prior written consent of the Lessor, the Lessee shall not assign, transfer or encumber its leasehold interest under this equipment lease in any of the Equipment. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or

suffer or allow to pass out of its possession or control, any of the Equipment, except to the extent permitted by the provisions of Section 17.2 hereof.

17.2. Use and Possession on Lines Other Than Lessee's Own. The Lessee shall be entitled to the possession of the Equipment and to the use thereof upon the lines of railroad owned or operated by it (either alone or jointly) or by any corporation a majority of whose voting stock (i.e., having ordinary voting power for the election of a majority of its Board of Directors) is owned directly or indirectly by the Lessee, or upon lines of railroad over which the Lessee or such corporation has trackage or other operating rights or over which Equipment of the Lessee is regularly operated pursuant to contract, but only upon and subject to all the terms and conditions hereof. Notwithstanding the foregoing, the Lessee will not assign any Item of Equipment to service including the regular operation and maintenance thereof outside the United States of America. No assignment or sublease entered into by the Lessee hereunder shall relieve the Lessee of any liability or obligations hereunder which shall be and remain those of a principal and not a surety.

17.3. Merger, Consolidation or Acquisition of Lessee. Nothing in this Section 17 shall be deemed to restrict the right of Lessee to assign or transfer its leasehold interest hereunder in the Equipment or possession of the Equipment to any corporation (which shall have duly assumed the obligations hereunder of Lessee) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of Lessee as an entirety or substantially as an entirety; provided that such assignment or transfer shall not result in any Event of Default hereunder.

Section 18. Opinion of Lessee's Counsel.

On or prior to the first Closing Date under the Conditional Sale Agreements, the Lessee will deliver to the Agent such number of counterparts of the written opinion of counsel for the Lessee and the Vendee as the Agent may reasonably request, addressed to the Lessor and the Agent, in scope and substance satisfactory to the Lessor and the Agent, to the effect that:

(a) The Lessee and the Vendee are corporations legally incorporated and validly existing, in good standing, under the laws of the States of Wisconsin and Iowa respectively;

(b) The Lessee and the Vendee have the corporate or other power and authority to own their respective property and carry on their respective business as now being conducted and are duly qualified to do business as foreign corporations

in all jurisdictions in which such qualification is necessary to carry out the terms of this equipment lease, the Lease, the Conditional Sale Agreements and the Finance Agreement;

(c) The Lease, the Finance Agreement and the Conditional Sale Agreements have each been duly authorized, executed and delivered by the Vendee and constitute the valid, legal and binding agreements of the Vendee enforceable in accordance with their respective terms;

(d) This equipment lease, the Conditional Sale Agreements and the Finance Agreement have each been duly authorized, executed and delivered by the Lessee and constitute the valid, legal and binding agreements of the Lessee enforceable in accordance with their terms;

(e) This equipment lease, the Lease, the Conditional Sale Agreements and the assignments thereof have each been filed and recorded with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act and no other filing, recording or depositing is necessary to protect the Vendee's title and the Manufacturers' security title to the Equipment in the United States of America;

(f) No approval, consent of, or filing with, any public regulatory body is required with respect to the entering into or performance by the Lessee or the Vendee of the Conditional Sale Agreements, the Finance Agreement, this equipment lease or the Lease;

(g) The execution and delivery by the Vendee of the Conditional Sale Agreements, the Finance Agreement and the Lease do not violate any provision of any law, any order of any court or governmental agency, the Charter or By-laws of the Vendee, or any indenture, agreement, or other instrument to which the Vendee is a party or by which it or any of its property is bound, and will not be in conflict with, result in the breach of, or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Vendee, except upon the legal title of the Vendee to the Equipment;

(h) The execution and delivery by the Lessee of the Conditional Sale Agreements, the Finance Agreement and this equipment lease do not violate any provision of any law, any order of any court or governmental agency, the Charter or By-laws of the Lessee, or any indenture, agreement, or other instrument to which the Lessee is a party or by which it or any of its property is bound, and will not be in conflict

with, result in the breach of, or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Lessee, except upon the leasehold estate of the Lessee hereunder; and

(i) As to any other matter which the Lessor or the Agent shall reasonably request.

Section 19. Interest on Overdue Rentals and Amounts Paid By Lessor.

Anything to the contrary herein contained notwithstanding, any nonpayment of rentals due hereunder, or amounts expended by the Lessor on behalf of the Lessee, shall result in the additional obligation on the part of the Lessee to pay an amount equal to 12% per annum (or the lawful rate, whichever is less) on the overdue rentals and amounts expended for the period of time during which they are overdue or expended and not repaid.

Section 20. Miscellaneous.

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

If to the Lessor: Alaska International Industries, Inc.
P.O.Box 3029
Fairbanks, Alaska 99701

If to the Lessee: Chicago, Milwaukee, St. Paul
and Pacific Railroad Company
516 West Jackson Boulevard
Chicago, Illinois 60606
Attention: Vice President
Finance and Accounting

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

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

20.3. Law Governing. This Lease shall be construed in accordance with the laws of Illinois; provided, however, that the parties shall be entitled to all rights conferred by any applicable federal statute, rule or regulation.

ALASKA INTERNATIONAL INDUSTRIES, INC.

By JR Seffe
Vice President

(Corporate Seal)

Attest:

Secretary

CHICAGO, MILWAUKEE, ST. PAUL
AND PACIFIC RAILROAD COMPANY

By R. K. ...
Vice President

(Corporate Seal)

Attest:

A. J. ...
Secretary

DISTRICT OF COLUMBIA)

) SS.
)

On this 4th day of September, 1974, before me personally appeared R.R. Jaffe to me personally known, who being by me duly sworn says that he is Vice President of Alaska International Industries, 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.

(SEAL)

Gladys A. LaBee
Notary Public

My Commission expires Oct. 14, 1975

STATE OF ILLINOIS)

) SS.

COUNTY OF C O O K)

On this 3rd day of September, 1974, before me personally appeared R.F. KRATOCHWILL to me personally known, who be by me duly sworn says that he is Vice President of the Chicago, Milwaukee, St. Paul and Pacific Railroad Company; that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation; that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

(SEAL)

R.W. Spangenberg
Notary Public

My Commission expires Nov. 16, 1975

SCHEDULE A
to Equipment Lease

between

ALASKA INTERNATIONAL INDUSTRIES, INC.

and

CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY

<u>Manufacturer</u>	<u>Description of Equipment</u>	<u>Railroad's Road Numbers</u>
Paccar Inc	80 50' 100-ton box cars	4,400- 4,479
Paccar Inc	40 60' 70-ton high cube box cars	4,213- 4,252
Thrall Car Manufacturing Company	50 56'8" bulkhead flat cars	67,200-67,249
United States Railway Manufacturing Company	70 50' 70-ton box cars	50,500-50,569
Pullman Standard Division Pullman Incorporated	5 60' 100-ton high cube box cars	4,171- 4,175
General Motors Corporation (Electro-Motive Division)	10 GP-38 2,000 H.P. Locomotives	356- 365
General Electric Company	8 U-30-C 3,000 H.P. Locomotives	5,651- 5,658

SCHEDULE B
to Equipment Lease

CERTIFICATE OF ACCEPTANCE
UNDER EQUIPMENT LEASE

To: Alaska International Industries, Inc.
("Lessor")

Milwaukee Land Company
("Vendee")

("Manufacturer")

I, a duly appointed inspector and authorized representative of CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY ("Lessee") and of the above named Lessor, do hereby certify that I have inspected, received, approved and accepted delivery, on behalf of the Lessee and under the Equipment Lease dated as of August 1, 1974 between the Lessor and the Lessee, and on behalf of the Vendee under the Conditional Sale Agreement dated as of August 1, 1974 among the Manufacturer, the Vendee and the Lessee, of the following Items of Equipment ("Equipment"):

Type of Equipment.....

Manufacturer.....

Place Accepted.....

Date Accepted.....

Number of Items.....

Numbered.....

I do further certify that the foregoing Equipment is in good order and condition, and conforms to the Specifications applicable thereto, and at the time of delivery to the Lessee there was plainly, distinctly, permanently and conspicuously marked in contrasting colors upon each side of each Item of Equipment the following legend in letters not less than one inch in height:

"SUBLEASED FROM ALASKA INTERNATIONAL INDUSTRIES, INC., SUBLESSOR AND LESSEE FROM MILWAUKEE LAND COMPANY, LESSOR AND VENDEE - AND SUBJECT TO A SECURITY INTEREST RECORDED WITH THE I.C.C."

The execution of this Certificate will in no way relieve or decrease the responsibility of the Manufacturer of the Equipment for warranties it has made with respect to the Equipment.

Inspector and Authorized
Representative of Lessee