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INTERSTATE COMMERCE COMMISSION

Interstate Commerce Commission
Washington, D. C.

Gentlemen:

Enclosed for recordation under the provisions of Section 20(c) of the Interstate Commerce Act, as amended, are the original and 9 counterparts of an Equipment Lease dated as of May 1, 1977.

A general description of the railroad rolling stock covered by the enclosed document is set forth in Schedule A attached to this letter and made a part hereof.

The names and addresses of the parties are:

Lessor: First National Bank and Trust Company
of Evanston,
as Trustee under Illinois
Terminal Trust No. 77-1
800 Davis Street
Evanston, Illinois 60204

Lessee: Illinois Terminal Railroad Company
Post Office Box 7282
St. Louis, Missouri 63177

The undersigned is the Lessor mentioned in the enclosed document and has knowledge of the matters set forth therein.

Please return the original and 7 copies of the Equipment Lease to Larry Elkins, Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603.

Also enclosed is a check in the amount of \$50.00 covering the required recording fee.

Very truly yours,

FIRST NATIONAL BANK AND TRUST
COMPANY OF EVANSTON,
not in its individual capacity
but solely as Trustee under
Illinois Terminal Trust No. 77-1

By *Manuel E. Jones*
Its Authorized Officer

LESSOR AS AFORESAID

Enclosures

Adventures - C.F. Koppeler

SCHEDULE A

MANUFACTURER: General Motors Corporation
(Electro-Motive Division)

PLANT OF MANUFACTURER: McCook, Illinois

DESCRIPTION OF EQUIPMENT: 4 GP-38-2 Diesel Electric
Locomotives bearing Illinois
Terminal Railroad Company
identifying numbers 2001
to 2004, both inclusive

SPECIFICATION: General Motors No. 8090

DELIVER TO: Illinois Terminal Railroad Company

PLACE OF DELIVERY: McCook, Illinois

ESTIMATED DELIVERY DATES: May, 1977

OUTSIDE DELIVERY DATE: June 30, 1977

FIXED RENTAL PAYMENTS: Thirty (30) semiannual rental pay-
ments in arrears each equal to
4.547060% of the Purchase Price (as
defined in the Conditional Sale
Agreement) of each Item of Equip-
ment

Lessee: Illinois Terminal Railroad Company

Assignee of Manufacturer: First National Bank of Minneapolis

(Illinois Terminal Trust No. 77-1)

EQUIPMENT LEASE

Dated as of May 1, 1977

AMONG

FIRST NATIONAL BANK AND TRUST COMPANY OF EVANSTON,
as Trustee

Lessor

AND

ILLINOIS TERMINAL RAILROAD COMPANY

Lessee

(Illinois Terminal Trust No. 77-1)

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Attachments to Equipment Lease:

- Schedule A - Description of Equipment
- Schedule B - Certificate of Acceptance
- Schedule C - Schedule of Casualty Value

THIS EQUIPMENT LEASE dated as of May 1, 1977 between FIRST NATIONAL BANK AND TRUST COMPANY OF EVANSTON, as Trustee under a Trust Agreement (the "Trust Agreement") with BORG-WARNER LEASING CORPORATION, a Delaware corporation (the "Trustor") dated as of May 1, 1977 relating to Illinois Terminal Trust No. 77-1 (the "Lessor") and ILLINOIS TERMINAL RAILROAD COMPANY, a Delaware corporation (the "Lessee");

W I T N E S S E T H:

WHEREAS, the Lessor and the Lessee have entered into a Conditional Sale Agreement, dated the date hereof (the "Conditional Sale Agreement"), with GENERAL MOTORS CORPORATION (Electro-Motive Division) (the "Manufacturer") providing for the construction, sale and delivery to the Lessor of the railroad equipment (collectively the "Equipment" and individually an "Item of Equipment") described in Schedule A attached hereto and made a part hereof; 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 First National Bank of Minneapolis, 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, 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.

SECTION 1. DELIVERY AND ACCEPTANCE OF EQUIPMENT; PURCHASE OF EXCLUDED EQUIPMENT.

1.1. Delivery and Acceptance of Equipment. The Lessor will cause each Item of Equipment to be tendered to the Lessee at the place or places at which such Item of Equipment is to be delivered to the Lessor under the Conditional Sale Agreement. As provided in Section 2 of the Conditional Sale Agreement, each Item of Equipment is to be delivered, inspected and accepted concurrently with settlement therefor on the Closing Date for such Item (as defined in Section 3 of the Conditional Sale Agreement and hereinafter called the "Closing Date"). Lessee hereby agrees to provide all opinions, certificates and other documents required on its part by this Lease, the Conditional Sale Agreement, the Assignment and the

Finance Agreement dated as of May 1, 1977 (the "Finance Agreement") among the Lessee, the Assignee and Jefferson Standard Life Insurance Company. Upon such delivery on such Closing Date, 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 on such Closing Date 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 and the Lessee may, upon completion of the settlement for such Item of Equipment in accordance with Section 3 of the Conditional Sale Agreement, commence using such Item of Equipment pursuant to the terms and provisions hereof.

1.2. Purchase of Excluded Equipment. In the event of the exclusion of any Item or Items of Equipment from the Conditional Sale Agreement pursuant to Section 2.3, 3.1 or 12.7 thereof, the Lessee agrees with the Lessor, and also with and for the benefit of the Manufacturer, which is hereby designated a third party beneficiary to the undertakings of the Lessee set forth in this Section 1.2, that the Lessee will be obligated to purchase from the Manufacturer, accept delivery of and pay for, any Item or Items of Equipment so excluded from the Conditional Sale Agreement and the Manufacturer and the Lessee shall execute a separate agreement providing for the sale of such excluded Item or Items of Equipment by the Manufacturer to the Lessee upon the same terms and conditions as those contained in the Conditional Sale Agreement, modified only to the extent necessary to provide for payment in cash upon delivery of such excluded Item or Items of Equipment, either directly or indirectly by means of a conditional sale agreement, equipment trust or other appropriate method of financing as the Lessee may determine and as may be reasonably satisfactory to the Manufacturer.

SECTION 2. RENTALS AND PAYMENT DATES.

2.1. Rentals for Equipment. The Lessee agrees to pay the Lessor the following Rent for the Items of Equipment leased hereunder:

(a) Interim Rental. For each Item of Equipment, an amount (the "Interim Rental") per day (computed on the basis of a 360-day year of 12 30-day months) for the period from and including the Closing Date for such Item to but not including July 1, 1977 equal to 0.025261% of the Purchase Price (as defined in Article 3 of the Conditional Sale Agreement) of such Item.

(b) Fixed Rental. For each Item of Equipment thirty (30) consecutive semiannual installments (the "Fixed Rental") each payable in arrears in the amount provided for such Item of Equipment in Schedule A hereto.

2.2. Rental Payment Dates. The total amount of Interim Rental provided for in Section 2.1(a) above shall be due and payable on July 1, 1977. The installments of Fixed Rental provided for in Section 2.1(b) above shall be due and payable semiannually commencing January 1, 1978 (each day on which an installment of Fixed Rental is due and payable being herein called a "Fixed Rental Payment Date"). If any Fixed Rental Payment Date is not a business day (as defined in Section 3.6 of the Conditional Sale Agreement), the Fixed Rental otherwise payable on such date shall be payable on the next preceding business day.

2.3. Place of Rent Payment. All payments provided for in this Lease to be made to the Lessor shall be made to the Lessor by wire transfer of Federal funds or otherwise 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.

2.4. 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 under this Lease or otherwise or against the Manufacturer or against the Assignee, or against any entity having a beneficial interest in the obligations to be performed under the Conditional Sale Agreement; 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 the 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 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 shall begin on the Closing Date (as defined in the Conditional Sale Agreement) and, subject to the provisions of Sections 11 and 20 hereof, shall terminate on July 1, 1992.

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 subject to a security interest thereunder in favor of the Assignee, which security interest is itself subject to the rights of the Lessee hereunder as provided in Section 15 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, 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 FIRST NATIONAL BANK AND TRUST COMPANY OF EVANSTON, 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 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 DISCLAIMING 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, 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 during the term of this Lease 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 Trustor 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.

The indemnities and assumptions of liabilities set forth in this Section 6.1 do not guarantee the residual value of any Item of Equipment or the payment of Conditional Sale Indebtedness under the Conditional Sale Agreement or interest thereon.

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 out of which any claim, demand, suit or liability arises occurring after the termination of this Lease, except for (i) patent infringements, and (ii) any other matters occurring after such termination arising in connection with the Lessee's assembling, delivering, storing or transporting of the Equipment as provided in Section 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 such Item of Equipment or appliance is required to be altered, or any equipment or appliance is required to be added to, installed on or replaced in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such alterations, additions and replacements at the Lessee's cost and expense and title to any such alteration, addition or replacement shall be immediately vested in 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 (including any parts installed thereon or replacements made thereon) in the same order, condition and repair as when originally delivered to the Lessee

(or installed), ordinary wear and tear excepted. The Lessee shall not modify any Item of Equipment without the written approval of the Trustor and the Assignee, which shall not be unreasonably withheld. Any part installed or replacement made by the Lessee upon any Item of Equipment shall be considered an accession to such Item of Equipment and title thereto shall be immediately vested in the Lessor, without cost or expense to the Lessor, except that title to any such part or replacement made by the Lessee (other than pursuant to its maintenance obligation set forth above) which is readily removable without causing material damage to such Item of Equipment shall be vested in the Lessee. Except as required pursuant to Section 7 hereof, the Lessee will not make any alterations, additions or replacements in respect of any Item of Equipment which is not readily removable without causing material damage to such Item.

SECTION 9. LIENS ON THE EQUIPMENT.

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 or a charge upon the Equipment, and any liens 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, in the advance opinion of the Lessor, adversely 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 the 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 and record (and will re-file, re-register, 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 and re-recording or depositing and re-depositing of any such instruments or incident to the taking of such action.

10.2. Payment of 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.

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.

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 opinion of the Lessee, 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 unless the same continues in effect at the end of the term of this Lease, 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 for 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 rental 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 Interim Rental or Fixed 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, provided that a Casualty Payment therefor has been made, 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 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 1978, the Lessee will furnish to the Lessor, the Trustor and 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 of this Lease, in the case of the first such statement), and such other information regarding the condition or repair of the Equipment as the Lessor, the Trustor 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, the Trustor 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, the Trustor or the Assignee, as the case may be, the existence and proper maintenance thereof during the continuance of this Lease.

12.3. Financial Reports. The Lessee will furnish to the Lessor and the Trustor at the same time reports are required to be furnished to the Investors hereinafter referred to such reports as are required to be furnished to the Investors pursuant to Section 10 of the Finance Agreement.

The Lessee will also furnish such additional information as the Lessor or the Trustor may reasonably request concerning the Lessee, in order to enable such party to determine whether the covenants, terms and provisions of this Lease have been complied with by the Lessee.

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 90 days and transport the same at any time within such 90 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 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; 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 Finance 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) Any representation or warranty made by the Lessee herein or in any statement or certificate furnished to the Lessor or its assign pursuant to or in connection with this Lease or the Finance Agreement proves untrue in any material respect as of the date of issuance or making thereof; or

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

(f) Any other proceedings shall be commenced by or against 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) and (unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective but then only so long as such stay shall continue in force or such ineffectiveness shall continue) all the obligations of the Lessee under this Lease shall not have been 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 the property of the Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment or 60 days after such proceedings shall have been commenced, whichever shall be earlier.

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, 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 the total number of days in such full rental period) 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 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 6.5% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this 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 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 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. Holding Over. In the event the Lessee fails to deliver possession of each Item of Equipment to the Lessor upon expiration of the term of this Lease in accordance with the provisions hereof, the Lessor shall have a right to recover from the Lessee, in addition to and not by way of limitation of any rights or remedies of the Lessor pursuant to Section 14.2(a) above, (i) damages for loss of the bargain and not as a penalty for each Item of Equipment not so delivered in an amount equal to double the rate of Fixed Rent herein provided for, and (ii) all damages and expenses including reasonable attorney's fees, in addition thereto which the Lessor or the Trustor shall have sustained by reason of the Lessee's retention of possession; provided, however, no such damages pursuant to subclause (i) above shall be payable by the Lessee in respect of any Item or Items of Equipment which, without the fault or consent of the Lessee and after best efforts by the Lessee to secure the return thereof, continue to be used by connecting and other carriers in the usual interchange of traffic. No payment pursuant to this Section 14.5 by the Lessee, and no acceptance thereof by the Lessor, following the expiration of this Lease shall be deemed to constitute an express or implied renewal of this Lease, or of the rights of the Lessee hereunder, and shall be without prejudice to any of the other rights or remedies of the Lessor herein or by law provided.

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 without charge for insurance, rent or storage, which right of storage shall continue, so long as the Lessor shall act with reasonable diligence to dispose of such Equipment, until such Equipment has been sold, leased or otherwise disposed of by the Lessor; and

(c) Transport the Equipment to any place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as the Lessor may direct in writing.

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 whomsoever 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 24 of the Conditional Sale Agreement, and all rent and other sums due and to become due hereunder shall be paid to the Assignee at 120 South Sixth Street, Minneapolis, Minnesota 55480, Attention: Corporate Trust Department, or at such other place as the Assignee shall 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 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, 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 of this Lease are permitted or provided to be exercised by the Lessor.

It is understood and agreed that the right, title and interest of the Assignee is, by the express terms of the Conditional Sale Agreement, subject to the rights and interests hereunder of the Lessee in and to the Equipment.

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. So long as the Lessee shall not be in default under this Lease, 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, and also to permit the use of Items of Equipment upon connecting and other carriers in the usual interchange of traffic, 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 or leased all or substantially all of the lines of the railroad of the Lessee, provided that such assignees, successors or transferees will not, upon the effectiveness of such merger or consolidation or acquisition of properties, be in default under any provision of this Lease and that such merger or consolidation or acquisition of properties shall not alter in any way the Lessee's obligation to the Lessor hereunder which shall be and remain those of a principal and not a surety.

SECTION 18. OPINION OF LESSEE'S COUNSEL.

Concurrently with the delivery and acceptance of the first Item of Equipment hereunder, the Lessee will deliver to the Lessor eight counterparts of the written opinion of counsel for the Lessee addressed to the Lessor, the Trustor, the Assignee and the Investor, in scope and substance satisfactory to such parties, 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 Delaware;

(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 Indemnity Agreement dated as of May 1, 1977 (the "Indemnity Agreement") between the Lessee and the Trustor 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 has 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 or withholding of objection is required from any public regulatory body with respect to the entering into or performance by the Lessee of the Conditional Sale Agreement, the Finance Agreement, the Indemnity Agreement or this Lease.

(f) The execution and delivery by the Lessee of the Conditional Sale Agreement, the Finance Agreement, the Indemnity 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 as contemplated and permitted hereby; 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 or part thereof 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 9.5% per annum (or the lawful rate, whichever is less) on the overdue rentals or part thereof and amounts expended for the period of time during which they are overdue or expended and not repaid.

SECTION 20. RIGHT OF FIRST REFUSAL AND OPTION TO RENEW.

20.1. Right of First Refusal. Provided that no Event of Default (or event which with the lapse of time or giving of notice, or both, would become an Event of Default) shall have occurred and be continuing, the Lessor agrees that not more than 75 nor less than 45 days prior to any sale, assignment, transfer or conveyance of any interest in the Equipment or any Item thereof by the Lessor at any time after the expiration of the original term of this Lease or any extended term hereof, the Lessor shall first offer such interest to the Lessee, who is hereby granted the preferential right to purchase for cash such interest (but not a lesser or different interest) on the same terms offered by or to any independent, bona fide, prospective purchaser, ready, willing and able to so purchase. In the event that the consideration offered to be paid for such interest is not wholly in cash or if the Lessor and the Lessee shall not agree upon the cash value of the offered consideration other than cash, then such cash value shall be determined by appraisal in accordance with the second full paragraph of this Section 20.1. In any such case the Lessor shall promptly communicate in writing to the Lessee the offer made to or received by it from such purchaser, together with the name and address of such purchaser (unless such purchaser demands confidentiality in which event the Lessor shall supply evidence in form satisfactory to the Lessee of the bona fide nature of such offer), and the Lessee shall have the right for a period of thirty days after the giving of said

notice to elect to purchase such interest as aforesaid by giving written notice within such thirty-day period to the Lessor. Upon any purchase of any Item of Equipment pursuant to this Section by the Lessee, the Lessor shall upon request of the Lessee execute and deliver to the Lessee, or to the Lessee's assignee or nominee, a Bill of Sale (without warranties) for each Item of Equipment such as will transfer to the Lessee such title to such Item of Equipment as the Lessor derived from the Manufacturer free and clear of all liens, security interests and other encumbrances arising through the Lessor.

The "Cash Value" of an Item of Equipment shall be determined on the basis of, and shall be equal in amount to, the cash 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 40 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 cash value of an Item of Equipment, such cash value shall be determined in accordance with the following 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 15 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.

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 the amount payable under Section 11 hereof shall be the greater of the amount otherwise payable under said Section 11 or such purchase price.

It is understood and agreed by the parties hereto that the Lessee's right to purchase the Equipment or any Item thereof pursuant to this Section 20.1 shall terminate two years after the date of expiration of the Lease, including any renewal term thereof.

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 (but not more than three) consecutive renewal terms of two years each upon and subject to the terms and conditions herein contained for the original term of this Lease; provided that the semiannual 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 180 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. 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: First National Bank and Trust
Company of Evanston
800 Davis Street
Evanston, Illinois 60204
Attention: Vice President -
Corporate Trust Department

(with a copy to:

Borg-Warner Leasing Corporation
One IBM Plaza
Suite 2700
Chicago, Illinois 60611
Attention: Manager, Leveraged
Leasing

If to the Lessee: Illinois Terminal Railroad Company
Post Office Box 7282
St. Louis, Missouri 63177
Attention: Mr. L. B. Rudloff,
Controller

If to the Assignee: First National Bank of Minneapolis
120 South Sixth Street
Minneapolis, Minnesota 55480
Attention: Corporate Trust Department

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

21.2 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.

21.3. 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.

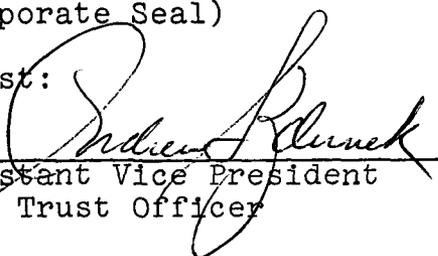
21.4. Limitations of Liability. It is expressly understood and agreed by and between the Lessor, the Trustor and the Lessee and their respective successors and assigns, that this Lease is executed by First National Bank and Trust Company of Evanston, not individually or personally but solely as Trustee under the Trust Agreement in the exercise of the power and authority conferred and vested in it as such Trustee (and First National Bank and Trust Company of Evanston hereby warrants that it possesses full power and authority to enter into and perform this Lease); and it is expressly understood and agreed

that nothing herein contained shall be construed as creating any liability on the Lessor or the Trustor, 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 the Lessor or the Trustor, 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. Notwithstanding the foregoing, nothing in this Section 21.4 shall be deemed to prevent enforcement of any claim for damages based upon the gross negligence or wilful misconduct of the Lessor or the Trustor.

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

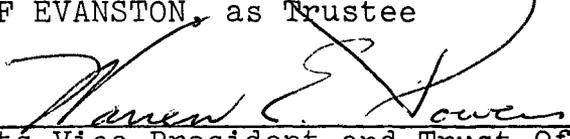
(Corporate Seal)

Attest:


Assistant Vice President
and Trust Officer

FIRST NATIONAL BANK AND TRUST COMPANY
OF EVANSTON, as Trustee

By


Its Vice President and Trust Officer
LESSOR

(Corporate Seal)

Attest:


Secretary

ILLINOIS TERMINAL RAILROAD COMPANY

By


Its President

LESSEE

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 31ST day of May, 1977, before me personally appeared Warren E. Powers, to me personally known, who being by me duly sworn, says that he is a Vice President and Trust Officer of First National Bank and Trust Company of Evanston, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

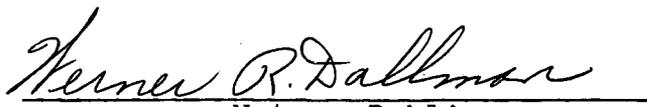

Notary Public
My Commission expires June 27, 1979

(Seal)

My Commission Expires:

STATE OF MISSOURI)
) SS
CITY OF ST. LOUIS)

On this 27th day of May, 1977, before me personally appeared E.B. Wilson, to me personally known, who being by me duly sworn, says that he is _____ President of ILLINOIS TERMINAL 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.


Notary Public

(Seal)

My Commission Expires: July 18, 1977

SCHEDULE A
(to Equipment Lease)

MANUFACTURER: General Motors Corporation
(Electro-Motive Division)

PLANT OF MANUFACTURER: McCook, Illinois

DESCRIPTION OF EQUIPMENT: 4 GP-38-2 Diesel Electric
Locomotives bearing Illinois
Terminal Railroad Company
identifying numbers 2001
to 2004, both inclusive

SPECIFICATION: General Motors No. 8090

DELIVER TO: Illinois Terminal Railroad Company

PLACE OF DELIVERY: McCook, Illinois

ESTIMATED DELIVERY DATES: May, 1977

OUTSIDE DELIVERY DATE: June 30, 1977

FIXED RENTAL PAYMENTS: Thirty (30) semiannual rental pay-
ments in arrears each equal to
4.547060% of the Purchase Price (as
defined in the Conditional Sale
Agreement) of each Item of Equip-
ment

Lessee: Illinois Terminal Railroad Company

Assignee of Manufacturer: First National Bank of Minneapolis

(Illinois Terminal Trust No. 77-1)

CERTIFICATE OF ACCEPTANCE
UNDER EQUIPMENT LEASE

To: First National Bank and Trust Company of Evanston
as Trustee under Illinois Terminal Trust No. 76-1
("Trustee")

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

I, a duly appointed inspector and authorized representative of ILLINOIS TERMINAL 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 1, 1977 between the Trustee and the Lessee, and on behalf of the Trustee under the Conditional Sale Agreement dated as of May 1, 1976 among the Manufacturer and the Trustee of the following Items of Equipment ("Equipment"):

TYPE OF EQUIPMENT: GP-38-2 Diesel Electric Locomotives

MANUFACTURER: General Motors Corporation (Electro-Motive Division)

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:

"Leased from First National Bank and Trust Company
of Evanston as Lessor and Trustee-Vendee, and subject
to a Security Interest Recorded with the I.C.C."

(Illinois Terminal Trust No. 77-1)

SCHEDULE B
(to Equipment Lease)

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

ILLINOIS TERMINAL RAILROAD COMPANY

SCHEDULE OF CASUALTY VALUE

The Casualty Value of an Item of Equipment payable on any Interim Rental or 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 the Purchase Price (as defined in the Conditional Sale Agreement) Payable as Casualty Value</u>
Interim Rental	107.6823%
1	108.9166%
2	109.3821%
3	108.2783%
4	107.0586%
5	106.1489%
6	105.0586%
7	97.1144%
8	95.6756%
9	94.0621%
10	92.2894%
11	83.6832%
12	81.6094%
13	79.4001%
14	77.0621%
15	67.9337%
16	65.3672%
17	62.7384%
18	60.0012%
19	57.1777%
20	54.2522%
21	51.2523%
22	48.1574%
23	45.0001%
24	41.7555%
25	38.4611%
26	35.0888%
27	31.6729%
28	28.2595%
29	24.7232%
30 and during Storage	20.0000%