
EQUIPMENT LEASE

Dated as of May 29, 1974

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INTERSTATE COMMERCE COMMISSION

Among

MIDLANTIC NATIONAL BANK

*as Trustee under Milwaukee Road Trust No. 74-1
as Lessor*

and

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

as Lessee

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Attachments to Lease

Schedule A—Description of Equipment

Schedule B—Certificate of Acceptance under Equipment Lease

Schedule C—Schedule of Casualty Value

THIS EQUIPMENT LEASE dated as of May 29, 1974 between MIDLANTIC NATIONAL BANK, as Trustee (the "Lessor") under Trust Agreement (the "Trust Agreement") with AMERICAN FLETCHER LEASING CORPORATION, an Illinois corporation and SUREWAY LEASING, INC., a Delaware corporation (the "Trustors") dated as of May 29, 1974 relating to Milwaukee Road Trust No. 74-1 and CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY, a Wisconsin corporation (the "Lessee");

WITNESSETH:

WHEREAS, the Lessor and the Lessee have entered into an Acquisition Agreement dated the date hereof (the "Acquisition Agreement") with GENERAL MOTORS CORPORATION (ELECTRO-MOTIVE DIVISION) (the "Manufacturer") providing for the acquisition by the Lessor of the railroad equipment (collectively the "Equipment" and individually an "Item" or "Item of Equipment") described in Schedule A attached hereto and made a part hereof; and

WHEREAS, the Lessor and the Lessee have entered into a Conditional Sale Agreement, dated the date hereof (the "Conditional Sale Agreement"), with the Manufacturer, providing for the manufacture, sale and delivery to the Lessor of the Equipment; and

WHEREAS, by instrument of Agreement and Assignment dated the date hereof, the Manufacturer has assigned or will assign its right, security title and interest under the Conditional Sale Agreement to American National Bank and Trust Company of Chicago, as Assignee (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 Agreement on or prior to the outside delivery date set forth in said Schedule A, 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 Manufacturer and its assigns under the Conditional Sale Agreement.

SECTION 1. DELIVERY AND ACCEPTANCE OF EQUIPMENT

Pursuant to Section 2 of the Conditional Sale Agreement, the Manufacturer will cause each Item of Equipment to be tendered to the Lessee at the place of delivery set forth in Schedule A hereto. 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 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 of this Lease.

SECTION 2. RENTALS AND PAYMENT DATES.

2.1. *Rentals for Equipment.* The Lessee agrees to pay the Lessor the following rent for each Item of Equipment leased hereunder:

(a) *Interim Rental.* For each Item of Equipment, an amount of interim rental (the "Interim Rental") shall be payable in three installments, which shall be due and payable on July 2, 1974, October 2, 1974 and January 2, 1975. The amount of Interim Rental payable on July 2, 1974 shall be the interest, if any, payable on such date to the Manufacturer under the Conditional Sale Agreement plus an amount per day per Item of Equipment equal to 0.00419% of the Purchase Price of such Item of Equipment for the period, if any, from and including the Closing Date under the Conditional Sale Agreement for such Item of Equipment to but not including July 2, 1974. The

amount of Interim Rental payable on October 2, 1974 shall be the interest payable on such date to the Manufacturer under the Conditional Sale Agreement plus an amount per day per Item of Equipment equal to 0.00419% of the Purchase Price of such Item of Equipment for the period from and including July 2, 1974 to but not including October 2, 1974. The amount of Interim Rental payable on January 2, 1975 shall be the interest payable on such date to the Manufacturer under the Conditional Sale Agreement plus an amount per day per Item of Equipment equal to 0.00419% of the Purchase Price of such Item of Equipment for the period from and including October 2, 1974 to but not including January 2, 1975;

(b) *Fixed Rental.* For each Item of Equipment, 58 consecutive quarterly installments (the "Fixed Rental") each equal to 2.675% of the Purchase Price of such Item of Equipment payable in arrears on the 2nd day of each January, April, July and October in each year commencing April 2, 1975 to and including July 2, 1989;

As used herein, the term Purchase Price means "Purchase Price" as defined in the Conditional Sale Agreement.

2.2. *Place of Rent Payment.* Subject to the rights of the Assignee set forth in Section 16 hereof, all payments provided for in this Lease to be made to the Lessor shall be made to the Lessor by wire transfer of immediately available funds at its address set forth in Section 21.1 hereof, or at such other place as the Lessor or its assigns shall specify in writing.

2.3. *Net Lease.* This 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 or any Trustor under this Lease or otherwise or against the Manufacturer or against the Assignee; 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 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 of unenforceability or lack of due authorization or other infirmity of this Lease, or lack of right, power or authority of the Lessor to enter into this 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 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.

SECTION 3. TERM OF THE LEASE.

The term of this 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 and 20 hereof, shall terminate on July 2, 1989.

SECTION 4. TITLE TO THE EQUIPMENT.

4.1. *Retention of Title.* The Lessor is acquiring full legal title to the Equipment as Vendee under the Conditional Sale Agreement (but only upon compliance with all the terms and conditions thereof) and, it is understood that Lessee shall acquire no right, title and interest to the Equipment except hereunder notwithstanding the delivery of the Equipment to and the possession and use thereof by the Lessee.

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, 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:

“Leased from Midlantic National Bank, as Lessor and Trustee-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 Lessor to such Item of Equipment, its rights under this Lease and the rights of any assignee under Section 16 hereof. 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 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 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 under this Lease.

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 EITHER THE LESSOR OR ANY TRUSTOR, EACH EXPRESSLY DISCLAIM-ING ANY WARRANTY OR REPRESENTATION, EITHER EXPRESSED 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, CONDI-TION, 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 EQUIP-MENT, 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 during the term of this 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 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 may have as owner of the Equipment against the Manufacturer.

SECTION 6. LESSEE'S INDEMNITY.

6.1. *Scope of Indemnity.* The Lessee shall defend, indemnify and save harmless the Lessor and the Trustors 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, and

(c) any and 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 the Acquisition Agreement or the Conditional Sale Agreement or this Lease, the failure to comply with any laws of the jurisdictions in which the Items of Equipment may be operated, with the interchange rules of the Association of American Railroads or with all lawful rules of the Department of Transportation or the Interstate Commerce Commission or any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Items of Equipment.

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 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; provided, however, that such indemnities and assumption of liability shall not apply in respect of any matters referred to in subsection (a) or clause (i) or (ii) of subsection (b) of Section 6.1 hereof, occurring after the termination of this Lease, except for any such matters occurring before the return of the Equipment to the possession of the Lessor as provided in Sections 13 or 15, as the case may be. The Lessee shall be entitled to control, and shall assume full responsibility for, the defense of such claim or liability.

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) with respect to the use, maintenance and operation of each Item of Equipment subject to this Lease. In case any equipment or appliance is required to be installed on such Item of Equipment in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such changes, additions and replacements, 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 Assignee 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 Lessor, without cost or expense to the Lessor.

SECTION 9. LIENS ON THE EQUIPMENT.

Throughout the term of this 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 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 title and interest of the Lessor to the Equipment. The Lessee's obligations under this Section 9 shall survive termination of this 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 Lease, the Conditional Sale Agreement and the first 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 the Lessor may reasonably request for the protection of its title or the security interest of the Assignee and will furnish the Lessor 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, for the purpose of protecting the Lessor's title to, or the Assignee's security interest in, the Equipment to the satisfaction of the Lessor's or the Assignee's counsel or for the purpose of carrying out the intention of this Lease, and in connection with any such action, will deliver to the Lessor 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. *Taxes.* All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, federal or foreign taxes (other than any United States federal income tax [and, to the extent that the Lessor receives credit therefor against its United States federal income tax liability, any foreign income tax] payable by the Lessor in consequence of the receipt of payments provided herein and other than the aggregate of all franchise taxes measured by net income based on such receipts, up to the amount of any such taxes which would be payable to the state and city in which the Lessor has its principal place of business without apportionment to any other state, 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), assessments or license fees and any charges, fines or penalties in connection therewith (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 Conditional Sale Agreement, 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 Item of Equipment or for the use or operation thereof or upon the earnings arising therefrom or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Item of Equipment free and clear of all Impositions which might in any way affect the title of the Lessor or result in a lien upon any such Item of Equipment; *provided, however*, that the Lessee shall be under no obligation to pay any Impositions so long as it is contesting in good faith and by appropriate legal proceedings such Impositions and the nonpayment thereof does not, in the advance opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or under the Conditional Sale Agreement. 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 invoice therefor. Prior to making such payment, the Lessor shall promptly notify the Lessee of the Impositions charged or levied, and the Lessee shall have the opportunity to contest in good faith and by appropriate legal proceedings such Impositions, at its sole expense.

In the event any reports with respect to Impositions are required to be made on the basis of individual Items of Equipment, the Lessee will either make such reports in such manner as to show the interests of the Lessor and the Assignee in such Items of Equipment or notify the Lessor and the Assignee of such requirement and make such reports in such manner as shall be satisfactory to the Lessor and the Assignee.

In the event that, during the continuance of this Lease, any Imposition accrues or becomes payable or is levied or assessed (or is attributable to the period of time during which this Lease is in existence) which the Lessee is or will be obligated to pay or reimburse, pursuant to this Section 10.2, such liability shall continue, notwithstanding the expiration of this Lease, until all such Impositions are paid or reimbursed by the Lessee.

SECTION 11. INSURANCE; PAYMENT FOR CASUALTY OCCURRENCE OR EQUIPMENT UNSERVICEABLE FOR USE.

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 Assignee, and the Lessee as their interests shall appear. All proceeds of insurance received by the Lessor and 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 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 and 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.

The Lessee will continue to carry as presently in effect with insurers of recognized responsibility comprehensive public liability and property damage insurance in respect of the operation and use of the Equipment, in an amount not less than \$20,000,000 for each occurrence, subject to a deductible provision not exceeding \$2,000,000 for each occurrence.

The Lessee shall cause each such insurance policy issued pursuant to the requirements of this paragraph to provide, and the insurer issuing such policy to certify to Lessor that (i) the Lessor, the Trustors and the Assignee are additional insureds thereunder, (ii) all provisions of such policy, except the limits of liability, will operate in the same manner as if there were a separate policy covering each insured and (iii) if such policy be cancelled or materially changed for any reason whatsoever such insurer will promptly notify each such insured and such cancellation or change will not be effective for 30 days after notice to Lessor. The Lessee shall deliver to the Lessor and the Assignee copies of each such insurance policy (or a certificate of insurance relating thereto) upon the execution hereof and copies of each renewal policy (or a certificate or other evidence of insurance relating thereto) prior to the expiration of the original policy or preceding renewal policy, as the case may be (provided, however, that the Lessee shall notify the Lessor in writing of the status of such insurance 30 days prior to the expiration thereof in the event it has not then delivered to the Lessor a renewal policy, or a certificate or other evidence of insurance relating thereto), and the Lessee shall deliver to the Lessor receipts or other evidence that the premiums thereon have been paid if reasonably requested by the Lessor.

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 or the Lessor, irreparably damaged during the term of this Lease, including any renewal term hereunder, or thereafter while the Item of Equipment is in the 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 of this Lease, including any renewal terms hereunder (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 of this Lease, being hereinafter called a Casualty Occurrence), the Lessee shall promptly and fully (after it has knowledge of such Casualty Occurrence) inform the Lessor 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 Interim Rental or 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 for 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, 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 Interim Rental or 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 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 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 its assigns and to each Trustor 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 of this Lease, in the case of the first such statement), and such other information regarding the condition or repair of the Equipment as Lessor 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 the first paragraph of 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 of this Lease.

12.3 *Financial Reports.* The Lessee will furnish to the Lessor and to each Trustor at the same time reports 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 Agreement (the "Finance Agreement") dated as of May 29, 1974, among the Lessee, the Assignee and certain institutional investors identified therein.

SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM.

Upon the expiration of the term of this 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 ten business days; or

(b) The Lessee shall make or permit any unauthorized assignment or transfer of this 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 Agreement 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 the Lessee or shall be filed against the Lessee and shall not be dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force and such effectiveness shall continue) within 60 days after such proceedings shall have been commenced; or

(e) Any other proceedings shall be commenced by the Lessee for any relief under any bankruptcy or insolvency laws, or laws relating to the relief of debtors readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of the indebtedness payable hereunder) or shall be filed against the Lessee and shall not be dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force and such effectiveness shall continue) within 60 days after such proceedings shall have been commenced.

14.2. *Remedies.* 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 of this Lease or to recover damages for the breach thereof; or

(b) By notice in writing to the Lessee, terminate this Lease, whereupon all right of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this 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, and thereupon the Lessor may, if it so chooses, sell the Equipment or any part thereof at public or private sale as the Lessor may determine, free and clear of any rights of the Lessee or its successors or assigns and in the event of such sale, the Lessor may demand that the Lessee pay to the Lessor, and the Lessee shall pay to the Lessor (i) as liquidated damages for loss of a bargain and not as a penalty, any unpaid rentals for such Equipment for periods up to and including the end of the quarterly lease period next preceding the lease period in which such sale shall occur, plus an amount equal to the deficiency, if any, between the net proceeds from such sale, and the Casualty Value of such Equipment as of the last rental payment date for which a rental payment was actually made, plus interest on the amount of such deficiency computed at the rate of 14% per annum from said rental payment date to the date of payment of such amount. 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 Lease, other than for the payment of rental.

14.3. *Cumulative Remedies.* The remedies in this Lease 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 Agreement.* Anything in this Lease to the contrary notwithstanding, if the Assignee of the Conditional Sale Agreement shall, upon the occurrence of an Event of Default as defined therein, state in a written notice to the Lessor and Lessee that this Lease terminates, this Lease shall, immediately upon receipt by Lessee of such notice, terminate as to all the Items of 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 Agreement.

SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT.

15.1. *Lessee's Duty to Return.* If the Lessor or the Assignee shall terminate this Lease pursuant to Section 14 hereof, the Lessee shall forthwith deliver possession of the Equipment to the Lessor. For the purpose of delivering possession of any Item of Equipment to the Lessor 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 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 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 Lease and all rent and other sums due and to become due hereunder have been assigned to the Assignee pursuant to Section 25 of the Conditional Sale Agreement, and all rent and other sums due and to become due hereunder shall be paid by wire transfer of immediately available funds to the Assignee at LaSalle at Washington, Chicago, Illinois, Attention: Corporate Trust Division, or at such other place as the Assignee shall specify in writing. Without limiting the foregoing, the Lessee further acknowledges and agrees that the rights of the Assignee in and to the sums payable by the Lessee under any provisions of this 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 title, or any interruption 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.

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 under this Lease, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease, but, without the prior written consent of the Lessor, the Lessee shall not assign, transfer or encumber its leasehold interest under this 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 of this Lease. 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 under this Lease 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 Agreement, the Lessee will deliver to the Lessor such number of counterparts of the written opinion of counsel for the Lessee as the Lessor may reasonably request, addressed to the Lessor and to the Assignee, in scope and substance satisfactory to the Lessor, to the effect that:

(a) The Lessee is a corporation legally incorporated and validly existing, in good standing, under the laws of the State of Wisconsin;

(b) The Lessee has the corporate or other power and authority to own its property and carry on its business as now being conducted and is duly qualified to do business as a foreign corporation in all states in which such qualification is necessary to carry out the terms of the Lease;

(c) This Lease, the Conditional Sale Agreement, the Acquisition Agreement, 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 respective terms;

(d) This Lease and the Conditional Sale Agreement 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 Lessor's title to the Equipment in the United States of America;

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

(f) The execution and delivery by the Lessee of the Acquisition Agreement, the Conditional Sale Agreement, the Finance Agreement and this 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

(g) As to any other matter which the Lessor 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. OPTIONS TO PURCHASE AND RENEW.

20.1. *Purchase Option.* Provided that the Lessee is not in default hereunder, Lessee shall have the following option to purchase:

(a) The Lessee shall have the right to purchase all but not less than all of the Items of Equipment then leased hereunder on the 58th Fixed Rental payment date at a price equal to the

Fair Market Value of such Items of Equipment (as hereinafter defined). The Lessee shall give the Lessor written notice of any such election not less than 90 days prior to the expiration of the term of this Lease. Payment of the option price shall be made at the place of payment specified in Section 2 hereof in immediately available funds against delivery of a bill of sale transferring and assigning to the Lessee all right, title and interest of the Lessor in and to such Items of Equipment and containing a warranty against liens or claims of persons claiming by, through or under the Lessor except liens and claims which the Lessee assumed or is obligated to discharge under the terms of the Lease. The Lessor shall not be required to make any representation or warranty as to the condition of such Items of Equipment or any other matters.

(b) The Fair Market Value of an Item of Equipment shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing buyer-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. If on or before 60 days prior to the date of purchase elected by the Lessee, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Value of an Item of Equipment, such value shall be determined in accordance with the foregoing definition by a qualified independent Appraiser. The term Appraiser shall mean such independent appraiser as the Lessor and the Lessee may mutually agree upon, or failing such agreement, a panel of three independent appraisers, one of whom shall be selected by the Lessor, the second by the Lessee and the third designated by the first two so selected. The Appraiser shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee. The determination so made shall be conclusively binding upon both Lessor and Lessee. The expenses and fees of the Appraiser shall be borne by the Lessee.

(c) Notwithstanding any election of the Lessee to purchase as provided in this Section 20.1, the provisions of Section 11 hereof shall continue in full force and effect until the date of purchase and the passage of ownership of the Items of Equipment purchased by the Lessee upon such date unless the purchase price has been agreed upon by the parties pursuant to this Section 20.1, in which event such purchase price shall govern the amount payable under Section 11 hereof.

20.2. *Renewal Options.* Provided that the Lessee is not in default hereunder, the Lessee shall have the following renewal options:

(a) The Lessee shall have the option to renew and extend this Lease as to all, but not less than all, of the Items of Equipment then leased hereunder for one or more additional renewal terms of one year each (or such other duration as may be agreed upon by the Lessor and the Lessee) each upon and subject to the terms and conditions herein contained for the original term of this Lease; provided that the quarterly Fixed Rental payable for and during any such renewal term shall be an amount equal to the Fair Rental Value (as hereinafter defined) of such Items of Equipment. Each renewal term shall commence immediately upon the expiration of the preceding term. The Lessee shall give the Lessor written notice of any such election 90 days prior to the commencement of any renewal term provided for in this Section 20.2.

(b) The Fair Rental Value of an Item of Equipment shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease. If on or before 60 days prior to the date of commencement of the renewal term elected by the Lessee, the Lessor and the Lessee are unable to agree upon a determination of the Fair Rental Value of the Item of Equipment, such value shall be determined in accordance with the foregoing definition by a qualified independent Appraiser. The term Appraiser shall mean such independent appraiser as the Lessor and the Lessee may mutually agree upon, or failing such agreement, a panel of three independent appraisers, one of whom shall be selected by the Lessor, the second by the Lessee and the third designated by the first two so selected. The Appraiser shall be instructed to make such determination within a

period of 30 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee. The determination so made shall be conclusively binding upon both Lessor and Lessee. The expenses and fees of the Appraiser shall be borne by the Lessee.

20.3. *Delivery of Equipment.* Unless the Lessee has elected to purchase the Items of Equipment then leased hereunder or to renew this Lease in respect of such Items of Equipment as provided in this Section 20, all of such Items of Equipment shall be returned to the Lessor at the end of the original term, or the then current renewal term, as the case may be, in accordance with Section 13 hereof.

SECTION 21. MISCELLANEOUS.

21.1. *Purchase by Lessee of Interest of Trustors.* Reference is made to the Indemnity Agreement (the "Indemnity Agreement") dated as of May 29, 1974 among the Lessee and the Trustors providing that said parties contemplate that the Tax Benefits (as therein defined) shall be available to the Trustors in connection with the transaction contemplated by the Trust Agreement and the Operative Agreements referred to therein. The Lessee hereby agrees that it is further contemplated that the Trustors will apply for a ruling (the "Ruling") from the Internal Revenue Service to the effect that the Tax Benefits referred to in subsections (a) through (f) of Section 1 of the Indemnity Agreement will be available to the Trustors, and in the event that on or before November 1, 1974 a favorable Ruling covering each of said Tax Benefits has not been received and approved as to form and substance by the Trustors (which approval shall not be unreasonably withheld) or in the event the Internal Revenue Service shall have advised the Trustors prior to November 1, 1974 of its refusal to issue such a favorable Ruling, then the Lessee shall, on a date not less than 15 nor more than 90 days thereafter to be designated in writing to the Lessee by the Trustors holding not less than 66 $\frac{2}{3}$ % of the beneficial interests under the Trust Agreement, purchase from each Trustor all of its beneficial interest under the Trust Agreement and each Trustor shall convey to the Lessee all of its rights and interests as trustor and beneficiary thereunder for an amount equal to the sum of (i) the amounts advanced by such Trustor to the Lessor under the Trust Agreement to purchase the Equipment from the Manufacturer pursuant to Section 3.3(a) of the Conditional Sale Agreement and all out-of-pocket expenses and fees reasonably incurred by such Trustor in connection with the transaction contemplated by the Trust Agreement and the Operative Agreements referred to therein, less any amounts previously received by such Trustor under the Trust Agreement or any Operative Agreement, plus interest thereon from the respective dates of payment or advancement thereof to the date of payment of such purchase price by the Lessee, at the rate of 14% per annum, and (ii) the sum of \$19,500. Upon the payment by the Lessee to the Trustors of the sums provided in the preceding paragraph, the Trustors shall be released from each and all of their respective obligations under the Trust Agreement and the Operative Agreements referred to therein.

21.2. *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: Midlantic National Bank
744 Broad Street
Newark, New Jersey 07102
Attention: Mr. Daniel Schwebel

with a copy to each Trustor at its address for notice set forth in Section 9.2 of the Trust Agreement,

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

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

21.3. *Execution in Counterparts.* This 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.

21.4. *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.

21.5. *Limitations of Liability.* It is expressly understood and agreed by and between the Lessor, the Trustors and the Lessee and their respective successors and assigns, that this Lease is executed by Midlantic National Bank, not individually or personally but solely as Trustee under the Trust Agreement in the exercise of the power and authority conferred and vested in it as such Trustee (and Midlantic National Bank hereby warrants that it possesses full power and authority to enter into and perform this Lease); and it is expressly understood and agreed that, except in the case of gross negligence or wilful misconduct of the Lessor or the Trustors, nothing herein contained shall be construed as creating any liability on the Lessor or the Trustors, individually or personally, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Lessee and by each and every person now or hereafter claiming by, through or under the Lessee; and that so far as Lessor or the Trustors, individually or personally are concerned, the Lessee and any person claiming by, through or under the Lessee shall look solely to the Trust Estate as defined in the Trust Agreement for the performance of any obligation under this Lease.

MIDLANTIC NATIONAL BANK

By William A. Dolan
Its Vice President

(Corporate Seal)

LESSOR

Attest:

Daniel M. Schuchert
Asst. Trust Officer

CHICAGO, MILWAUKEE, ST. PAUL AND
PACIFIC RAILROAD COMPANY

By F. K. Kestelberg
Its Vice President

(Corporate Seal)

Attest:

J. J. Tamm
Secretary

STATE OF NEW JERSEY }
COUNTY OF ESSEX } ss

On this 4th day of June, 1974, before me personally appeared WILLIAM H. OSBORNE III, to me personally known, who being by me duly sworn, says that he is a Vice President of MIDLANTIC NATIONAL BANK, 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.

Ronald J. Magin
Notary Public

(Seal)

RONALD J. MAGIN
My Commission Expires: NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Dec. 3, 1976

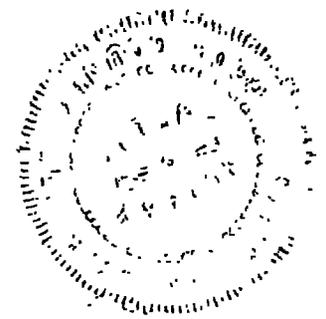
STATE OF ILLINOIS }
COUNTY OF COOK } ss

On this 3rd day of June, 1974, before me personally appeared R. F. Kratochwill, to me personally known, who being by me duly sworn, says that he is a Vice President of 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.

Ronnie Rannister
Notary Public

(Seal)

My Commission Expires: **My Commission Expires March 2, 1975**



SCHEDULE A
to Equipment Lease

MANUFACTURER General Motors Corporation
(Electro-Motive Division)

PLANT OF MANUFACTURER McCook, Illinois

DESCRIPTION OF EQUIPMENT 11 3000 H.P. Model EMD SD-40-2 Locomotives,
MILW Road Numbers 182 to 192, both inclusive

SPECIFICATIONS General Motors Locomotive Specification 8087.

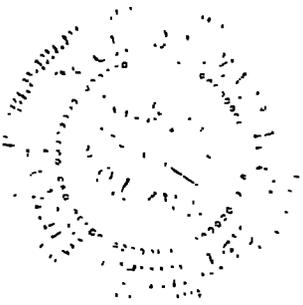
BASE PRICE \$351,427 per Item (\$3,865,697 for 11 Items) or such
other price not exceeding \$360,000 per Item
(\$3,960,000 for 11 Items) as shall be agreed to be-
tween the Lessee and the Manufacturer

DELIVER TO Chicago, Milwaukee, St. Paul and Pacific Railroad
Company

PLACE OF DELIVERY Bensenville, Illinois

ESTIMATED DELIVERY DATES June, 1974

OUTSIDE DELIVERY DATE July 2, 1974



**SCHEDULE B
to Equipment Lease**

**CERTIFICATE OF ACCEPTANCE
UNDER EQUIPMENT LEASE**

To: Midlantic National Bank
as Trustee under Milwaukee Road Trust No. 74-1
("Trustee")

General Motors Corporation (Electro-Motive Division)
("Manufacturer")

I, a duly appointed inspector and authorized representative of CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY ("Lessee") and of the above named Trustee, 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 May 29, 1974 between the Trustee and the Lessee, and on behalf of the Trustee under the Conditional Sale Agreement dated as of May 29, 1974 among the Manufacturer, the Trustee and the Lessee, of the following Items of Equipment ("Equipment"):

TYPE OF EQUIPMENTModel SD-40-2 Locomotive
MANUFACTURERGeneral Motors Corporation (Electro-Motive Division)
PLACE ACCEPTEDBensenville, Illinois
DATE ACCEPTED
NUMBER OF ITEMS
NUMBEREDMILW

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:

"Leased from Midlantic National Bank, as Lessor and Trustee—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 and Trustee

(Milwaukee Road Trust No. 74-1)

**SCHEDULE C
to Equipment Lease**

CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY

SCHEDULE OF CASUALTY VALUE

The Casualty Value of an Item of Equipment payable on any Interim Rental or any Fixed Rental payment date shall mean an amount equal to the per cent of the Purchase Price (as defined in the Conditional Sale Agreement) of such Item set forth opposite such payment date in the following schedule:

<u>Interim Rental or Number of Periodic Rental Payment Date on which Casualty Value is Paid (Payment in Addition to Rent Payment)</u>	<u>Percentage of Purchase Price (as defined in the Conditional Sale Agreement) Payable as Casualty Value</u>
1st Interim Rental	101.75%
2nd Interim Rental	101.8
3rd Interim Rental	102.0
1	103.6
2	102.9
3	102.6
4	102.6
5	102.6
6	102.6
7	102.5
8	102.4
9	102.2
10	101.9
11	99.4
12	96.8
13	96.4
14	95.9
15	95.4
16	94.8
17	94.1
18	93.4
19	92.5
20	87.6
21	87.2
22	86.6
23	86.1
24	85.5
25	84.9
26	84.1
27	83.3
28	78.0
29	77.1
30	76.1
31	75.0
32	73.8
33	72.6
34	71.2
35	69.8

Interim Rental or Number of Periodic Rental Payment Date on which Casualty Value is Paid (Payment in Addition to Rent Payment)	Percentage of Purchase Price (as defined in the Conditional Sale Agreement) Payable as Casualty Value
36	68.3%
37	66.7
38	64.5
39	62.2
40	59.8
41	57.4
42	54.8
43	52.1
44	49.4
45	46.9
46	44.9
47	42.9
48	40.9
49	38.8
50	36.7
51	34.5
52	32.2
53	29.9
54	27.6
55	25.2
56	22.7
57	20.2
58	17.7
Thereafter during any storage period or renewal term	15.0