15048
RECORDATION NO. Filed 1425
SEP 9 1986 3 15 PM
INTERSTATE COMMERCE COMMISSION

CRAVATH, SWAINE & MOORE

ONE CHASE MANHATTAN PLAZA
NEW YORK, N. Y. 10005

TELEPHONE
212 422-3000

TELEX
RCA 233663
WUD 125547
WUI 620976
TRT 177149

CABLE ADDRESSES
CRAVATH, N. Y.
CRAVATH, LONDON E. C. 2

2 HONEY LANE, CHEAPSIDE
LONDON EC2V 8BT, ENGLAND
TELEPHONE: 1-606-1421
TELEX: 8814901
RAPIFAX/INFOTEC:
1-606-1425

ALLEN F. MAULSBY
STEWARD R. BROSS, JR.
HENRY P. RIORDAN
JOHN R. HUPPER
SAMUEL C. BUTLER
WILLIAM J. SCHRENK, JR.
BENJAMIN F. CRANE
JOHN F. HUNT
GEORGE J. GILLESPIE, III
WAYNE E. CHAPMAN
THOMAS D. BARR
MELVIN L. BEDRICK
GEORGE T. LOWY
ROBERT ROSENMAN
JAMES H. DUFFY
ALAN J. HRUSKA
JOHN E. YOUNG
JAMES M. EDWARDS
DAVID G. ORMSBY
DAVID L. SCHWARTZ
RICHARD J. HIEGEL
CHRISTINE BESHAR
ROBERT S. RIFKIND
DAVID BOIES
DAVID O. BROWNWOOD
PAUL M. DODYK
RICHARD M. ALLEN
THOMAS R. BROME
ROBERT D. JOFFE

ROBERT F. MULLEN
ALLEN FINKELSON
RONALD S. ROLFE
JOSEPH R. SAHID
PAUL C. SAUNDERS
MARTIN L. SENZEL
DOUGLAS D. BROADWATER
ALAN C. STEPHENSON
RICHARD L. HOFFMAN
JOSEPH A. MULLINS
MAX R. SHULMAN
STUART W. GOLD
JOHN W. WHITE
JOHN E. BEERBOWER
EVAN R. CHESLER
PATRICIA GEOGHEGAN
D. COLLIER KIRKHAM
MICHAEL L. SCHLER
DANIEL P. CUNNINGHAM
KRIS F. HEINZELMAN
B. ROBBINS KIESSLING
ROGER D. TURNER
PHILIP A. GELSTON
RORY O. MILLSON
NEIL P. WESTREICH
FRANCIS P. BARRON
RICHARD W. CLARY
WILLIAM P. ROGERS, JR.
JAMES D. COOPER

15048/C
RECORDATION NO. Filed 1425
No. 6-252A024
Date SEP 9 1986
Fee $ 20.00
ICC Washington, D. C.
SEP 9 1986 3 15 PM
INTERSTATE COMMERCE COMMISSION

15048-A
RECORDATION NO. Filed 1425
SEP 9 1986 3 15 PM
INTERSTATE COMMERCE COMMISSION

15048-B
RECORDATION NO. Filed 1425
SEP 9 1986 3 15 PM
INTERSTATE COMMERCE COMMISSION

$20.00 filing fee

ICC OFFICE OF THE SECRETARY
SEP 9 3 06 PM '86
MOTOR OPERATING UNIT

WHITE DOCS

September 8, 1986

Chicago and North Western Transportation Company
Lease Financing Dated as of August 1, 1986
10.2% Conditional Sale Indebtedness
Due July 2, 2001
[11 Locomotives]

Dear Ms. McGee:

Pursuant to 49 U.S.C. § 11303 and the Commission's rules and regulations thereunder, as amended, I enclose herewith on behalf of Chicago and North Western Transportation Company, for filing and recordation counterparts of the following documents:

New No.

1. (a) Conditional Sale Agreement dated as of August 1, 1986, between United States Trust Company of New York, as Vendee, and General Motors Corporation (Electro-Motive Division), as Builder; and

—A

(b) Agreement and Assignment dated as of August 1, 1986, between General Motors Corporation (Electro-Motive Division), as Builder, and Mercantile-Safe Deposit and Trust Company, as Agent.

—B

2. (a) Lease of Railroad Equipment dated as of August 1, 1986, between Chicago and North Western Transportation Company, as Lessee, and United States Trust Company of New York, as Vendee; and

—C

(b) Assignment of Lease and Agreement dated as of August 1, 1986, between United States Trust Company of

Courtney Stark Donald Downing

New York, as Vendee, and Mercantile-Safe Deposit and Trust Company, as Agent.

The names and address of the parties to the aforementioned agreements are as follows:

1. Agent:

   Mercantile-Safe Deposit and Trust Company
   Two Hopkins Plaza
   Baltimore, Maryland 21203

2. Vendee-Lessor:

   United States Trust Company of New York
   45 Wall Street
   New York, New York 10005

3. Builder-Vendor:

   General Motors Corporation
   (Electro-Motive Division)
   LaGrange, Illinois 60525

4. Lessee:

   Chicago and North Western
   Transportation Company
   One North Western Center
   165 N. Canal Street
   Chicago, Illinois 60606

Please file and record the documents referred to in this letter and index them under the names of the Agent, the Vendee-Lessor, the Builder-Vendor and the Lessee.

The equipment covered by the aforementioned documents is listed on Exhibit A attached hereto. The equipment bears the legend "Ownership Subject to a Security Agreement Filed with The Interstate Commerce Commission".

There is also enclosed a check for $20 payable to the Interstate Commerce Commission, representing the fee for recording the Conditional Sale Agreement and related Agreement and Assignment (together constituting one document), and the Lease of Railroad Equipment and related Assignment of Lease and Agreement (together constituting one document).

Please stamp all counterparts of the enclosed documents with your official recording stamp. You will wish to retain one copy of the instruments for your files. It is requested that the remaining counterparts be delivered to the bearer of this letter.

Very truly yours,

Laurance V. Goodrich

Laurance V. Goodrich
as Agent for
Chicago and North Western
Transportation Company

Noreta R. McGee, Secretary,
Interstate Commerce Commission,
Washington D.C. 20423

Encls.

Annex B
to
Conditional Sale Agreement

Type	Builder's Specifications	Builder's Plant	Quantity	Lessee's Identification Numbers (Both Inclusive)*	Unit Base Price**	Total Base Price**	Estimated Time and Place of Delivery
Part A: SD-60 3,800 h.p. diesel electric locomotives	EMD Specification 8128, Amendment 8128-3 and Opening Specification No. 867147 dated March 19, 1986, as supplemented by the Final Specifications Supplement date as of June 23, 1986.	McCook Illinois	11	CNW 8001 through CNW 8055	$1,295,000	$14,245,000	Prior to October 10, 1986, at Lessee's Proviso Yard at Melrose Park, Illinois.
Part B: Additional Equipment to be supplied by Lessee	-	-	11		25,000	275,000	
					$1,320,000	$14,523,000	

* The road numbers listed are for all units of Equipment to be delivered under this Conditional Sale Agreement and certain other conditional sale agreements. After all units of Equipment have been delivered and accepted hereunder, an appropriate amendment to this Annex B will be filed with the Interstate Commerce Commission to reflect the road numbers of the units of Equipment actually delivered and accepted hereunder.

** Including prepaid freight charges estimated to be $900 per unit to Melrose Park, Illinois.

Exhibit A

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

9/9/86

Laurance V. Goodrich
Cravath, Swaine & Moore
One Chase Manhattan Plaza
New York,N.Y. 10005

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act,49 U.S.C. 11303, on 9/9/86 at 3:15pm , and assigned re-recordation number(s). 15048, 15048-A,15048-B & 15048-C

15049
15049-A
15049-B
15049-C

15050
15050-A
15050-B
15050-C

Sincerely yours,

Noreta R. McGee
Secretary

Enclosure(s)

SE-30
(7/79)

Chicago and NorthWestern
Transportation Company
XXXXXXXXXX
Railway

One NorthWestern Center
Chicago, Illinois 60606

Office of the Secretary
312.559.6156

August 30, 1994

File: A-12844-B
EOC: 0-062

Mr. Sidney Strickland, Jr.
Secretary
Interstate Commerce Commission
Washington, DC 20423

RE: Lease of Railroad Equipment dated as of August 1, 1986 between Chicago and North Western Transportation Company, Lessee, and United States Trust Company of New York, as Trustee under a Trust Agreement, Lessor. Amendment Agreement No. 1, dated as of February 1, 1987, among Chicago and North Western Transportation Company (Lessee), Mercantile-Safe Deposit and Trust Company (Agent), United States Trust Company of New York (Trustee), General Electric Credit Corporation (Owner).

ICC Recordation No.: 15048

Dear Mr. Strickland:

In connection with the above agreements, please be advised that the name of Chicago and North Western Transportation Company was changed to **Chicago and North Western Railway Company** effective May 6, 1994, pursuant to the Certificate of Amendment of Restated Certificate of Incorporation of Chicago and North Western Transportation Company filed with the State of Delaware on May 5, 1994.

Sincerely,

K. A. Dombrowski
Assistant Secretary

STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

On this 30th day of August, 1994, before me personally appeared K. A. Dombrowski, to me personally known, who, by me being duly sworn, says that she is Assistant Secretary of Chicago and North Western Railway Company and that the foregoing instrument was signed on behalf of said corporation by authority of its board of directors, and she acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

My commission expires: April 12, 1995

"OFFICIAL SEAL"
PENNY MENCHEY
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 4/12/95

L:\GROUPS\SECURE\GENERAL\NAMECHG\008 (4)

15048

SEP 9 1986 -3 15 PM

INTERSTATE COMMERCE COMMISSION

[CS&M Ref. 2046-262A]

CONDITIONAL SALE AGREEMENT

Dated as of August 1, 1986

Between

GENERAL MOTORS CORPORATION
(Electro-Motive Division)

Builder,

and

UNITED STATES TRUST COMPANY OF NEW YORK,

Trustee.

10.2% Conditional Sale Indebtedness Due July 2, 2001

[Covering 11 GMC-EMD SD-60 Diesel Electric Locomotives]

Conditional Sale Agreement

TABLE OF CONTENTS*

		Page
ARTICLE 1.	Assignment; Definitions	C-2
ARTICLE 2.	Construction and Sale	C-2
ARTICLE 3.	Inspection and Delivery	C-3
ARTICLE 4.	Purchase Price and Payment	C-6
ARTICLE 5.	Security Title to the Equipment	C-10
ARTICLE 6.	Taxes	C-11
ARTICLE 7.	Maintenance; Casualty Occurrences; Termination	C-13
ARTICLE 8.	Reports	C-15
ARTICLE 9.	Marking of Equipment	C-15
ARTICLE 10.	Compliance with Laws and Rules	C-15
ARTICLE 11.	Possession and Use	C-16
ARTICLE 12.	Prohibition Against Liens	C-16
ARTICLE 13.	Indemnities and Warranties	C-17
ARTICLE 14.	Assignments	C-19
ARTICLE 15.	Defaults	C-21
ARTICLE 16.	Remedies	C-24
ARTICLE 17.	Applicable Laws	C-28
ARTICLE 18.	Recording	C-28
ARTICLE 19.	Article Headings; Effect and Modification of Agreement	C-29
ARTICLE 20.	Notice	C-29
ARTICLE 21.	Immunities; Satisfaction of Undertakings	C-30
ARTICLE 22.	Law Governing	C-31
ARTICLE 23.	Execution	C-31
SCHEDULE I	Allocation Schedule	C-34
ANNEX A	Matters Relating to Equipment	C-35
ANNEX B	Schedule of Equipment	C-40
ANNEX C	Lease of Railroad Equipment	
ANNEX D	Assignment of Lease and Agreement; Lessee's Consent and Agreement	

---

* This Table of Contents has been included in this document for convenience only and does not form a part of or affect any construction or interpretation of this document.

CONDITIONAL SALE AGREEMENT dated as of August 1, 1986, between the corporation named in Item 1 of Annex A hereto (said corporation being hereinafter called the "Builder" or the "Vendor", as the context may require, all as more particularly set forth in Article 1 hereof) and UNITED STATES TRUST COMPANY OF NEW YORK, a New York corporation, acting not in its individual capacity but solely as trustee (the "Vendee") under a trust agreement (the "Trust Agreement") dated as of the date hereof with the Owner, as defined in the Participation Agreement hereinafter mentioned (the "Owner").

WHEREAS the Builder has agreed to construct and sell to the Vendee the railroad equipment described in Part A of Annex B hereto (which together with the additional equipment ("Additional Equipment") which may be installed thereon under the Participation Agreement described below, are hereinafter called the "Equipment"); and

WHEREAS the Vendee is entering into a Lease of Railroad Equipment with Chicago and North Western Transportation Company (the "Lessee") in substantially the form annexed hereto as Annex C (the "Lease") pursuant to which the Lessee will lease from the Vendee all the units of Equipment so purchased by the Vendee, or such lesser number of units as are delivered and accepted hereunder; and

WHEREAS Mercantile-Safe Deposit and Trust Company (hereinafter called the "Assignee" or the "Vendor" as more particularly set forth in Article 1 hereof), is acting as Agent for certain institutional investors (the "Investors") pursuant to a Participation Agreement dated as of the date hereof (the "Participation Agreement") among the Assignee, the Lessee, the Vendee, the Owner, and the Investors and all obligations of the Vendee to the Builder under the Purchase Order (as defined in the Participation Agreement) will be superseded by this Agreement except to the extent otherwise expressly provided herein and in the Participation Agreement.

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

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

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

The parties hereto contemplate that the Vendee will assign to the Assignee, as security for the payment and performance of all the Vendee's obligations hereunder, certain rights, titles and interest of the Vendee in and to the Lease, pursuant to an Assignment of Lease and Agreement in the form of Annex D hereto (the "Lease Assignment") and the Lessee shall consent thereto pursuant to the Lessee's Consent and Agreement in the form attached to Annex D hereto (the "Consent").

ARTICLE 2. Construction and Sale. Pursuant to this Agreement, the Builder shall construct the units of Equipment and will sell the same to the Vendee, and the Vendee will purchase such units from the Builder and will pay the Builder therefor, all as hereinafter provided and all subject to the limitations hereinafter set forth. Each unit of Equipment shall be constructed in accordance with the Purchase Order and the specifications referred to in Annex B hereto and in accordance with such modifications thereof as may be agreed upon in writing among the Builder, the Vendee and the Lessee (which specifications and modifications, if any, are hereinafter called the "Specifi-

cations"). The Builder represents and warrants to the Vendee, the Owner, the Lessee and the Assignee that (i) the design, quality and component parts of each unit of the Equipment shall conform, on the date of completion of manufacture thereof, to all United States Department of Transportation, Interstate Commerce Commission, Environmental Protection Agency and all other applicable governmental authorities' requirements and specifications and to all standards, if any, recommended by the Association of American Railroads reasonably interpreted as being applicable to railroad equipment of the character of such unit, and (ii) each such unit will be "new Section 38 Property" within the meaning of Section 48(b) of the Internal Revenue Code 1954, as amended, and will not have been used or placed in service prior to the delivery thereof to the Vendee hereunder. For the purposes of this Article 2, the term "Equipment" shall not include any Additional Equipment.

ARTICLE 3. Inspection and Delivery. The Builder will deliver to the Vendee the units of Equipment at the place or places specified in Annex B hereto, freight charges, if any, prepaid and included in the Purchase Price, in accordance with the estimated delivery schedule set forth in Annex B hereto; provided, however, the delivery of any unit of the Equipment shall not be made to the Vendee (i) until this Agreement, the Lease, the CSA Assignment and the Lease Assignment have been filed pursuant to 49 U.S.C. § 11303 and deposited with the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada and provision shall have been made for publication of notice of such deposit in The Canada Gazette; (ii) subsequent to the commencement of any proceedings or the occurrence of any event specified in clause (c) or (d) of Article 15 hereof or the occurrence of any event of default (as described in Article 15 hereof), or event which, with the lapse of time and/or demand, could constitute such an event of default (any such commencement, occurrence, event of default or event being hereinafter in this Agreement called a "Default"); or (iii) if the Purchase Price for such unit when added to the aggregate Purchase Price of (A) all units theretofore delivered to and accepted by the Vendee under and made subject to this Agreement and (B) all other units proposed to be delivered to and accepted by the Vendee under, and made subject to, this Agreement concurrently with such unit would exceed the Maximum Purchase Price for the Equipment specified in Item 5 of Annex A hereto. The Builder agrees not to deliver any unit of the Equipment hereunder (a) following receipt of written notice from the Vendee or the Assignee (i) of a Default, or (ii) that the

Maximum Purchase Price specified in Item 5 of Annex A hereto (or such higher amount as the Vendee, the Builder and the Lessee may have agreed to pursuant to Article 4) would be exceeded by any subsequent delivery of a unit, or (iii) of its determination that there has been a material adverse change in the financial condition of the Lessee since June 30, 1986, or (iv) of the election of the Vendee not to accept any further Equipment hereunder because of a Change in Tax Law as defined in Paragraph 19(a) of the Participation Agreement and (b) until it receives notice from the Vendee and the Assignee that the conditions contained in Paragraphs 8 and 9 of the Participation Agreement have been met.

Any unit of Equipment not delivered to the Vendee hereunder at the time of receipt by the Builder of the notice specified in clause (a) of the last sentence of the first paragraph of this Article 3 and any unit of Equipment not delivered and accepted hereunder on or prior to December 31, 1986 (unless a later date shall be agreed to by the Vendee and the Lessee), by reason of noncompliance with the conditions referred to in the next preceding paragraph or causes set forth in the next succeeding paragraph or otherwise, shall be excluded from this Agreement and the Vendee shall be relieved of its obligation hereunder to purchase and pay for such unit of Equipment. If any unit of Equipment shall be excluded herefrom pursuant to the immediately preceding sentence, the Vendee and the Builder shall execute an agreement supplemental hereto limiting this Agreement to the units of Equipment not so excluded herefrom. Pursuant to the Participation Agreement, the Lessee has agreed to purchase such excluded Equipment and any Equipment excluded from this Agreement pursuant to the first paragraph of Article 4 hereof from the Builder, upon the satisfaction or waiver of any conditions of the Purchase Order, all as provided in Paragraph 1 of the Participation Agreement. The Vendee agrees, upon any such exclusion, to take such steps, including the execution of instruments of transfer, as may be reasonably requested by the Lessee for the purpose of acknowledging and perfecting the interest of the Lessee in any unit of Equipment so excluded from this Agreement, and the Vendee shall have no further obligation or liability in respect of units so excluded.

The obligation of the Builder as to the time of delivery set forth in Annex B is subject, however, to delays resulting from causes beyond the Builder's reasonable control, including but not limited to, acts of God, acts of government such as embargoes, priorities and allocations,

war or war conditions, riot or civil commotion, sabotage, strikes, differences with workmen, accidents, fire, flood, explosion, damage to plant, equipment or facilities, delays in receiving necessary materials or delays of carriers or subcontractors and, the Builder agrees to promptly notify the Vendee and the Lessee of the occurrence of any of the foregoing events in writing. The time allowed for performance will be extended by a period of time equal to the period of delay.

During construction, the Equipment shall be subject to inspection and approval by the authorized inspectors of the Vendee (who may be employees of the Lessee) and the Builder shall grant to such inspectors reasonable access to their plants. The Builder agrees to inspect the materials used in the construction of its Equipment in accordance with its standard quality control practices. Upon completion of each unit or a number of units of the Equipment, such unit or units shall be presented to inspectors of the Vendee for inspection at the place specified for delivery, and if each such unit conforms to the Specifications, requirements and standards applicable thereto, such inspectors or authorized representatives of the Vendee (who may be employees of the Lessee) shall execute and deliver to the Builder a certificate of inspection and acceptance (a "Certificate of Inspection and Acceptance") substantially in the form of Schedule D to the Lease; provided, however, that the Builder shall not thereby be relieved of its warranties referred to in Article 13 hereof. The Vendee hereby appoints the Lessee (and any employee thereof designated by the Lessee) its agent for inspection and acceptance of the Equipment pursuant to this Article 3.

Upon delivery to and acceptance by the Vendee of each such unit hereunder at the place specified for delivery, the Builder shall have no further responsibility for, or bear any risk of, any damage to or the destruction or loss of such unit; provided, however, that such delivery to and acceptance by the Vendee shall not thereby relieve the Builder of its warranties referred to in Article 13 hereof.

Notwithstanding the foregoing or any other provision of this Agreement to the contrary, the delivery to and acceptance by or on behalf of the Vendee of any unit of Equipment excluded from this Agreement pursuant to the first paragraph of Article 4 hereof shall be ineffective, ab initio, to create in or transfer to the Vendee any legal or beneficial right or interest in such unit or (except as provided in the first paragraph of Article 4 hereof) to

impose on the Vendee any liability, obligation or responsibility with respect thereto; any right or interest in any such unit created in or transferred to or purported to be created in or transferred to the Vendee shall be held by the Vendee solely as trustee for the benefit of the Builder.

ARTICLE 4. Purchase Price and Payment. The base price per unit of the Equipment to be delivered by the Builder and paid for by the Vendee is set forth in Annex B hereto. Such base price per unit is subject to such increase or decrease as is agreed to in writing by the Builder and the Lessee (and, if such increase or decrease is greater than 10%, the Vendee), including increases for prepaid freight charges, if any. The term "Purchase Price" as used herein shall mean the base price per unit of Equipment as so increased or decreased (as set forth in the Builder's invoice or invoices delivered to the Vendee and, if the Purchase Price is other than the base price set forth in Annex B, such Invoice shall be accompanied by, or have endorsed thereon, the agreement or approval of the Lessee) as the same may be increased by the Additional Equipment Cost (as defined in Paragraph 2 of the Participation Agreement) in respect of any Additional Equipment installed or to be installed on such unit of Equipment and which Additional Equipment is purchased by the Vendee. If on any Closing Date (as hereinafter defined) the aggregate Purchase Price of the Equipment for which settlement has theretofore been or is then being made would, but for the provisions of this sentence, exceed the Maximum Purchase Price specified in Item 5 of Annex A hereto (or such higher amount as the Vendee and the Lessee may agree to prior to delivery of any unit or units of Equipment that, but for such agreement, would be excluded from this Agreement), the Builder (and any assignee of the Builder) and the Vendee will enter into an agreement excluding from this Agreement such unit or units of Equipment and any Additional Equipment installed thereon then proposed to be settled for in inverse order of their delivery, as will, after giving effect to such exclusion, reduce such aggregate Purchase Price to not more than such Maximum Purchase Price (or such higher amount as aforesaid), and the Vendee shall have no further obligation or liability in respect of units so excluded.

The Equipment accepted pursuant to Article 3 hereof (but not the Additional Equipment relating thereto) shall be settled for in such number of groups of units of the Equipment as is provided in Item 2 of Annex A hereto (each such group being hereinafter called a "Group"). The term "Closing Date" with respect to any Group shall mean such date, which shall be a business day not later than

January 7, 1987, occurring following presentation by the Builder to the Vendee and the Lessee of the Builder's invoices and Certificates of Inspection and Acceptance for such Group, as shall be fixed by the Lessee by written notice delivered to the Vendee, the Builder and the Assignee at least five business days prior to the Closing Date designated therein. The parties hereto agree to use their best efforts to comply with the schedule of estimated Closing Dates set forth in Item 2 of Annex A hereto. The term "business days" as used herein means calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, Baltimore, Maryland, St. Petersburg, Florida or Chicago, Illinois, are authorized or obligated to remain closed.

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

(a) on the Closing Date with respect to each Group (i) an amount equal to 40.650807% (subject to adjustment as provided in Paragraph 19 of the Participation Agreement) of the aggregate Purchase Price of such Group (excluding the Additional Equipment Cost for Additional Equipment, if any, installed on units of Equipment included in such Group) plus (ii) to the extent agreed upon by the Vendee and the Lessee as evidenced by the Vendee's and the Lessee's approval of the Builder's Invoice therefor, the amount, if any, by which (x) the remainder of the Purchase Price of all units of Equipment for which settlement has theretofore or is then being made, as set forth in the Invoices therefor exceeds (y) the Maximum CSA Indebtedness specified in Item 6 of Annex A hereto plus any other amount or amounts previously paid or payable with respect to prior Invoices pursuant to this clause (ii); and

(b) in 23 installments (subject to adjustment as provided in Paragraph 19 of the Participation Agreement), as hereinafter provided, an amount equal to the aggregate Purchase Price of the units of Equipment in each Group (including the Additional Equipment Cost for Additional Equipment, if any, installed on units of Equipment included in such Group actually settled for under the Participation Agreement), less the aggregate amount paid or payable with respect thereto pursuant to subparagraph (a) of this paragraph.

The portion of the Purchase Price payable pursuant to subparagraph (b) of the preceding paragraph (the "CSA Indebtedness") shall be payable on the dates set forth in Schedule I hereto (or, if any such date is not a business day, on the next succeeding business day), each such date being hereinafter called a "Payment Date". The unpaid balance of the CSA Indebtedness from time to time outstanding shall bear interest at the rate of 10.2% per annum payable, to the extent accrued and unpaid, on January 2 and July 2 of each year commencing on January 2, 1987. The installments of principal payable on each Payment Date shall be calculated so that the amount and allocation of principal and interest payable on each Payment Date shall be substantially in proportion to the allocation set forth in Schedule I hereto (subject to the provisions of Article 7 hereof) and the aggregate of such installments of principal will completely amortize the CSA Indebtedness. The Vendee will furnish to the Vendor and the Lessee promptly after the last Closing Date a schedule showing the respective amounts of principal and interest payable on each Payment Date.

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

The Vendee will pay, to the extent legally enforceable, interest upon all amounts remaining unpaid after the date the same shall have become due and payable pursuant to the terms hereof at the rate of 11.2% per annum (the "Overdue Rate") or such lesser amount as shall be legally enforceable, anything herein to the contrary notwithstanding.

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

Notwithstanding any other provision of this Agreement (including, but not limited to, any provision of Articles 15 and 16 hereof), but not limiting the effect of Article 21 hereof, the liability of the Vendee or any assignee of the Vendee for all payments to be made by it under this Agreement, including any liability arising out of or in connection with the performance of its obligations hereunder and excluding only, the obligations set forth in the proviso in the third paragraph of Article 12 hereof and the payments

to be made pursuant to subparagraph (a) of the third paragraph of this Article, shall not exceed an amount equal to, and shall be payable only out of, the "income and proceeds from the Equipment" (as hereinafter defined), and such payments shall be made by the Vendee only to the extent that the Vendee (or any such assignee) shall have actually received sufficient "income and proceeds from the Equipment" to make such payments. Except as provided in the next preceding sentence, the Vendee (and any such assignee) shall have no personal liability to make any payments under this Agreement except from the "income and proceeds from the Equipment". In addition, it is agreed that the Vendee (and such assignee) (i) make no representation or warranty with respect to, and are not responsible for, the execution, validity, sufficiency or enforceability of the Lease (or any document relative thereto) insofar as it relates to the Lessee or to any of the Lessee's obligations thereunder and (ii) shall not be responsible for the performance or observance by the Lessee of any of its agreements, representations, indemnities, obligations or other undertakings under the Lease; it being understood that as to all such payments and other matters the Vendor will look solely to the Vendor's rights under this Agreement against the Equipment and to the Vendor's rights under the Lease against the Lessee and the Equipment. As used herein the term "income and proceeds from the Equipment" shall mean (i) if one of the events of default specified in Article 15 hereof shall have occurred and while it shall be continuing, so much of the following amounts as are indefeasibly received by the Vendee (or any such assignee) at any time after any such event and during the continuance thereof: (a) all amounts of rental and amounts in respect of Casualty Occurrences (as defined in Article 7 hereof) paid for or with respect to the Equipment pursuant to the Lease and any and all other payments received under § 10 or any other provision of the Lease and (b) any and all payments or proceeds received for or with respect to the Equipment as the result of the sale, lease or other disposition thereof, after deducting all costs and expenses of such sale, lease or other disposition, and (ii) at any other time only that portion of the amounts referred to in the foregoing clauses (a) and (b) as are indefeasibly received by the Vendee (or any such assignee) and as shall equal the portion of the CSA Indebtedness (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon due and payable on the date such amounts were required to be paid pursuant to the Lease or as shall equal any other payments then due and payable under this Agreement; it being understood that "income and proceeds from the Equipment" shall in

no event include (A) amounts referred to in the foregoing clauses (a) and (b) received by the Vendee (or any such assignee) prior to the existence of such an event of default which exceeded the amounts required to discharge that portion of the CSA Indebtedness (including such prepayments) and/or interest thereon due and payable on the date on which amounts with respect thereto received by the Vendee (or any such assignee) were required to be paid to it pursuant to the Lease or which exceeded any other payments due and payable under this Agreement at the time such amounts were payable under the Lease and (B) any Excluded Indemnity as defined in the Lease Assignment. Notwithstanding anything to the contrary contained in this Agreement, in the event the Vendor shall obtain a judgment against the Vendee for an amount in excess of the amounts payable by the Vendee pursuant to the limitations set forth in this paragraph, the Vendor will limit its execution of such judgment to amounts payable pursuant to the limitations set forth in this paragraph. Nothing contained herein limiting the liability of the Vendee shall derogate from the right of the Vendor to proceed against the Equipment for the full unpaid Purchase Price of the Equipment and accrued interest thereon and all other payments and obligations hereunder or to proceed against the Lessee under the Lease or the Consent.

ARTICLE 5. Security Title to, and Security Interest in, the Equipment. The Vendor shall and hereby does retain a security title and security interest in the Equipment other than the Additional Equipment, and the Vendee grants to the Vendor a security interest in the Additional Equipment which have been settled for under the Participation Agreement, until the Vendee shall have made all its payments under this Agreement, notwithstanding any provision of this Agreement limiting the liability of the Vendee and notwithstanding the delivery of the Equipment to and the possession and use thereof by the Vendee and the Lessee as provided in this Agreement and the Lease. Any and all parts installed on and additions and replacements made to any unit of the Equipment (except as otherwise specifically provided in § 9 of the Lease) shall constitute accessions to the Equipment and shall be subject to all the terms and conditions of this Agreement and included in the term "Equipment" as used in this Agreement.

Except as otherwise specifically provided in Article 7 hereof, when and only when the Vendor shall have been paid the full indebtedness in respect of the Purchase Price of the Equipment, together with accrued interest and all other payments as herein provided, absolute right to the

possession of, title to and property in the Equipment shall pass to and vest in the Vendee without further transfer or action on the part of the Vendor. However, the Vendor, if so requested by the Vendee at that time, at the Vendee's expense, will (a) execute a bill or bills of sale for the Equipment releasing its security title to and interest therein to the Vendee or upon its order, free of all liens, security interests and other encumbrances created or retained hereby and deliver such bill or bills of sale to the Vendee and (b) execute and deliver to the Vendee for filing, recording or depositing in all necessary public offices, such instrument or instruments in writing as may be necessary or appropriate in order then to make clear upon the public records the title of the Vendee to the Equipment. The Vendee hereby waives any and all rights, existing or that may be acquired, in or to the payment of any penalty or damages for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file any certificate of payment in compliance with any law requiring the filing of the same, except for failure so to do within a reasonable time after written demand by the Vendee.

ARTICLE 6. Taxes. Whether or not any of the transactions contemplated hereby are consummated, the Vendee agrees to pay, or cause to be paid, and to indemnify and hold the Vendor and the Investors harmless from, all taxes (income, gross receipts, franchise, sales, use, property [real or personal, tangible or intangible] and stamp taxes, assessments, fees and charges of any nature whatsoever, together with any penalties, fines, additions to tax or interest thereon, howsoever imposed, whether levied or imposed upon the Vendee, an Owner, the Vendor, the Lessee, an Investor or the trust estate created by the Trust Agreement or otherwise, by any Federal, state or local government or governmental subdivision in the United States of America or by any foreign country or subdivision thereof, upon or with respect to: any unit of the Equipment or any part thereof; the manufacture, purchase, ownership, delivery, nondelivery, rejection, leasing, possession, sale, use, operation, transfer of title, return or other disposition thereof; the rentals, receipts or earnings arising therefrom; or this Agreement, the CSA Assignment, the Lease, the Lease Assignment, any payment made pursuant to any such agreement, or the property, the income or other proceeds received with respect to the Equipment (all such taxes, assessments, fees, charges, penalties, fines, additions to tax and interest imposed as aforesaid being hereinafter called "Taxes"); excluding, however: (i) Taxes of the United States of America or any state or political

subdivision thereof imposed on or measured solely by the net income or excess profits of the Vendor, or value-added taxes in lieu of any such net income or excess profits taxes, other than Taxes arising out of or imposed in respect of the receipt of indemnification payments pursuant to this Agreement; and (ii) any Taxes imposed on or measured by any fees or compensation received by the Vendor; provided, however, that the Vendee shall not be required to pay any Taxes during the period it may be contesting the same in the manner provided in the next paragraph below.

If claim is made against the Vendor for any Taxes indemnified against under this Article 6, the Vendor shall promptly notify the Vendee and the Lessee. If reasonably requested by the Vendee in writing and so long as the Lessee is prohibited or impaired from doing so in its own name, the Vendor shall, upon receipt of any indemnity reasonably satisfactory to it for all costs, expenses, losses, legal and accountants' fees and disbursements, penalties, fines, additions to tax and interest, and at the expense of the Vendee, contest in good faith the validity, applicability or amount of such Taxes by (a) resisting payment thereof if legally permissible (provided that the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the interest of the Vendor in and to the Equipment hereunder), (b) not paying the same except under protest, if protest is necessary and proper, and (c) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative or judicial proceedings, or both. The Vendee may also contest, at its own expense, the validity, applicability or amount of such Taxes in the name of the Vendor; provided, however, that no proceeding or action relating to such contest shall be commenced (nor shall any pleading, motion, brief or other paper be submitted or filed in the name of the Vendor in any such proceeding or action) without the prior written consent of the Vendor. If the Vendor shall obtain a refund of all or any part of such Taxes previously reimbursed by the Vendee in connection with any such contest and/or an amount representing interest thereon, the Vendor shall pay the Vendee the amount of such refund and/or interest net of expenses; provided, however, that no event of default set forth in Article 15 hereof and no event which with notice or lapse of time or both would constitute such an event of default shall have occurred and be continuing.

In case any report or return is required to be made with respect to any obligation of the Vendee under or arising out of this Article 6, the Vendee shall either make

such report or return in such manner as will show the interests of the Vendor in the Equipment or shall promptly notify the Vendor of such requirement and shall make such report or return in such manner as shall be reasonably satisfactory to the Vendor. All costs and expenses (including legal and accountants' fees) of preparing any such return or report shall be borne by the Vendee.

All of the obligations of the Vendee under this Article 6 shall survive and continue, notwithstanding payment in full of all other amounts due under this Agreement.

ARTICLE 7. Maintenance; Casualty Occurrences; Termination. The Vendee shall, at its own cost and expense, maintain and service each unit of Equipment as provided in the first paragraph of § 7 of the Lease.

In the event that any unit of the Equipment shall suffer a Casualty Occurrence (as defined in § 7 of the Lease), the Vendee shall, promptly after it shall have determined that such unit has suffered a Casualty Occurrence, cause the Vendor to be fully informed in regard thereto. On the Casualty Payment Date (as defined in § 7 of the Lease) the Vendee shall pay to the Vendor an amount equal to the Casualty Value (as hereinafter defined in this Article) of such unit suffering a Casualty Occurrence as of such Casualty Payment Date and shall file, or cause to be filed, with the Vendor a certificate setting forth the Casualty Value of such unit. Any money paid to the Vendor pursuant to this paragraph shall be applied (after the payment of the interest and principal, if any, on and of the CSA Indebtedness due on such date) to prepay without penalty or premium the installments of the CSA Indebtedness (ratably in accordance with the unpaid principal balance of each such installment) together with all unpaid and accrued interest thereon, and the Vendee will promptly furnish to the Vendor and the Lessee a revised schedule of payments of principal and interest with respect to the CSA Indebtedness thereafter to be made. In the event of the requisition for use by the United States Government or any other government or governmental entity of any unit of the Equipment not constituting a Casualty Occurrence, all of the Vendee's obligations hereunder with respect to such unit shall continue to the same extent as if such requisition had not occurred.

Upon payment by the Vendee to the Vendor of the Casualty Value of any unit of the Equipment having suffered a Casualty Occurrence, absolute right to the possession of,

title to and property in such unit shall pass to and vest in the Vendee, without further transfer or action on the part of the Vendor, except that the Vendor, if requested by the Vendee, will execute and deliver to the Vendee, at the expense of the Vendee, an appropriate instrument confirming such passage to the Vendee of all the Vendor's security title and interest, and the release of the Vendor's security interest, in such unit, in recordable form, in order that the Vendee may make clear upon the public records the title of the Vendee to such unit.

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

In case the Lease is terminated pursuant to § 11 thereof, upon payment by the Vendee to the Vendor of the amount which the Investors have agreed to accept in respect of such terminations, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee, without further transfer or action on the part of the Vendor, except that the Vendor, if requested by the Vendee, will execute and deliver to the Vendee, at the expense of the Vendee, an appropriate instrument confirming such passage to the Vendee of all the Vendor's security title and interest, and the release of the Vendor's security interest, in the Equipment, in recordable form, in order that the Vendee may make clear upon the public records the title of the Vendee to the Equipment.

The Vendee will cause the Equipment to be insured as provided in § 7 of the Lease. If the Vendor shall receive any insurance proceeds or condemnation payments in respect of such units suffering a Casualty Occurrence, the Vendor shall, subject to having received payment of the Casualty Value and provided no Default shall have occurred and be continuing, pay such insurance proceeds or condemnation payments to the Vendee. All insurance proceeds or

condemnation payments received by the Vendor in respect of any unit of Equipment not suffering a Casualty Occurrence shall be paid to the Vendee upon reasonable proof satisfactory to the Vendor that any damage to such unit in respect of which such proceeds were paid has been fully repaired so as to comply with the provisions of the first paragraph of this Article 7, provided no Default shall have occurred and be continuing.

ARTICLE 8. Reports. On or before April 30 in each year, commencing with the year 1987, the Vendee shall cause to be furnished to the Vendor an accurate statement to the effect set forth in § 8 of the Lease.

ARTICLE 9. Marking of Equipment. The Vendee will cause each unit of the Equipment to be kept numbered and marked as provided in § 5 of the Lease. The Vendee will not permit any such unit to be placed in operation or exercise any control or dominion over the same until such markings shall have been made thereon and will replace or will cause to be replaced promptly any such markings which may be removed, defaced, obliterated or destroyed. The Vendee will not permit the identification number of any unit of the Equipment to be changed except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been filed with the Vendor and filed and deposited by the Vendee in all public offices where this Agreement shall have been filed and deposited.

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

ARTICLE 10. Compliance with Laws and Rules. During the term of this Agreement, the Vendee will comply, and will cause every lessee or user of the Equipment to comply, in all respects (including, without limitation, with respect to the use, maintenance and operation of the Equipment) with all Applicable Laws (as defined in § 9 of the Lease) and in the event that the Applicable Laws require any alteration, replacement, addition or modification of or to any part on any unit of the Equipment, the Vendee will conform therewith at its own expense; provided, however, that the Vendee or the Lessee may, in good faith, diligently

contest the validity or application of any Applicable Law in any reasonable manner which does not, in the reasonable opinion of the Vendor, adversely affect the property or rights of the Vendor under this Agreement.

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

The parties hereto acknowledge that the Vendee simultaneously is leasing the Equipment to the Lessee as provided in the Lease, and the rights of the Lessee and its permitted assigns under the Lease shall, except as provided in §§ 4 and 12 of the Lease, be subordinated and junior in rank to the rights, and shall be subject to the remedies, of the Vendor under this Agreement. The Lease shall not be amended in any manner which might adversely affect the rights of the Vendor or terminated (except in accordance with its terms) without the prior written consent of the Vendor prior to the payment in full of the CSA Indebtedness and all other sums due to the Vendor hereunder.

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

This covenant will not be deemed breached by reason of liens for taxes, assessments or governmental

charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent.

The foregoing provisions of this Article 12 shall be subject to the limitations set forth in the last paragraph of Article 4 hereof and the provisions of Article 21 hereof; provided, however, that the Vendee, in its individual capacity, will pay or discharge any and all taxes, claims, liens, charges or security interests claimed by any party from, through or under (i) the Vendee in its individual capacity, and (i) the Owner, or its successors or assigns, to the extent funds are received from the Owner as required by the Trust Agreement, or are otherwise available in the Trust Estate (as defined in the Trust Agreement) not arising out of the ownership of the Equipment or the transactions contemplated hereby (but including, to the extent funds are so received from the Owner or available in the Trust Estate, tax liens arising out of the receipt of the rentals and other payments under the Lease and any other proceeds from the Equipment), which, if unpaid, might become a lien, charge or security interest on or with respect to the Equipment, or any unit thereof, or the Vendee's interest in the Lease and the payments to be made thereunder, but the Vendee shall not be required to pay or discharge any such claim so long as the validity thereof shall be diligently contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect the security interest of the Vendor in or to the Equipment or otherwise under this Agreement or in and to the Lease and the payments to be made thereunder.

ARTICLE 13. Indemnities and Warranties. The Vendee shall pay, and shall protect, indemnify and hold harmless, the Vendor, the Investors and their respective successors, assigns, agents and servants ("Indemnified Persons"), from and against any and all Indemnified Matters (as defined in § 9 of the Lease); provided, however, that the Vendee shall not be required to pay, protect, indemnify or hold harmless the Builder for (i) any losses, damages, injuries, liabilities, claims and demands whatsoever arising out of any tort by the Builder, or out of any breach of warranty or failure to perform any covenant hereunder by the Builder or (ii) any matter covered by the Builder's warranty of material and workmanship and patent indemnification set forth in Annex A hereto. In case any action, suit or proceeding is brought against any Indemnified Person in

connection with any Indemnified Matter, the Vendee may and, upon such Indemnified Person's request, will at the Vendee's expense resist and defend such action, suit or proceeding, or cause the same to be resisted or defended by counsel selected by the Vendee and approved by such Indemnified Person, which approval will not be unreasonably withheld, and, in the event of any failure by the Vendee to do so, the Vendee shall pay all costs and expenses (including, without limitation, attorneys' fees and expenses) incurred by such Indemnified Person in connection with such action, suit or proceeding. In the event the Vendee is required to make any payment under this Article 13, the Vendee shall pay such Indemnified Person an amount which, after deduction of all taxes required to be paid by such Indemnified Person in respect of the receipt thereof under the laws of the United States of America or of any political subdivision thereof (after giving credit for any savings in respect of any such taxes by reason of deductions, credits or allowances in respect of the payment of the expense indemnified against, and of any other such taxes as determined in the sole discretion of the Indemnified Person), shall be equal to the amount of such payment. The Vendor and the Vendee agree to give each other promptly upon obtaining knowledge thereof written notice of any Indemnified Matter; provided, however, that the Vendor's failure to give such notice shall not adversely affect its rights of indemnification hereunder. Upon the payment in full of any indemnities as contained in this Article 13 by the Vendee, and provided that no event of default described in Article 15 hereof (or other event which with lapse of time or notice or both would constitute such an event of default) shall have occurred and be continuing, (i) the Vendee shall be subrogated to any right of such Indemnified Person in respect of the Indemnified Matter against which indemnity has been given and (ii) any payments received by such Indemnified Person from any person (other than the Vendee) as a result of any Indemnified Matter with respect to which such Indemnified Person has been indemnified by the Lessee pursuant to the Lease shall be paid over to the Vendee to the extent necessary to reimburse the Vendee for indemnification payments previously made in respect of such matter.

None of the indemnities in this Article 13 shall be deemed to create any rights of subrogation in any insurer or third party against the Vendee therefor, from or under any Indemnified Person, whether because of any claim paid or defense provided for the benefit thereof or otherwise. This covenant of indemnity shall continue in full force and effect notwithstanding the full payment of the indebtedness

in respect of the Purchase Price of, and the release of the Vendor's security interest in, the Equipment, as provided in Article 5 hereof, or the termination of this Agreement in any manner whatsoever.

The Vendee will bear the responsibility for and risk of, and shall not be released from its obligations hereunder (except as provided in Article 21 hereof) in the event of, any damage to or the destruction or loss of any unit of or all the Equipment from and after acceptance of delivery thereof by the Vendee.

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

The Builder represents that it is not entering into this Agreement, or into any other transaction contemplated by the Participation Agreement, directly or indirectly in connection with any arrangement or understanding by it in any way involving any employee benefit plan (other than a governmental plan) with respect to which it, or, insofar as is known to it, any party to the Participation Agreement is a party in interest, all within the meaning of the Employee Retirement Income Security Act of 1974, as amended.

The agreements of the parties relating to the Builder's warranties of material and workmanship, the agreements of the parties relating to patent indemnification and the Builder's limitation of liability are set forth in Items 3 and 4 of Annex A hereto.

ARTICLE 14. Assignments. The Vendee will not, except as provided in Article 11 hereof or in the Trust Agreement, transfer the right to possession of any unit of the Equipment or sell, assign, transfer or otherwise dispose of its rights under this Agreement.

All or any of the rights, benefits and advantages of the Vendor under this Agreement, including the right to receive the payments herein provided to be made by the Vendee, may be assigned by the Vendor and reassigned by any assignee at any time or from time to time. No such

assignment shall subject any assignee to, or relieve the Builder from, any of the obligations of the Builder to construct and sell the Equipment to the Vendee in accordance herewith or to respond to the Builder's warranties and indemnities referred to in Article 13 hereof, or relieve the Vendee of its obligations to the Builder contained in Articles 2, 3, 4, 6 and 13 hereof, Annex A hereto and this Article 14, or any other obligation which, according to its terms or context, is intended to survive an assignment.

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

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

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

(a) the Vendee shall fail to pay in full any sum payable by the Vendee when payment thereof shall be due hereunder (irrespective of the provisions of Article 4 or 21 hereof or any other provision of this Agreement limiting the liability of the Vendee) and such default shall continue for 7 business days after the date such payment is due and payable; or

(b) default shall be made in the observance or performance of any other of the conditions and agreements on the part of the Vendee (irrespective of the provisions of Article 4 or 21 hereof or any other provision of this Agreement limiting the liability of the Vendee) contained herein or in any agreement entered into concurrently herewith relating to the financing of the Equipment, and such default shall continue for 30 days after written notice from the Vendor to the Vendee and the Lessee specifying the default and demanding that the same be remedied; or

(c) a petition for reorganization under any provision of Title 11 of the United States Code, as now constituted or as may hereafter be amended, shall be filed by or against the Vendee or the Owner 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 Vendee or the Owner contained herein or in any agreement entered into concurrently herewith relating to the financing of the Equipment (other than the Indemnity Agreement) shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed and otherwise in accordance with the provisions of 11 U.S.C. § 1168, or any successor provision, as the same may hereafter be amended; or

(d) any other proceeding shall be commenced by or against the Vendee or the Owner for any relief which

includes, or might result in, any modification of the obligations of the Vendee or of the Owner contained herein or in any agreement entered into concurrently herewith relating to the financing of the Equipment (other than the Indemnity Agreement) under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of such obligations), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all such obligations shall not have been and shall not continue to have been duly assumed in writing pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Vendee or the Owner, as the case may be, or for their respective property in connection with any such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced; or

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

(f) any Event of Default (as defined in the Lease) shall have occurred and be continuing under the Lease unless the Vendee shall have cured the corresponding event of default hereunder within 7 business days after written notice to the Vendee of such event of default; provided, however, that if more than 4 Events of Default, or more than 2 consecutive Events of Default, under clause (A) of § 10 of the Lease for failure to pay any amount of interim rent or Basic Rent provided for in § 3 of the Lease, shall have occurred, any such Event of Default shall be an event of default hereunder whether or not the corresponding event of default hereunder is cured;

then at any time after the occurrence of such an event of default and so long as such event of default is continuing the Vendor may, upon written notice to the Vendee and the Lessee and upon compliance with any legal requirements then in force and applicable to such action by the Vendor, declare (herein called a "Declaration of Default") the entire unpaid CSA Indebtedness, together with the interest thereon then accrued and unpaid, immediately due and payable, without further demand, and thereafter the aggregate of the unpaid balance of the CSA Indebtedness and interest shall bear interest from the date of such Declaration of Default at the Overdue Rate, to the extent legally enforceable; provided, however, if such event of default is an event described in paragraph (f) above, then Vendor may not take any remedial action under Article 16 hereof which would have the effect of foreclosing the title of the Lessor in and to the Equipment unless it shall simultaneously terminate the Lease. In addition, if the Vendee does not pay the entire unpaid CSA Indebtedness, together with interest thereon accrued and unpaid to the date of payment, within 15 days of such notice of Declaration of Default, the Vendor may, (a) upon written notice to the Vendee and the Lessee, subject to the Lessee's rights of possession, use and assignment under §§ 4 and 12 of the Lease, cause the term of the Lease immediately upon such notice to terminate (and, subject as aforesaid, the Vendee acknowledges the right of the Vendor to terminate the term of the Lease) and (b) exercise the other remedies provided in Article 16 hereof. Upon a Declaration of Default, subject to Article 4 hereof, the Vendor shall be entitled to recover judgment for the entire unpaid balance of the CSA Indebtedness so payable, with interest as aforesaid, subject to the provisions of Article 21 and the final paragraph of Article 4 hereof, and to collect such judgment out of the "income and proceeds of the Equipment" wherever situated. The Vendee agrees to notify the Vendor promptly of any event of which an officer or employee in its Corporate Trust Department has actual knowledge which constitutes or with the giving of notice and/or lapse of time could constitute an event of default under this Agreement.

The Vendor may, at its election, waive any such event of default and its consequences and rescind and annul any Declaration of Default or notice of termination of the Lease by notice to the Vendee and the Lessee in writing to that effect, and thereupon the respective rights of the parties shall be as they would have been if no such event of default had occurred and no Declaration of Default or notice of termination of the Lease had been made or given.

Notwithstanding the provisions of this paragraph, it is expressly agreed by the Vendee that time is of the essence of this Agreement and that no such waiver, rescission or annulment shall extend to or affect any other or subsequent default or impair any rights or remedies consequent thereon.

ARTICLE 16. Remedies. Subject to the provisions of Article 15 hereof and the Lessee's rights of possession, use and assignment under §§ 4 and 12 of the Lease, at any time during the continuance of a Declaration of Default, the Vendor may, upon such further notice, if any, as may be required for compliance with any mandatory legal requirements then in force and applicable to the action to be taken by the Vendor, take or cause to be taken, by its agent or agents, immediate possession of the Equipment, or any portion thereof, without liability to return to the Vendee any sums theretofore paid and free from all claims whatsoever, except as hereinafter in this Article 16 expressly provided, and may remove the same from possession and use of the Vendee or any other person and for such purpose may enter upon the premises of the Vendee or any other premises where the Equipment may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities or means of the Vendee, subject to all mandatory requirements of due process of law.

In case the Vendor shall demand possession of the Equipment pursuant to this Agreement and shall designate a reasonable point or points for the delivery of the Equipment to the Vendor, the Vendee shall, at its own expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, causing prompt telegraphic and written notice to be given to the Association of American Railroads and all railroads to which any unit or units of the Equipment have been interchanged or which may have possession thereof to return the unit or units so interchanged) cause the Equipment to be placed upon such storage tracks of the Lessee or any of its affiliates as the Vendor reasonably may designate;

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

(c) cause the Equipment to be transported to any reasonable place on the lines of railroad operated by the Lessee or any of its affiliates or to any connecting carrier for shipment, all as directed by the Vendor.

During any storage period, the Vendee will, at its own cost and expense, insure (to the same extent as provided in § 7 of the Lease), maintain and keep each such unit in good order and repair (to the same extent as provided in the first paragraph of Article 7 hereof) and will permit the inspection of the Equipment by the Vendor, the Vendor's representatives and prospective purchasers, lessees and users. This agreement to deliver the Equipment and furnish facilities as hereinbefore provided is of the essence of the agreement between the parties, and, upon application to any court of equity having jurisdiction, the Vendor shall be entitled to a decree against the Vendee requiring specific performance hereof. The Vendee hereby expressly waives any and all claims against the Vendor and its agent or agents for damages of whatever nature in connection with any retaking of any unit of the Equipment in any reasonable manner.

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

terms of this paragraph object in writing to the Vendor within 30 days from the receipt of notice of the Vendor's election to retain the Equipment, then the Vendor may not so retain the Equipment, but shall sell, lease or otherwise dispose of it or continue to hold it pending sale, lease or other disposition as hereinafter provided or as may otherwise be permitted by law. If the Vendor shall not have given notice to retain as hereinabove provided or notice of intention to dispose of the Equipment in any other manner, it shall be deemed to have elected to sell the Equipment in accordance with the provisions of this Article 16.

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

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

determine, so long as such sale shall be in a commercially reasonable manner. The Vendor, the Vendee and (so long as an Event of Default is not continuing under the Lease) the Lessee may bid for and become the purchaser of the Equipment, or any unit thereof, so offered for sale. The Vendee and the Lessee shall be given written notice of such sale or the making of a contract for such sale not less than 10 business days prior thereto, by telegram or registered mail. If such sale shall be a private sale (which shall be deemed to mean only a sale where an advertisement for bids has not been published in a newspaper of general circulation or a sale where fewer than 40 offerees have been solicited in writing to submit bids), it shall be subject to the rights of the Vendee and (to the extent provided above) the Lessee to purchase or provide a purchaser, within 10 days after notice of the proposed sale price, at the same price offered by the intending purchaser or a better price. In the event that the Vendor shall be the purchaser of the Equipment, it shall not be accountable to the Vendee or the Lessee (except to the extent of surplus money received as hereinafter provided in this Article 16), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all or any part of sums due to the Vendor hereunder.

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

If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall

remain any amount due to it under the provisions of this Agreement, the Vendee shall pay the amount of such deficiency to the Vendor upon demand, together with interest thereon from the date of such demand to the date of payment at the Overdue Rate, and, if the Vendee shall fail to pay such deficiency, the Vendor may bring suit therefor and shall, subject to the limitations of Article 21 and the last paragraph of Article 4 hereof, be entitled to recover a judgment therefor against the Vendee. If, after applying as aforesaid all sums realized by the Vendor, there shall remain a surplus in the possession of the Vendor, such surplus shall be paid to the Vendee.

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

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

ARTICLE 17. Applicable Laws. Any provision of this Agreement prohibited by any applicable law of any jurisdiction shall as to such jurisdiction be ineffective, without modifying the remaining provisions of this Agreement. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby waived by the Vendee to the full extent permitted by law, it being the intention of the parties hereto that this Agreement shall be deemed to be a conditional sale and enforced as such.

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

ARTICLE 18. Recording. The Vendee will cause this Agreement, any assignments hereof and any amendments or supplements hereto or thereto, to be filed in accordance

with 49 U.S.C. § 11303 and deposited with the Registrar General of Canada (notice of such deposit to be forthwith given in The Canada Gazette) pursuant to Section 86 of the Railway Act of Canada; and the Vendee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record any and all further instruments required by law or reasonably requested by the Vendor for the purpose of proper protection, to the satisfaction of counsel for the Vendor, of its interest in the Equipment and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Vendee will promptly furnish to the Vendor certificates or other evidence of such filing, registering, depositing and recording satisfactory to the Vendor.

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

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

ARTICLE 20. Notice. Any notice hereunder to any of the parties designated below, except as otherwise provided, shall be deemed to be properly made if delivered or mailed to it by registered mail (unless otherwise specifically required herein), postage prepaid, at the following addresses:

(a) to the Vendee, at 45 Wall Street, 20th Floor, New York, New York, 10005, Attention of Corporate Trust and Agency Division with copies to the Owner at its address specified below;

(b) to the Lessee, at One North Western Center, 165 N. Canal Street, Chicago, Illinois 60606, Attention of Assistant Vice President-Finance;

(c) to the Builder at its address specified in Item 1 of Annex A hereto;

(d) to the Assignee, at its address at P. O. Box 2258 (or, if by hand, 2 Hopkins Plaza), Baltimore, Maryland 21203, Attention of Corporate Trust Department;

(e) to the Owner at its address set forth in Schedule A to the Participation Agreement; and

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

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

ARTICLE 21. Immunities; Satisfaction of Undertakings. No recourse shall be had in respect of any obligation due under this Agreement (including any obligation referred to in the next succeeding paragraph), or referred to herein, against any incorporator, stockholder, director or officer, as such, past, present or future, of the parties hereto (or of the Owner, except as described in Paragraph 18 of the Participation Agreement) whether by virtue of any constitutional provision, statute or rule of law, or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such incorporators, stockholders, directors or officers, as such, being forever released as a condition of and as consideration for the execution of this Agreement.

The obligations of the Vendee under the second and eighth paragraphs of Article 16 (including the provisions thereof with respect to insurance, maintenance and repair) and under Articles 3 (other than the second paragraph thereof), 6 and 7 (other than the second and third sentences of the second paragraph thereof, which, in the case of the second sentence, is subject to the provisions of the last paragraph of Article 4), 8, 9, 10, 12 (other than the proviso to the last paragraph thereof), 13 and 18 hereof shall be deemed in all respects satisfied by the Lessee's undertakings contained in the Lease. The Vendee shall not have any responsibility for the Lessee's failure to perform such obligations, but if the same shall not be performed they shall constitute the basis for an event of default pursuant to Article 15 hereof.

Anything in this Agreement to the contrary notwithstanding, each and all of the representations, warranties, undertakings and agreements herein made on the part of the Vendee are made and intended not as personal representations, warranties, undertakings and agreements by United States Trust Company of New York or for the purpose or with the intention of binding it personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Agreement is executed and delivered by said trust company solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of wilful misconduct or gross negligence on the part of said trust company or the Owner, no personal liability or personal responsibility hereunder is assumed by or shall at any time be enforceable against said trust company (except liability under the proviso contained in the last paragraph of Article 12 hereof) or the Owner, as the case may be (except as provided in the Trust Agreement), on account of any representation, warranty, undertaking or agreement hereunder of said trust company or the Owner, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived by the Vendor and by all persons claiming by, through or under the Vendor; provided, however, that the Vendor or any person claiming by, through or under the Vendor, making claim hereunder, may look to said Trust Estate for satisfaction of the same. The Vendee agrees not to enter into any supplement or amendment to the Trust Agreement except as provided in Section 8.01 thereof as in effect on the date of execution and delivery hereof.

ARTICLE 22. Law Governing. The Vendee warrants that its chief place of business is located in the state specified in clause (a) of Article 20 hereof. The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of New York; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof or the markings on the Equipment as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited.

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

Assignment shall be deemed the original and all other counterparts shall be deemed duplicates thereof. It shall not be necessary that any counterpart be signed by all parties hereto so long as each party hereto shall have executed and delivered one counterpart hereof. Although for convenience this Agreement is dated as of the date first above written, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

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

GENERAL MOTORS CORPORATION
(Electro-Motive Division),

by

_____
Vice President

[Corporate Seal]

Attest:

_____
Assistant Secretary

UNITED STATES TRUST COMPANY OF NEW YORK, not in its individual capacity, but solely as Trustee,

by

_____
Assistant Vice President

[Corporate Seal]

Attest:

_____
Assistant Secretary

Assignment shall be deemed the original and all other counterparts shall be deemed duplicates thereof. It shall not be necessary that any counterpart be signed by all parties hereto so long as each party hereto shall have executed and delivered one counterpart hereof. Although for convenience this Agreement is dated as of the date first above written, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

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

GENERAL MOTORS CORPORATION
(Electro-Motive Division),

by P.K. Hoglund
Vice President

[Corporate Seal]

Attest:

Assistant Secretary

UNITED STATES TRUST COMPANY OF NEW YORK, not in its individual capacity, but solely as Trustee,

by

Assistant Vice President

[Corporate Seal]

Attest:

Assistant Secretary

Assignment shall be deemed the original and all other counterparts shall be deemed duplicates thereof. It shall not be necessary that any counterpart be signed by all parties hereto so long as each party hereto shall have executed and delivered one counterpart hereof. Although for convenience this Agreement is dated as of the date first above written, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

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

GENERAL MOTORS CORPORATION
(Electro-Motive Division),

by

_____
Vice President

[Corporate Seal]

Attest:

_____
Assistant Secretary

UNITED STATES TRUST COMPANY OF NEW YORK, not in its individual capacity, but solely as Trustee,

by

_____
Assistant Vice President

[Corporate Seal]

Attest:

_____
Assistant Secretary

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

On this 5th day of September 1986, before me personally appeared P. K. HOGLUND, to me personally known, who, being by me duly sworn, says that he is Vice President of GENERAL MOTORS CORPORATION (Electro-Motive Division), that the seal affixed to the foregoing instrument is the corporate seal of said Corporation, and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Notary Public

[Notarial Seal]

My Commission expires 3-25-89

STATE OF NEW YORK,)
) ss.:
COUNTY OF NEW YORK,)

On this day of September 1986, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President of UNITED STATES TRUST COMPANY OF NEW YORK, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Notary Public

[Notarial Seal]

My Commission expires

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

On this day of September 1986, before me personally appeared ,
to me personally known, who, being by me duly sworn, says that he is Vice President of GENERAL MOTORS CORPORATION (Electro-Motive Division), that the seal affixed to the foregoing instrument is the corporate seal of said Corporation, and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Notary Public

[Notarial Seal]

My Commission expires

STATE OF NEW YORK,)
) ss.:
COUNTY OF NEW YORK,)

On this 5th day of September 1986, before me personally appeared LOUIS YOUNG ,
to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President of UNITED STATES TRUST COMPANY OF NEW YORK, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Gerard F. Facendola
Notary Public

GERARD F. FACENDOLA
NOTARY PUBLIC, State of New York
No. 31-4860798
Certified in New York County
Commission Expires July 14, 1988

[Notarial Seal]

My Commission expires

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

On this day of September 1986, before me personally appeared ,
to me personally known, who, being by me duly sworn, says that he is Vice President of GENERAL MOTORS CORPORATION (Electro-Motive Division), that the seal affixed to the foregoing instrument is the corporate seal of said Corporation, and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

_____
Notary Public

[Notarial Seal]

My Commission expires

STATE OF NEW YORK,)
) ss.:
COUNTY OF NEW YORK,)

On this day of September 1986, before me personally appeared ,
to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President of UNITED STATES TRUST COMPANY OF NEW YORK, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

_____
Notary Public

[Notarial Seal]

My Commission expires

SCHEDULE I

Allocation schedule of each $10,000,000
of 10.2% CSA Indebtedness

Installment Number and Date		Debt Service	Interest Payment	Principal Recovery	Ending Principal Balance
		$	$	$	$
(Interim Payment)	(1/2/87)	*	*	0.00	10,000,000.00
1	(7/2/87)	510,000.00	510,000.00	0.00	10,000,000.00
2	(1/2/88)	876,455.24	510,000.00	366,455.24	9,633,544.76
3	(7/2/88)	491,310.78	491,310.78	0.00	9,633,544.76
4	(1/2/89)	895,144.45	491,310.78	403,833.67	9,229,711.09
5	(7/2/89)	470,715.27	470,715.27	0.00	9,229,711.09
6	(1/2/90)	915,739.98	470,715.27	445,024.71	8,784,686.38
7	(7/2/90)	448,019.01	448,019.01	0.00	8,784,686.38
8	(1/2/91)	938,436.23	448,019.01	490,417.22	8,294,269.16
9	(7/2/91)	423,007.73	423,007.73	0.00	8,294,269.16
10	(1/2/92)	963,447.52	423,007.73	540,439.79	7,753,829.37
11	(7/2/92)	395,445.30	395,445.30	0.00	7,753,829.37
12	(1/2/93)	991,009.94	395,445.30	595,564.64	7,158,264.73
13	(7/2/93)	454,521.40	365,071.50	89,449.90	7,068,814.83
14	(1/2/94)	641,838.85	360,509.56	281,329.29	6,787,485.54
15	(7/2/94)	808,407.43	346,161.76	462,245.67	6,325,239.87
16	(1/2/95)	392,608.22	322,587.23	70,020.99	6,255,218.88
17	(7/2/95)	826,835.58	319,016.16	507,819.42	5,747,399.46
18	(1/2/96)	363,001.78	293,117.37	69,884.41	5,677,515.05
19	(7/2/96)	851,866.69	289,553.27	562,313.42	5,115,201.63
20	(1/2/97)	296,520.30	260,875.28	35,645.02	5,079,556.61
21	(7/2/97)	852,656.44	259,057.39	593,599.05	4,485,957.56
22	(1/2/98)	262,535.14	228,783.83	33,751.31	4,452,206.25
23	(7/2/98)	849,428.03	227,062.52	622,365.51	3,829,840.74
24	(1/2/99)	226,842.39	195,321.88	31,520.51	3,798,320.23
25	(7/2/99)	1,117,374.79	193,714.33	923,660.46	2,874,659.77
26	(1/2/00)	294,960.45	146,607.65	148,352.80	2,726,306.97
27	(7/2/00)	1,607,684.41	139,041.65	1,468,642.76	1,257,664.21
28	(1/2/01)	86,871.99	64,140.87	22,731.12	1,234,933.09
29	(7/2/01)	1,297,914.68	62,981.59	1,234,933.09	0.00
	Total			10,000,000.00	

* Interest only on the CSA Indebtedness shall be payable to the extent accrued and unpaid on this date.

Annex A
to

Conditional Sale Agreement

Item 1: General Motors Corporation (Electro-Motive Division), a Delaware corporation, having an address at La Grange, Illinois 60525 ("EMD").

Item 2: The Equipment shall be settled for in no more than one Group of units to be comprised of 11 units on October 2, 1986, unless the parties hereto and the Lessee shall otherwise agree.

Item 3: EMD warrants that the Equipment manufactured by it hereunder is of the kind and quality described in, or will be built in accordance with, the Specifications referred to in Article 2 of the Conditional Sale Agreement to which this Annex A is attached (this "Agreement") and is suitable for the ordinary purposes for which such Equipment is used and warrants each unit of such Equipment to be free from defects in material and workmanship which may develop under normal use and service within two years from date of delivery of such unit. EMD agrees to correct such defects, which examination shall disclose to EMD's satisfaction to be defective, by repair or replacement F.O.B. the Lessee's Proviso Yard and such correction shall constitute fulfillment of EMD's obligation with respect to such defect under this warranty. Notwithstanding the foregoing, if the same type of component or item fails or is found to be otherwise defective on one or more units of Equipment (each such occurrence constituting a Failure) within two years from the date the last unit is delivered hereunder, and the number of Failures exceeds a number equal to 25% of all units of Equipment delivered under this Agreement, then such component or item will be repaired, adjusted or replaced, at EMD's expense, on all such units of Equipment including those not experiencing such Failure

and those outside their individual warranty period provided above.

EMD warrants specialties not of its own specification or design to the same extent that the suppliers of such specialties warrant such items to EMD.

EMD will provide technical assistance when the Owner, the Lessee or an operator of the Equipment applies field modifications to retrofit delivered units of Equipment for engine winterization and when the Owner, the Lessee or an operator of the Equipment applies field modifications to apply ATC/ATS/CCS (and for any other modification required during the warranty period), and EMD will promptly after it executes this Agreement, furnish drawings and other documents necessary for the Owner, the Lessee or an operator of the Equipment to properly complete such modifications. EMD also will furnish complete sets of drawings and other user documentation customarily furnished to its locomotive customers or reasonably requested by the Owner, the Lessee or an operator of the Equipment.

EMD will provide qualified personnel for the following services:

(a) Rider Coverage training of all of Lessee's Traveling Engineers and Trainmasters, pursuant to a mutually agreeable schedule.

(b) A second person in addition to Builder's District Engineer to travel the Lessee's system for a period of six months after delivery of the last unit to assist Lessee's shop personnel in, among other things, trouble-shooting the units, print and circuit tracing, and proper methodology and procedures in component changeout and repair.

(c) Two separate Builder Training Center instruction classes, each of three days conducted by Builder Training Center instructor(s) or equally qualified personnel, at each of the following Lessee locations: Marshalltown,

Iowa; Council Bluffs, Iowa; Bill, Wyoming; Proviso Yard, Illinois; Harrison Street, Minneapolis, Minnesota; and Escanaba, Michigan. Such classes shall concentrate on troubleshooting and print reading.

(d) Follow up instruction to such classes at the end of one (1) year with a systematic refresher course on trouble-shooting techniques and circuit comprehension at all Lessee shops referred to in (c) above.

(e) Special concentrated basic EMD locomotive and advanced SD-50 and SD-60 training support as required by Lessee for personnel at Lessee's Escanaba Shop. In addition, six (6) months after initial training, a refresher course will be given to Lessee's Escanaba Shop personnel.

(f) Rider Coverage for five (5) trips, at Lessee's option, from Proviso Yard, Illinois, to Fremont, Nebraska, or Council Bluffs, Iowa, or an equivalent distance, at a time of Lessee's choosing.

Such rider coverage will include, in addition to the services EMD customarily furnishes to its locomotive customers in that regard: (i) technical instruction and guidance by the rider to the Lessee's locomotive engineers and other personnel to enable the Lessee to obtain maximum benefits from its use of the Equipment, and (ii) an evaluation by the rider of each unit of Equipment during its operation on each covered trip, including identification of all abnormal conditions or characteristics, recommendations with respect thereto, and a written report setting forth such findings and recommendations.

EMD further agrees that neither the inspection as provided in Article 3 of this Agreement, nor any examination, nor the acceptance of any units of the Equipment as provided in said Article 3 shall be deemed a waiver or modification of any rights under this Item 3.

THERE ARE NO WARRANTIES WITH RESPECT TO MATERIAL AND WORKMANSHIP EXPRESSED OR IMPLIED, MADE BY EMD EXCEPT THE WARRANTIES SET OUT ABOVE.

Item 4: EMD shall defend any suit or proceeding brought against the Vendee, the Lessee and/or each assignee of EMD's rights under this Agreement so far as the same is based on a claim that the Equipment of EMD's specification, or any part thereof, furnished under this Agreement constitutes an infringement of any patent, if notified promptly in writing and given authority, information and assistance (at EMD's expense) for the defense of same, and EMD shall pay all damages and costs awarded therein against the Vendee, the Lessee and/or any such assignee.

In case any unit of such Equipment, or any part thereof, is in such suit held to constitute infringement and the use of such unit or part is enjoined, EMD shall at its option and at its own expense either procure for the Vendee, the Lessee and any such assignee the right to continue using such unit or part, or replace the same with noninfringing equipment subject to this Agreement, or modify it so it becomes noninfringing, or remove such unit and refund the Purchase Price and the transportation and installation costs thereof. If the Purchase Price is so refunded, such refund shall be made to the assignee of EMD's rights under this Agreement if this Agreement has been so assigned, which refund to the extent of the unpaid CSA Indebtedness in respect of such unit, shall be applied in like manner as payments in respect of Casualty Occurrences under Article 7 of this Agreement and, as long as no event of default or event which with the lapse of time and/or demand could constitute an event of default under this Agreement shall have occurred and be continuing, the balance shall be paid by such assignee to the Vendee.

EMD will assume no liability for patent infringement by reason of purchase,

manufacture, sale or use of devices not included in and covered by its specification.

The foregoing states the entire liability of EMD for patent infringement by the Equipment or any part thereof.

Item 5: The Maximum Purchase Price referred to in Article 4 of this Agreement is $15,972,000 or $1,452,000 per unit.

Item 6: The Maximum CSA Indebtedness is $10,164,000*.

---

* Assuming debt leverage of 70% as a result of the maximum adjustment provided in Paragraph 19 of the Participation Agreement.

Annex B
to
Conditional Sale Agreement

Type	Builder's Specifications	Builder's Plant	Quantity	Lessee's Identification Numbers (Both Inclusive)*	Unit Base Price**	Total Base Price**	Estimated Time and Place of Delivery
Part A: SD-60 3,800 h.p. diesel electric locomotives	EMD Specification 8128, Amendment 8128-3 and Opening Specification No. 867147 dated March 19, 1986, as supplemented by the Final Specifications Supplement date as of June 23, 1986.	McCook Illinois	11	CNW 8001 through CNW 8055	$1,295,000	$14,245,000	Prior to October 10, 1986, at Lessee's Proviso Yard at Melrose Park, Illinois.
Part B: Additional Equipment to be supplied by Lessee	-	-	11		25,000	275,000	
					$1,320,000	$14,520,000	

* The road numbers listed are for all units of Equipment to be delivered under this Conditional Sale Agreement and certain other conditional sale agreements. After all units of Equipment have been delivered and accepted hereunder, an appropriate amendment to this Annex B will be filed with the Interstate Commerce Commission to reflect the road numbers of the units of Equipment actually delivered and accepted hereunder.

** Including prepaid freight charges estimated to be $900 per unit to Melrose Park, Illinois.

ANNEX C
TO
Conditional Sale Agreement

[CS&M Ref. 2046-262A]

LEASE OF RAILROAD EQUIPMENT

Dated as of August 1, 1986

Between

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY,
Lessee,

and

UNITED STATES TRUST COMPANY OF NEW YORK,
as Trustee Under a Trust Agreement,
Lessor

[Covering 11 GMC-EMD SD-60 Diesel Electric Locomotives]

The rights and interests of the Lessor under this Lease are subject to a security interest in favor of Mercantile-Safe Deposit and Trust Company, as Agent for certain Institutional Investors. The original of this Lease is held by said Agent.

TABLE OF CONTENTS*

		Page
§ 1.	Net Lease	L-2
§ 2.	Delivery and Acceptance of Units	L-3
§ 3.	Rentals	L-3
§ 4.	Term of Lease	L-5
§ 5.	Identification Marks	L-6
§ 6.	Taxes	L-6
§ 7.	Maintenance; Casualty Occurrences; Insurance; Termination	L-9
§ 8.	Reports and Inspection	L-14
§ 9.	Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification	L-15
§ 10.	Default	L-20
§ 11.	Return of Units upon Default	L-24
§ 12.	Assignment; Possession and Use	L-25
§ 13.	Right of Renewal; Purchase Option	L-27
§ 14.	Return of Units upon Expiration of Term	L-30
§ 15.	Recording	L-31
§ 16.	Interest on Overdue Rentals	L-32
§ 17.	Notices	L-32
§ 18.	Severability; Effect and Modification of Lease; Third-Party Beneficiaries	L-33
§ 19.	Immunities	L-33
§ 20.	Definitions	L-34
§ 21.	Execution	L-34
§ 22.	Law Governing	L-34
§ 23.	Lessor's Right To Perform for Lessee	L-35
Schedule A.	Specifications of the Equipment	L-38
Schedule B.	Rental Payment Schedule	L-39
Schedule C.	Casualty Value Percentage Schedule	L-40
Schedule D.	Certificate of Inspection and Acceptance	L-41

* This Table of Contents has been included in this document for convenience only and does not form a part of or affect any construction or interpretation of this document.

LEASE OF RAILROAD EQUIPMENT dated as of August 1, 1986, between CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware corporation (the "Lessee"), and UNITED STATES TRUST COMPANY OF NEW YORK, a New York corporation, not individually but solely as trustee (the "Lessor") under a Trust Agreement dated as of the date hereof (the "Trust Agreement"), with the Owner, as defined in the Participation Agreement hereinafter mentioned (the "Owner").

WHEREAS the Lessor is entering into a Conditional Sale Agreement dated as of the date hereof (the "CSA") with General Motors Corporation (Electro-Motive Division) (the "Builder"), wherein the Builder has agreed to manufacture and conditionally sell to the Lessor, the units of railroad equipment described in Part A of Schedule A hereto to which may be added automatic train control devices, cab radios, receivers for end-of-train devices and any other equipment to be provided and installed by the Lessee ("Additional Equipment"), described in Part B of Schedule A hereto (the units of railroad equipment together with all Additional Equipment, whether or not settled for under the Participation Agreement defined below, are hereafter called the "Equipment");

WHEREAS the Builder is assigning its interests in the CSA to Mercantile-Safe Deposit and Trust Company, acting as agent (said bank, as so acting, being hereinafter together with its successors and assigns and, where not inconsistent with the provisions hereof, Investors, as hereinafter defined, called the "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement") with the Lessee, the Lessor, the Owner, and the parties named in Schedule B thereto (said parties, together with their successors and assigns, being hereinafter called the "Investors");

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

WHEREAS the parties contemplate that the Lessor will assign, for security purposes, certain of its rights in this Lease to the Vendor by an Assignment of Lease and

Agreement dated as of the date hereof (the "Lease Assignment"), and the Lessee will consent thereto by a Lessee's Consent and Agreement (the "Consent");

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

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

Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

§ 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the CSA. Each delivery of a Unit to the Lessor under the CSA shall be deemed to be a delivery to the Lessee under this Lease at the point or points within the United States of America at which such Unit is delivered to the Lessor under the CSA. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same and, if such Unit is found to be acceptable, to accept delivery of such Unit and execute and deliver to the Lessor a certificate of inspection and acceptance (the "Certificate of Inspection and Acceptance") substantially in the form annexed hereto as Schedule D, whereupon, except as provided in the next sentence hereof, such Unit shall be deemed to have been delivered to and accepted by the Lessee hereunder and shall be subject thereafter to all the terms and conditions of this Lease. The delivery, inspection and acceptance hereunder of any Unit of Equipment excluded from the CSA pursuant to the first paragraph of Article 4 thereof shall be null and void and ineffective to subject such Unit to this Lease or to constitute acceptance thereof on behalf of the Lessor for any purpose whatsoever.

§ 3. Rentals. The Lessee agrees to pay to the Lessor, as rental for each Unit, one interim rental payment payable on January 2, 1987, and 30 consecutive semiannual rental payments in arrears payable on January 2 and July 2 in each year, commencing July 2, 1987, to and including January 2, 2002 (each of January 2, 1987, and such 30 consecutive dates being hereinafter called a "Rental Payment Date"). The 30 semiannual rental payments shall each be in an amount equal to the percentage set forth in Schedule B hereto for the applicable Rental Payment Date multiplied by the Purchase Price (as defined in Article 4 of the CSA) of each Unit subject to this Lease. The 30 semiannual rental payments set forth above have been calculated on the assumptions that (i) the Units (exclusive of Additional Equipment) will be delivered and accepted June to September, 1986, the Additional Equipment will be delivered and accepted October to November, 1986, and the weighted average date of all Closing Dates will be August 1, 1986, (ii) no fees and expenses will be payable by the Owner pursuant to Paragraph 13 of the Participation Agreement and (iii) no Change in Tax Law (as defined in Section 7 of the Indemnity

Agreement) will occur. If any of the foregoing assumptions prove to be incorrect, the 30 semiannual rental payments (and the related Casualty and Termination Values set forth in Schedule C hereto) will be adjusted upward or downward by the minimum amount necessary so that the Owner's pre-tax economic yields, net after-tax cash flows and return on investment (computed on the same assumptions, including tax rates, as were utilized by the Owner in originally evaluating this transaction) shall at least equal the pre-tax economic yields, net after-tax cash flows and return on investment (such pre-tax economic yields, net after-tax cash flows and return on investment being hereinafter called the "Net Economic Return") that would have been realized by the Owner in accordance with the assumptions stated above, it being understood that such adjustment may require that one or more of such economic standards exceed the amount or percentage derived in the original calculation of such economic standard in order to preserve all such economic standards; provided, however, that in no event shall such rental payments or the related Casualty Values and Termination Values be reduced below the amounts thereof necessary to satisfy the obligations of the Lessor under the CSA. The Lessor shall provide a schedule of such rentals and Casualty Values to the Lessee and the Vendor promptly after the facts have been determined and the calculations have been made. The Lessee also agrees to pay the Lessor an interim rental payment payable on January 2, 1987 (the "Basic Rent Commencement Date"), equal to the accrued and unpaid interest on the CSA Indebtedness due on said date.

In addition to the rentals set forth above, the Lessee agrees to pay to the Lessor as additional rentals amounts which, after deduction of any taxes payable in respect of such amounts, will be equal to the amounts required by the Lessor to make the payments provided for in the last paragraph of Paragraph 10 of the Participation Agreement to the extent that the remaining cash and proceeds of the Investments (as defined therein) available to the Lessor and the payments made to the Lessor by the Owner as specified in said Paragraph are insufficient to enable the Lessor to make such payment, in each case on the dates the Lessor is required to make such payments (without regard to any limitation of the obligation of the Lessor set forth therein) and the Lessor agrees to apply such rentals for such purposes. In the event that the Lessor is required to make the payment provided for in the third from last sentence of the fourth paragraph of Paragraph 2 of the Participation Agreement, the rentals payable by the Lessee after such payment is made shall be increased by such amounts as

shall, in the reasonable opinion of the Owner, cause such Owner's Net Economic Return to equal the Net Economic Return that would have been realized by such Owner if such payment had not been made.

If any of the Rental Payment Dates referred to above is not a business day the rental payment otherwise payable on such date shall be payable on the next succeeding business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Chicago, Illinois, New York, New York, St. Petersburg, Florida or Baltimore, Maryland, are authorized or obligated to remain closed.

The Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease, including, but not limited to, the payments provided for in this § 3 and in § 7 hereof, but excluding all payments not assigned to the Vendor pursuant to the Lease Assignment, at the principal office of the Vendor, for the account of the Lessor in care of the Vendor, with instructions to the Vendor first, to apply such payments to satisfy the obligations of the Lessor under the CSA, and second, so long as no event of default or event which with the lapse of time and/or demand provided for in the CSA could constitute an event of default under the CSA shall have occurred and be continuing, to pay any balance promptly to the Lessor at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in Federal or other funds immediately available to the Vendor by 11:00 a.m., Maryland time, on the date such payment is due.

§ 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of §§ 7, 10 and 13 hereof, shall terminate on the final Rental Payment Date. The obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 3, 6, 7, 9 and 14 hereof) shall survive the expiration or termination of the term of this Lease and the full payment of all amounts payable under this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the CSA. If an event of default should occur under the CSA, the Vendor may terminate this Lease (or rescind its termination), all as provided therein; provided,

however, that, so long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments (as defined in the Lease Assignment) in accordance with the Lease Assignment, this Lease may not be terminated and the Lessee shall be entitled to the rights of possession, use and assignment provided under § 12 hereof.

§ 5. Identification Marks. The Lessee will cause each Unit to be kept numbered with the identification number set forth in Schedule A hereto, and will keep and maintain plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "Ownership Subject to a Security Agreement Filed with the Interstate Commerce Commission", with appropriate changes thereof as from time to time may be required by law, in the opinion of the Vendor and the Lessor, in order to protect the Lessor's and the Vendor's title to and interest in such Unit and the rights of the Lessor under this Lease and the rights of the Vendor under the CSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked and will replace promptly any such markings which may be removed, defaced, obliterated or destroyed. The Lessee will not change the identification number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and duly filed and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to the effect that such statement has been so filed and deposited, that such filing and deposit will protect the Vendor's and the Lessor's rights in such Units and that no other filing, deposit or giving of notice with or to any Federal, state or local government or agency thereof is necessary to protect the rights of the Vendor and the Lessor in such Units.

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

§ 6. Taxes. Whether or not any of the transactions contemplated hereby are consummated, the Lessee agrees

to pay, or cause to be paid, and to indemnify and hold the Lessor and the Vendor harmless from, all taxes (income, gross receipts, franchise, sales, use, property [real or personal, tangible or intangible], stamp taxes, assessments, fees and charges of any nature whatsoever, together with any penalties, fines, additions to tax or interest thereon, howsoever imposed, whether levied or imposed upon the Lessor, an Owner, the Vendor, the Lessee, an Investor or the trust estate created by the Trust Agreement or otherwise, by any Federal, state or local government or governmental subdivision in the United States of America or by any foreign country or subdivision thereof, upon or with respect to: any Unit or any part thereof; the manufacture, purchase, ownership, delivery, nondelivery, rejection, leasing, possession, sale, use, operation, transfer of title, return or other disposition thereof; the rentals, receipts or earnings arising therefrom; or this Lease, the CSA, the CSA Assignment, the Lease Assignment, any payment made pursuant to any such agreement, or the property, the income or other proceeds received with respect to any Unit (all such taxes, assessments, fees, charges, penalties, fines, additions to tax and interest imposed as aforesaid being hereinafter called "Taxes"); excluding, however: (i) Taxes of the United States of America or any state or political subdivision thereof imposed on or measured solely by the net income or excess profits of the Lessor, the Vendor or an Owner, or value-added taxes in lieu of any such net income or excess profits taxes, other than Taxes arising out of or imposed in respect of the receipt of indemnification payments pursuant to this Lease; (ii) any Taxes imposed on or measured by any fees or compensation received by the Lessor or the Vendor; (iii) franchise taxes based on the corporate characteristics of the Lessor or the Owner; (iv) any tax or similar charge included in the Purchase Price of the Equipment; and (v) Taxes imposed by a foreign government or taxing authority or governmental subdivision of a foreign country to the extent such Taxes are utilized by the Owner as a credit against United States Federal income taxes otherwise payable by the Owner; provided, however, that the Lessee shall not be required to pay any Taxes during the period it may be contesting the same in the manner provided below in this § 6.

In the event any returns, statements or reports with respect to any Taxes are required to be made, the Lessee will make such returns, statements and reports in such manner as to show the interest of the Lessor, the Owners and the Vendor in such Units, as shall be satisfactory to the Lessor, the Owner and the Vendor or, where

not so permitted, will notify the Lessor, the Owner and the Vendor of such requirement and will prepare and deliver such reports to the Lessor, the Owner and the Vendor within a reasonable period of time prior to the time such reports are to be filed in such manner as shall be satisfactory to the Lessor, the Owner and the Vendor.

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

If claim is made against any indemnified party for any Taxes indemnified against under this § 6, such party shall promptly notify the Lessee. If reasonably requested by the Lessee in writing and so long as the Lessee is prohibited or impaired from doing so in its own name, such indemnified party shall, upon receipt of indemnity reasonably satisfactory to it for all costs, expenses, losses, legal and accountants' fees and disbursements, penalties, fines, additions to tax and interest, and at the expense of the Lessee, contest in good faith the validity, applicability or amount of such Taxes by (a) resisting payment thereof if legally permissible (provided that the nonpayment thereof does not, in the opinion of the indemnified party, adversely affect the interests of the indemnified party in and to the Units), (b) not paying the same except under protest, if protest is necessary and proper, and (c) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative or judicial proceedings, or both. The Lessee may also contest, at its own expense, the applicability or amount of such Taxes in the name of the indemnified party; provided, however, that no proceeding or action relating to such contest shall be commenced (nor shall any pleading, motion, brief or other paper be submitted or filed in the name of the indemnified party in any such proceeding or action) without the prior written consent of the indemnified party. If such indemnified party shall obtain a refund of all or any part of such Taxes previously reimbursed by the Lessee in connection with any such contest or an amount representing interest thereon, such indemnified party shall pay the Lessee the amount of such refund or interest net of expenses; provided, however, that no Event of Default, or event which with notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing.

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

The amount which the Lessee shall be required to pay with respect to any Taxes which are subject to indemnification under this § 6 shall be an amount sufficient to restore the indemnified party to the same net after-tax rate of return and after-tax cash position, after considering the effect of such payment on its United States Federal income taxes and state and city income taxes or franchise taxes based on net income, that such indemnified party would have been in had such Taxes not been imposed.

The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee or any subsidiary or affiliated corporation of the Lessee of the payment of any installments of principal or interest payable under the CSA, or a guarantee of any residual value of the Units following the expiration of the term hereof as such term may or may not be renewed.

§ 7. Maintenance; Casualty Occurrences; Insurance; Termination. The Lessee at its own expense will maintain and service each Unit (including any parts installed or replacements made to any unit and considered an Addition [as defined in § 9 hereof] hereunder) which will include testing, repair and overhaul of each Unit at least in like manner as locomotives owned or leased by the Lessee and so that each Unit will remain (a) in as good operating condition as when delivered (ordinary wear and tear excepted), (b) in compliance with any and all applicable laws and regulations and (c) eligible for railroad interchange in accordance with the interchange rules of the Association of American Railroads, if such rules are applicable.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed or irreparably damaged, from any cause whatsoever, permanently returned to the Builder pursuant to any patent indemnity provision of the CSA, or taken or requisitioned by condemnation or otherwise by the

United States Government for a stated period which shall exceed the then remaining term of this Lease or for an indefinite period, but only when such period shall exceed the term hereof (or, if such taking, requisition or condemnation shall occur during a renewal term, for a stated period which shall exceed the then remaining renewal term or for an indefinite period, but only when such period shall exceed such renewal term), or by any other government or governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days (such occurrences being hereinafter called "Casualty Occurrences"), prior to the return of such Unit in the manner set forth in § 14 hereof, the Lessee shall promptly and fully notify the Lessor, the Owner and the Vendor with respect thereto. On the Rental Payment Date next succeeding such notice (the "Casualty Payment Date"), the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on the Casualty Payment Date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the Casualty Payment Date. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, complete destruction or permanent return to the Builder of such Unit) the Lessor shall be entitled to recover possession of such Unit.

The "Casualty Value" of each Unit as of any Rental Payment Date shall be an amount equal to that percentage of the Purchase Price of such Unit as is set forth in Schedule C hereto opposite such date; provided, however, that if the Casualty Value for any Unit as of such payment date as determined pursuant to Schedule C reflects an amount representing investment credit recapture to the Owner that is greater or lesser than the actual amount of investment credit recapture incurred by the Owner pursuant to the Internal Revenue Code of 1954, as amended, as a result of the Casualty Occurrence to such Unit, the Casualty Value for such Unit as so determined shall be appropriately decreased or increased so as to reflect the actual amount of investment credit recapture incurred by the Owner as a result of the Casualty Occurrence to such Unit; and, provided further, however, that while the CSA Indebtedness is outstanding, the Casualty Values hereunder shall never be less than the corresponding Casualty Values under Article 7 of the CSA.

Whenever any Unit shall suffer a Casualty Occurrence after the final payment of rent in respect thereof is

due pursuant to § 3 hereof and before (a) such Unit shall have been returned in the manner provided in § 14 hereof, and (b) the storage period therein provided with respect to such Unit shall have expired, the Lessee shall promptly (as provided above) and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall, except as otherwise provided in § 13 hereof, be an amount equal to 20% of the Purchase Price of such Unit. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit or return to the Builder of such Unit), the Lessor shall be entitled to recover possession of such Unit.

In the event of the requisition (other than a requisition which constitutes a Casualty Occurrence) for use by the United States Government or by any other government or governmental entity (hereinafter collectively called the "Government") of any Unit during the term of this Lease or any renewal thereof, all of the Lessee's obligations (including, without limitation, the obligation to pay rent) under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of the term of this Lease or any renewal thereof, the Lessee shall be obligated to return such Unit to the Lessor pursuant to § 11 or 14 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease or any renewal thereof, but the Lessee shall in all other respects comply with the provisions of said § 11 or 14, as the case may be, with respect to such Unit. All payments received by the Lessor or the Lessee from the Government for the use of such Unit during the term of this Lease or any renewal thereof shall be paid over to, or retained by, the Lessee, provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or the Lessee from the Government for the use of such Unit after the term of this Lease or any renewal thereof, shall be paid over to, or retained by, the Lessor.

The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence, or any component thereof, at the best price obtainable on an "as is, where is" basis and the Lessee shall notify the Lessor and the Owner prior to any such sale. Provided that the Lessee has previously paid the Casualty Value to the Lessor and provided no Event of Default (or other event which after

notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit plus the Lessee's out-of-pocket expenses in connection with such sale and shall pay any excess to the Lessor. The Lessee shall be entitled to credit against the Casualty Value payable in respect of any Unit permanently returned to the Builder pursuant to any patent indemnity provision of the CSA an amount equal to any net patent indemnity payment in respect of such Unit made by the Builder to the Vendee under the CSA. The Lessee will pay all costs and expenses in connection with the sale of any Unit pursuant to a Casualty Occurrence.

Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times prior to the return of the Equipment to the Lessor, at its own expense, cause to be carried and maintained (and shall furnish to the Lessor, the Owner and the Vendor a certificate evidencing) property insurance and public liability insurance in respect of the Units at the time subject hereto, in amounts (subject to customary deductibles) and against risks customarily insured against by the Lessee on locomotives owned or leased by the Lessee and, if customary, the Lessee may self insure through the use of deductible amounts customary in the railroad industry, but in any event consistent with prudent industry standards. Any policies of insurance carried in accordance with this paragraph, including, without limitation, liability insurance obtained after the date hereof, shall name the Lessor, the Owner and the Vendor as additional insureds as their respective interests may appear and shall provide for 30 days' prior written notice to the Lessor, the Owner and the Vendor of any material change or cancellation provide that losses are payable notwithstanding, among other things, any act of negligence of the Lessee, the Lessor or the Vendor, more hazardous use or occupation of the Units than that permitted by such policies, any breach or violation by the Lessee, the Lessor or the Vendor of any warranty, declaration, condition or other provision contained in any such policy, or foreclosure, notice of sale or any other proceeding in respect of the Units, or any change in the title to or ownership of any of the Units if and to the extent that such provisions are available at commercially

reasonable rates. If the Lessor shall receive any property insurance proceeds or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee's having made payment of the Casualty Value in respect of such Unit and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to a Unit paid by the Lessee and any balance of such proceeds or condemnation payments shall remain the property of the Lessor. Provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, all insurance proceeds received by the Lessor from the Lessee's property insurance coverage in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired.

In the event that the Lessee shall, in its reasonable judgment evidenced by a resolution of its Board of Directors, determine that the Units have become economically obsolete in the Lessee's business or shall be surplus to its requirements or it is not feasible to comply with the provisions of the second paragraph of § 9 hereof, the Lessee shall have the right, on at least 180 days' prior written notice to the Lessor, to terminate this Lease as of any succeeding Rental Payment Date specified in such notice (hereinafter called the "Termination Date"); provided, however, that (i) the Termination Date shall not be earlier than January 2, 1994, (ii) each holder of CSA Indebtedness shall have consented to such termination and the concurrent prepayment of the CSA Indebtedness or CSA Indebtedness shall not be outstanding, (iii) no Event of Default or other event which after lapse of time or notice or both would become an Event of Default shall have occurred and be continuing (other than pursuant to a violation of the second paragraph of § 9 hereof), and (iv) on the Termination Date each Unit shall be in the same condition as if redelivered pursuant to § 14 hereof. During the period from the termination notice until the fifth business day preceding the Termination Date, the Lessee shall use its best efforts, and the Lessor may assist if it so chooses, to obtain bids for the purchase of all the Units, and the Lessee shall at least five business days prior to such Termination Date certify to the Lessor the amount of each such bid and the name and address of the party submitting such bid. On the Termination Date the

Lessor may elect to sell all the Units for cash to the bidder who shall have submitted the highest bid prior to the Termination Date. The total sale price realized at any such sale shall be retained by the Lessor and on the Termination Date the Lessee shall pay to the Lessor (a) the excess, if any, of the Termination Value for each Unit computed as of such date over the sale price of the Unit after the deduction of all expenses incurred by the Lessor in connection with the sale and (b) the rental payment due on the Termination Date; and from such proceeds and payments the Lessor shall pay to the Agent on the Termination Date an amount necessary to prepay in full the CSA Indebtedness, including accrued and unpaid interest and premium, if any, as contemplated by clause (ii) above. The Termination Value of each Unit as of the Termination Date shall be that percentage (as may be adjusted pursuant to § 3 hereof) of the Purchase Price of the Unit as is set forth in Schedule C hereto opposite such date. The Lessor may, however, by written notice to the Lessee given prior to the Termination Date, elect to retain all the Units, in which case (1) the Lessee shall not be obligated to pay the Termination Value to the Lessor and (2) the Lessee shall deliver all the Units to the Lessor in accordance with the provisions of § 14 hereof.

§ 8. Reports and Inspection. On or before April 30 in each year, commencing with the calendar year 1987, the Lessee will furnish to the Lessor, the Vendor and the Owner an accurate statement (i) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the CSA, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request, and (ii) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5 hereof and by the CSA have been preserved or replaced. In addition, within 15 days following the renewal date of any insurance coverage hereunder, a certification of insurance coverage from the Lessee's insurer or independent broker stating the amounts of such insurance in effect and the amount of deductible. The Lessor, at its sole cost and expense, shall have the right by its agents, to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease, but

the Lessor shall have no obligation to do so. The Lessee shall promptly notify the Lessor and the Vendor of any material changes or any material proposed changes of which the Lessee has knowledge in its insurance coverage in effect with respect to the Equipment pursuant to § 7 hereof.

The Lessee shall promptly notify the Lessor, the Owner and the Vendor of any occurrence of an Event of Default or other event which after notice or lapse of time or both would become an Event of Default, specifying such Event of Default and all such events and the nature and status thereof.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR NEITHER MAKES, HAS MADE NOR SHALL BE DEEMED TO MAKE, ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS OR ANY COMPONENT DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR AS TO THE LESSEE'S RIGHT TO QUIET ENJOYMENT THEREOF (EXCEPT AS TO ACTS OF THE LESSOR), OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT OR ANY COMPONENT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder under the provisions of Items 3 and 4 of Annex A to the CSA; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation,

subleasing, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Inspection and Acceptance shall be conclusive evidence as between the Lessee and the Lessor (but not as between any party and the Builder) that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, at all times to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which operations involving the Units extend, with the interchange rules of the Association of American Railroads (which term shall include any successor organization thereof), if applicable, and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units (all such laws and rules to such extent being hereinafter called the "Applicable Laws"), and in the event that, prior to the expiration of this Lease or any renewal thereof, the Applicable Laws require any alteration, replacement, addition or modification of or to any part on any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any Applicable Law in any reasonable manner which does not, in the opinion of the Lessor, the Owner or the Vendor, adversely affect the property or rights of the Lessor, the Owner or the Vendor under this Lease or under the CSA. The Lessee, at its own cost and expense, may furnish other additions, modifications and improvements (including, without limitation, any special devices, assemblies or racks at any time attached or affixed to any Unit, the cost of which is not included in the Purchase Price of such Unit and which are not required for the operation or use of such Unit by the United States Department of Transportation, the Interstate Commerce Commission or any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over such Unit) (collectively "Additions") to the Units as the Lessee may deem desirable in the proper conduct of its business so long as such Additions shall not be inconsistent with the continuing operation of the Units, shall not diminish the value, utility or

condition of the Units below the value, utility and condition thereof immediately prior to the making of such Additions, assuming the Units were then in the condition required to be maintained by the terms of this Lease, and shall not render the Units ineligible for interchange service under the rules of the Association of American Railroads. Title to all Parts (as hereinbelow defined) incorporated in or installed as part of the Units shall without further act vest in the Lessor and be subject to a valid first lien and prior perfected security interest under the CSA in the following cases: (i) such Part is in replacement of or in substitution for, and not in addition to, any Part originally incorporated in or installed as part of a Unit at the time of the acceptance thereof hereunder or any Part in replacement of, or in substitution for, any such original Part; (ii) such Part is required to be incorporated in or installed as part of the Units pursuant to the provisions of the first paragraph of § 7 hereof or the terms of the first sentence of this paragraph or is Additional Equipment required to be installed on the Units pursuant to the Participation Agreement; or (iii) such Part cannot be readily removed from the Unit to which it relates without material damage thereto and without diminishing or impairing the value or utility which such Unit shall have had at such time had such alteration or addition not occurred. In all other cases, if no Event of Default, or event which with notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing, title to Parts incorporated in or installed as parts of the Units as a result of such alterations or additions shall vest in the Lessee and may be removed by the Lessee at any time during the term of this Lease and prior to the renewal thereof and prior to the return of the Units to the Lessor pursuant to § 14 hereof. The term "Part" for the purposes of this paragraph shall be defined to include any appliance, part, instrument, accessory, furnishing or other equipment of any nature which may from time to time be incorporated in or installed as part of any Unit.

The Lessee agrees to indemnify, protect and hold harmless the Lessor (in both its individual and fiduciary capacities), the Owner and the Vendor and their respective successors, assigns, agents and servants from and against all losses, damages, injuries, liabilities, claims (including, without limitation, claims for strict liability in tort and claims based on the passive or active negligence of an indemnified person) and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses,

patent, trademark or copyright liabilities, penalties and interest, arising out of or alleged to arise out of or as the result of the entering into or the performance of or the occurrence of a default, an event of default or an Event of Default under the CSA, the Participation Agreement, this Lease, or any sublease entered into pursuant to § 12 hereunder, the ownership of any Unit, the ordering, acquisition, replacement, operation, use, condition (including any latent or patent defects in any Unit), purchase, delivery, rejection, storage or return of any Unit or any accident in connection with, or alleged to have occurred in connection with, the ordering, acquisition, replacement, operation, use, condition, purchase, delivery, possession, storage or return of any Unit resulting in damage to or loss of property or injury or death to any person, except as otherwise provided in § 14 of this Lease, the transfer of title to the Equipment by the Vendor pursuant to any provision of the CSA or the alleged violation of the terms of any agreement, this Lease or any law, regulation, ordinance or restriction affecting the Units, except any matter otherwise indemnified by the Lessee caused by any act or omission of the Lessor or the Owner not related to transactions contemplated by the Documents (as defined in the Participation Agreement) or caused by an act or omission of an indemnified person in violation of the provisions of its Documents provided that this exception shall not apply to any matter with respect to which the Vendor is claiming indemnification to the extent of the Vendor's claim unless such claim was the direct result of the Vendor's default under its Documents (all of which matters indemnified against pursuant to the above being hereinafter called the "Indemnified Matters"). The amount the Lessee shall be required to pay with respect to any Indemnified Matter shall include a payment to the indemnified person sufficient to restore such person to the same position, after considering the effect of such payment on its United States Federal income taxes and state and city income taxes or franchise taxes based on net income, that the indemnified person would have been in had the Indemnified Matter not been incurred. The Lessee shall be obligated under this § 9, irrespective of whether any indemnified person shall also be indemnified with respect to the same matter under any other agreement by any other person, and the indemnified person seeking to enforce the indemnification may proceed directly against the Lessee under this § 9 without first resorting to any such other rights of indemnification.

The Lessee further agrees to indemnify, protect and hold harmless the Lessor (both individually and in its

fiduciary capacity) and the Vendor and the Owner, as third-party beneficiaries hereof, from and against any and all liabilities, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendor, an Owner or the Lessor because of the use in or about the construction or operation of any of the Units of any article or material specified by the Lessee and not manufactured by the Builder or of any design, system, process, formula or combination specified by the Lessee and not developed or purported to be developed by the Builder which infringes or is claimed to infringe on any patent or other right. The Lessee will give notice to the Builder of any claim known to the Lessee from which liability may be charged against the Builder with respect to the foregoing.

The Lessee shall not be released from its obligations hereunder in the event of any damage to or the destruction or loss of any or all of the Units.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required filing date (or, to the extent permissible, file on behalf of the Lessor or an Owner) any and all reports (other than tax returns, except as otherwise provided in § 6 hereof) to be filed by the Lessor or an Owner with any Federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units, or the leasing thereof to the Lessee.

None of the indemnities in this § 9 shall be deemed to create any rights of subrogation, from or under any indemnified person, in any insurer or third party against the Lessee or the Lessor therefor, whether because of any claim paid or defense provided for the benefit thereof or otherwise. The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee of the payment of any installments of principal or interest payable under the CSA or a guarantee of the residual value of the Units. The indemnities contained in this § 9 shall survive the expiration or termination of this Lease and return of the Units as provided in §§ 11 or 14 hereof with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination and are expressly made for the benefit of, and shall be enforceable by, any indemnified person.

Upon the payment in full of any indemnities as contained in this § 9 by the Lessee, and provided that no

Event of Default (or other event which with lapse of time or notice or both would constitute an Event of Default) shall have occurred and be continuing (i) the Lessee shall be subrogated to any right of such indemnified person (except against another indemnified person) in respect of the matter against which indemnity has been given and (ii) any payments received by such indemnified person from any person (except the Lessee) as a result of any matter with respect to which such indemnified person has been indemnified by the Lessee pursuant to this § 9 shall be paid over to the Lessee to the extent necessary to reimburse the Lessee for indemnification payments previously made in respect of such matter.

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

(A) default shall be made in payment of any amount provided for in § 3, § 7 or § 13 hereof, and such default shall continue for five business days;

(B) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any thereof, and the Lessee shall, for more than 30 days after demand in writing by the Lessor, fail to secure a reassignment or retransfer to the Lessee of such Lease, interest or right;

(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 Consent or the Participation Agreement or the Indemnity Agreement (as defined in the Participation Agreement), and such default shall continue for 30 days after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

(D) a petition for reorganization under Title 11 of the United States Code, as now constituted or as may hereafter be 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 and the Consent shall not have been and shall not

continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed and otherwise in accordance with the provisions of 11 U.S.C. § 1168, or any successor provision, as the same may hereafter be amended; or

(E) any other proceeding shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder, 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 readjustments of the obligations of the Lessee hereunder or under the Consent), 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 and the Consent shall not have been and shall not continue to have been duly assumed in writing pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the 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 expenses of administration and obligations incurred by such trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced;

then, in any such case, 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 rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and

thereupon the Lessor may by its agents, subject to compliance with all mandatory requirements of law, enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to (A) the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of an 7% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated or, if such Unit is sold, the net proceeds of the sale plus (B) any damages and expenses, including reasonable attorneys' fees in addition thereto, which the Lessor shall have sustained by reason of the breach of any covenant, representation or warranty of this Lease other than for the payment of rental; or (y) an amount equal to the excess, if any, of the Casualty Value as of the Rental Payment Date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clause (y) of this part (b) with respect to such Unit,

may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the Rental Payment Date on or next preceding the date of termination, over the net proceeds of such sale.

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

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

No failure by the Lessor to exercise, and no delay by the Lessor in exercising, any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege by the Lessor preclude any other or further exercise thereof, or the exercise of any other right, power or privilege.

If the Lessee fails to perform or comply with any agreement, covenant or condition contained in this Lease, and such nonperformance or noncompliance could, with the lapse of time and/or demand or failure to take action, result in an Event of Default under clause (A) or (C) of this § 10, the Lessor may (but shall not be required to),

upon notice to the Lessee, itself perform or comply with such agreement, covenant or condition and the amount of the reasonable costs and expenses of the Lessor incurred in connection with such performance or compliance, together with interest on such amounts at the rate per annum which Manufacturers Hanover Trust Company, New York, New York, charges for unsecured 90-day loans to large corporate borrowers at the time in effect, shall be payable to the Lessor by the Lessee upon demand. No such performance or compliance by the Lessor shall be deemed a waiver of the rights and remedies of the Lessor against the Lessee hereunder or be deemed to cure a default by the Lessee hereunder.

§ 11. Return of Units upon Default. If this Lease shall terminate pursuant to § 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Except as hereinafter provided, each Unit so delivered shall be in the condition required by clauses (a), (b) and (c) of the first sentence of § 7 hereof. For the purpose of delivering possession, the Lessee shall:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged or which may have possession thereof to return the Unit or Units) place such Units upon such storage tracks of the Lessee or any of its affiliates as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for insurance (which shall conform to the provisions of § 7 hereof), rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and

(c) transport the same to any place on the lines of railroad operated by the Lessee or any of its affiliates or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and, upon application to any court of equity having jurisdiction, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of

the covenants of the Lessee so to assemble, deliver, store and transport the Units. Except as hereinafter provided, during any storage period, the Lessee will, at its own expense, maintain and keep the Equipment in the condition required by clauses (a), (b) and (c) of the first sentence of § 7 hereof and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of any such Unit, to inspect the same. All rent and per diem charges earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor.

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

§ 12. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor to any successor Lessor which may be appointed pursuant to Article VII of the Trust Agreement or to any banking or financial institution which has a combined capital and surplus of at least $50,000,000 and which does not have an interlocking relationship with the Lessee within the meaning of Section 10 of the Clayton Act. All the rights of the Lessor hereunder shall inure to the benefit of the Lessor's successors and assigns.

So long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments (as defined in the Lease Assignment) in accordance with the Lease Assignment, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease and, without the prior written consent of the Lessor and the Vendor, the Lessee may sublease (which sublease by its terms shall be subject and subordinate to the rights and remedies of the Lessor and the Vendor hereunder) the Units to, or permit their use by, a user incorporated in the United States of America (or any State thereof or the District of Columbia), upon lines of railroad owned or operated by the Lessee or such user or by a railroad company or companies incorporated in the United States of

America (or any State thereof or the District of Columbia), or over which the Lessee, such user, or such railroad company or companies have trackage rights or rights for operation of their trains or over which their equipment is regularly operated pursuant to contract, and upon the lines of railroad of connecting and other carriers in the usual interchange of traffic or in through or run-through service, but only upon and subject to all the terms and conditions of this Lease; provided, however, that the Vendor's and the Lessor's consent, not to be unreasonably withheld, must be obtained for any sublease that, taken together with all renewal terms provided for therein, would be longer than six months during any period of 12 consecutive months; provided further, however, that the Lessee shall not sublease or permit the sublease or use of any Unit to service involving operation or maintenance outside the United States of America except that occasional service in Canada shall be permitted so long as such service in Canada is on a temporary basis which is not expected to exceed a total of 90 days in any taxable year of an Owner, nor shall the Lessee sublease to or permit the sublease or use of any Unit by any person in whose hands such Unit would not qualify as "section 38" property within the meaning of the Internal Revenue Code of 1954, as amended to the date hereof. No such assignment or sublease shall relieve the Lessee of its obligations hereunder which shall be and remain those of a principal and not a surety.

Nothing in this § 12 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any railroad corporation incorporated under the laws of the United States of America or any State thereof or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder and under the Lessee's other Documents (as defined in the Participation Agreement) into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all the lines of railroad of the Lessee; provided, however, that the Lessee is not in default under any provision of this Lease or the Lessee's other Documents immediately before the effectiveness of such merger, consolidation, lease or acquisition and that such assignee, lessee or transferee, immediately after the effectiveness of such merger, consolidation, lease or acquisition (i) will have a net worth of not less than the net worth of the Lessee immediately before such effectiveness and (ii) will not be in default under any provision of this Lease or the Lessee's other Documents.

The Lessee, at its own expense, will as soon as possible cause to be duly discharged any lien, charge, security interest or other encumbrance (except any sublease as aforesaid and other than an encumbrance created by the Lessor, an Owner or the Vendor which is not contemplated by the Documents or resulting from claims against the Vendor, the Lessor or an Owner not related to the ownership or leasing of, or the security title or security interest of the Vendor to, the Units) which may at any time be imposed on or with respect to any Unit including any Addition, Part or accession thereto or the interest of the Vendor, an Owner or the Lessor therein; except that this covenant will not be breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent; and, furthermore, the Lessee shall be under no obligation to discharge any such lien, charge, security interest or encumbrance so long as it is diligently contesting the same in good faith and by appropriate legal proceedings and the failure to discharge the same does not, in the opinion of the Vendor, adversely affect the title, property or rights of the Lessor hereunder or the Vendor under the CSA.

§ 13. Right of Renewal; Purchase Option. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may, by written notice delivered to the Lessor not less than 180 days prior to the end of the original or extended term of this Lease, elect to extend the term of this Lease in respect of all but not fewer than all the Units then covered hereby, for a period of two years (an "extended term") commencing on the scheduled expiration of the original or extended term of this Lease; provided, however, that the Lessee's rights of renewal shall not exceed four two year renewal periods.

The extended term of the Lease shall be on the same terms and conditions as are contained in the Lease, except (x) as to the amount of rentals, which shall be at a Fair Market Rental (as hereinafter defined) payable, in arrears, in semiannual payments on the dates on which such rentals were payable for the Units in each year of the original term and (y) that the Casualty Value of each Unit on the first day of the extended term shall be equal to the greater of (a) the Fair Market Purchase Price (as hereinafter defined) of such Unit on such date, or (b) the present

value as of such date, of all rentals payable during such extended term, discounted at a rate of 7% per annum, compounded semiannually, from the respective dates upon which such rentals are payable hereunder; and thereafter such Casualty Value shall be reduced on a straight-line basis (computed on the basis of a 360-day year of 12 30-day months over the estimated remaining useful life of such Unit which shall, if not agreed upon by the Lessor and the Lessee, be determined by appraisal consistent with the procedure hereinafter set forth) for the remainder of such extended term, all as determined by the procedures hereinafter established.

Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor, not less than 180 days prior to the end of the original term or any extended term of this Lease, elect to purchase all but not less than all the Units then subject to this Lease as are identified in Lessee's written notice, at a Fair Market Purchase Price payable in immediately available funds on the expiration of the original term or any extended term of this Lease.

Upon payment of the Fair Market Purchase Price of any Unit pursuant to an exercise by the Lessee of its right to purchase such Units, the Lessor shall execute and deliver to the Lessee, or upon request of the Lessee, to the Lessee's assignee or nominee, a bill of sale (without warranties, except as hereinafter provided in this clause) for such Units such as will transfer to the Lessee title to such Units free and clear of all claims, liens, security interests and other encumbrances created by or arising through the Lessor or either Owner, other than claims, liens, security interests and encumbrances which the Lessee is obligated to pay or discharge under or pursuant to this Lease. Notwithstanding the foregoing, if any Units so purchased are to be sold to the Lessee under a conditional sale agreement, the Lessor shall have the right to retain a security interest in such Units until such time as all payments in respect thereof have been made.

The Fair Market Rental and Fair Market Purchase Price shall be determined on the basis of, and shall be equal in amount to, the cash rental, or the purchase price (as of such date as the context herein requires), as the case may be, which would obtain in an arm's-length transaction between an informed and willing lessee or purchaser, as the case may be, and an informed and willing lessor or

seller, as the case may be (other than a lessee currently in possession), under no compulsion to lease or sell, as the case may be, but there shall be excluded from such determination any rental or purchase value attributable to additions, modifications and improvements which the Lessee is entitled to remove pursuant to § 9 hereof; provided, however, that Fair Market Rental shall be determined on the basis of the term and other terms and conditions of the lease being considered. In making such determination, costs of removal from the location of current use shall not be a deduction from such rental or purchase price and it shall be assumed that the Units have been collected in one place on the lines of the Lessee as directed by the Lessor. If, after 20 days from the giving of notice by the Lessee of the Lessee's election to extend the term of this Lease or the giving of notice by the Lessee that it intends to purchase the Units, as aforesaid, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental or Fair Market Purchase Price of the Units, such rental or purchase price shall be determined in accordance with the foregoing definition by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of such rental or purchase price by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 15 business days after such notice is given, each party shall appoint an independent appraiser within 20 business days after such notice is given, and the two appraisers so appointed shall within 25 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 25 business days after such notice is given, either party may request the American Arbitration Association to make such appointment, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Rental or the Fair Market Purchase Price, as the case may be, of the Units then subject to this Lease, within 30 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of Fair Market Rental or Fair Market Purchase Price, as the case may be, of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from that of the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be

final and binding upon the parties hereto as the Fair Market Rental or Fair Market Purchase Price, as the case may be. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Rental or Fair Market Purchase Price, as the case may be, and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. Except as otherwise provided herein, the Lessee and the Lessor shall equally share all appraisal procedure expenses.

§ 14. Return of Units upon Expiration of Term. As soon as practicable on or after the expiration of the original or the extended term of this Lease with respect to any Unit, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit, if not purchased by the Lessee, to the Lessor upon such storage tracks of the Lessee as the Lessee may reasonably designate in such city on the lines of the Lessee as the Lessor may reasonably designate, or, in the absence of such designation, as the Lessee may reasonably select, and permit the Lessor to store such Unit on such tracks for a period not exceeding 120 days following notification to the Lessor by the Lessee that 90% of the Units have been assembled and delivered for storage (or, with respect to any Unit not delivered at the time of such notification, 120 days following notification from the Lessee to the Lessor that such Unit has been delivered for storage) and transport the same, at any time within such 120-day period, to any reasonable place on the lines of railroad operated by the Lessee, or to any connecting carrier for shipment, all as mutually agreed upon by the Lessor and the Lessee, the movement and storage of such Units to be at the expense and risk of the Lessee (which shall during such period maintain the insurance required by § 7 hereof); and in the event that any Unit shall suffer a Casualty Occurrence during such storage period, the Lessee shall pay the Lessor the Casualty Value thereof as provided in § 7 hereof. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representatives of any prospective purchaser, lessee or user of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of wilful misconduct, negligence or strict liability of the Lessee or of its employees or agents, for any injury to, or the death of, any

person exercising, on behalf of either the Lessor or any prospective purchaser, lessee or user, such rights of inspection. Except as hereinafter provided in this § 14, each Unit returned to the Lessor pursuant to this § 14 shall (except for additions, modifications and improvements which the Lessee is entitled to remove and does remove pursuant to § 9 hereof) be in the condition required by clauses (a), (b) and (c) of the first sentence of § 7 hereof. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance thereof. During any storage period, the Lessee will, at its own expense, maintain and keep the Units (except for additions, modifications and improvements which the Lessee is entitled to remove and does remove pursuant to § 9 hereof) in the condition required by clause (a) of the first sentence of § 7 hereof. Notwithstanding anything to the contrary contained in this § 14, the Lessee shall have no obligation under clause (b) or (c) of the first sentence of § 7 hereof after return of a Unit upon expiration of the original or any extended term of this Lease or with respect to a termination of the nature described in the last paragraph of § 7 hereof. All rent and per diem charges earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. If any Unit is not returned on a date within 90 days of the expiration of the original or any extended term of this Lease, the Lessee will pay to the Lessor as rental for such Unit from such date until such Unit is returned an amount equal to (a) the average semiannual rental payment payable with respect to such Unit during the original term hereof times (b) a fraction the numerator of which is the actual number of days from such date until the return of such Unit and the denominator of which is 180. Concurrently with each delivery of a Unit to the Lessor hereunder, the Lessee will deliver to the Lessor all records in its possession relating to the repair and maintenance history of such Unit, including without limitation all logs, schedules and computer data relating to such history of the type maintained in the ordinary course of business of the Lessee with respect to locomotives owned or leased by the Lessee.

§ 15. Recording. The Lessee, at its own expense, will cause this Lease, the CSA and any assignment hereof or thereof to be filed in accordance with 49 U.S.C. § 11303 and deposited with the Registrar General of Canada (and notice

of such deposit to be given forthwith in The Canada Gazette) pursuant to Section 86 of the Railway Act of Canada. The Lessee will undertake the filing, registering, deposit, and recording required of the Lessor under the CSA and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective rights in the Units, or for the purpose of carrying out the intention of this Lease, the CSA and the assignments hereof and thereof to the Vendor; and the Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing, recording and other acts which may be required under this § 15, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease and the CSA, and the assignments thereof, shall be filed with the Interstate Commerce Commission and deposited with the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada and provision shall be made for publication of notice of such deposit in The Canada Gazette prior to the delivery and acceptance hereunder of any Unit.

§ 16. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount on the overdue rentals and other obligations for the period of time during which they are overdue at a rate equal to the higher of (i) 11.2% per annum or (ii) 3% above the prime commercial rate per annum announced from time to time as in effect by Manufacturers Hanover Trust Company (the "Overdue Rate"), or, if such rate is not legally enforceable, then at the highest legally enforceable rate.

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

(a) if to the Lessor, at 45 Wall Street, 20th Floor, New York, New York 10005, Attention of Corporate Trust and Agency Division with a copy to the Owner at its address set forth in Schedule A to the Participation Agreement; and

(b) if to the Lessee, at One North Western Center, 165 N. Canal Street, Chicago, Illinois 60606, Attention of Assistant Vice President-Finance;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. Copies of each such notice shall be given to the Vendor at P.O. Box 2258 (or, if by hand, Two Hopkins Plaza), Baltimore, Maryland 21203, Attention of Corporate Trust Department.

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

Except for the Participation Agreement and the exhibits thereto, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

Nothing in this Lease shall be deemed to create any right in any person not a party hereto (other than the Owner, the Agent, the Investors, the Builder and their permitted successors and assigns and those of a party hereto), and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of a third party except as aforesaid.

§ 19. Immunities. Anything herein to the contrary notwithstanding, each and all of the representations, warranties, undertakings and agreements herein made on the part of the Lessor are made and intended not as personal representations, warranties, undertakings and agreements by United States Trust Company of New York for the purpose or with the intention of binding it personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Lease is executed and delivered by the said trust company not in its

own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of wilful misconduct or gross negligence by said trust company, no personal liability or personal responsibility is assumed hereunder by or shall at any time be enforceable against the said trust company, on account of any representation, warranty, undertaking or agreement hereunder of the Lessor, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived by the Lessee and by all persons claiming by, through or under the Lessee; provided, however, that the Lessee or any person claiming by, through or under it, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

§ 20. Definitions. If and so long as this Lease is assigned to the Vendor (or any successor thereto) for collateral purposes, wherever the term "Lessor" is used in this Lease it shall include the Vendor and any successors thereto unless the context shall otherwise require and except that the Vendor shall not be subject to any liabilities or obligations under this Lease; and the fact that the Vendor is specifically named in certain provisions shall not be construed to mean that the Vendor (or any successor thereto) is not entitled to the benefits of other provisions where only the Lessor is named.

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

§ 22. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing or deposit hereof, if any, and of any assignment hereof and any markings on the Units as shall be conferred

by the laws of the several jurisdictions in which this Lease or any assignment hereof shall be filed or deposited.

§ 23. Lessor's Right To Perform. If the Lessee fails to perform or comply with any of its agreements contained herein, the Lessor may (but shall have no obligation to do so) upon notice to the Lessee perform or comply with such agreement, and the amount of the reasonable cost and expenses of the Lessor (including reasonable counsel fees, if any) incurred in connection with such performance or compliance, together with interest on such amount at the Overdue Rate, shall be payable by the Lessee upon demand except as otherwise provided in this Lease. No such performance or compliance by the Lessor shall be deemed a waiver of the rights and remedies of the Lessor or any assignee of the Lessor against the Lessee hereunder or, for the purpose of Article 15 of the CSA, be deemed to cure an Event of Default hereunder.

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

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY,

by

_____
Vice President

[Corporate Seal]

Attest:

_____
Assistant Secretary

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

On this day of September 1986, before me personally appeared ,
to me personally known, who, being by me duly sworn, says that he is a Vice President of CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, that the seal affixed to the foregoing instrument is the corporate seal of said Corporation, and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

_____
Notary Public

[Notarial Seal]

My Commission expires

STATE OF NEW YORK,)
) ss.:
COUNTY OF NEW YORK,)

On this day of September 1986, before me personally appeared ,
to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President of UNITED STATES TRUST COMPANY OF NEW YORK, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

_____
Notary Public

[Notarial Seal]

My Commission expires

SCHEDULE A

Specifications of the Equipment

Type	Quantity	Lessee's Identification Numbers (Both Inclusive)*
Part A: SD-60 3,800 h.p. diesel electric locomotives	11	CNW 8001 through CNW 8055
Part B: Additional Equipment to be supplied by Lessee	11	

*The road numbers listed are for all Units to be delivered under this Lease and certain other leases. After all the Units have been delivered and accepted hereunder, an appropriate amendment to this Schedule A will be filed with the Interstate Commerce Commission to reflect the road numbers of the Units actually delivered and accepted hereunder.

SCHEDULE B

Rental Payment Schedule

Date	Percentage of Purchase Price*
7/2/87	3.0268088
1/2/88	5.2016911
7/2/88	2.9158899
1/2/89	5.3126101
7/2/89	2.7936571
1/2/90	5.4348429
7/2/90	2.6589567
1/2/91	5.5695433
7/2/91	2.5105167
1/2/92	5.7179833
7/2/92	2.3469359
1/2/93	5.8815640
7/2/93	3.3968901
1/2/94	4.8316099
7/2/94	7.2291087
1/2/95	2.8279468
7/2/95	7.3544714
1/2/96	2.7025841
7/2/96	7.8106433
1/2/97	2.2464123
7/2/97	7.9660133
1/2/98	2.0910422
7/2/98	8.1315828
1/2/99	1.9254727
7/2/99	8.3064891
1/2/00	1.7505665
7/2/00	9.5414772
1/2/01	0.5155783
7/2/01	10.0265361
1/2/02	0.0305194

*As defined in Article 4 of the CSA.

SCHEDULE C

Casualty and Termination Value* Percentage Schedule

Date	Percentage of Purchase Price**
7/2/87	110.329%
1/2/88	106.793
7/2/88	108.165
1/2/89	103.873
7/2/89	104.704
1/2/90	99.611
7/2/90	99.867
1/2/91	93.932
7/2/91	93.824
1/2/92	87.525
7/2/92	87.442
1/2/93	83.844
7/2/93	82.591
1/2/94	79.889
7/2/94	74.705
1/2/95	73.734
7/2/95	68.259
1/2/96	67.238
7/2/96	61.132
1/2/97	60.367
7/2/97	53.921
1/2/98	53.115
7/2/98	46.309
1/2/99	45.460
7/2/99	38.273
1/2/00	37.380
7/2/00	28.768
1/2/01	28.895
7/2/01	21.263
1/2/02	20.000

*These Termination Value percentages assume that the CSA Indebtedness may be prepaid at par without premium. If any premium is to be paid, the amount thereof must be added to the Termination Values derived from the listed percentages.

**As defined in Article 4 of the CSA.

SCHEDULE D

Certificate of Inspection and Acceptance

To: United States Trust Company of New York,
acting as Trustee (the "Lessor") under Trust Agreement
45 Wall Street
New York, New York 10005

I, the duly authorized representative for the Lessor and Chicago and North Western Transportation Company (the "Lessee") under the Conditional Sale Agreement and the Lease of Railroad Equipment, both dated as of August 1, 1986, do hereby certify that the following Units of Equipment have been inspected and I have accepted delivery of such Units thereunder:

TRANSACTION: A
TYPE OF EQUIPMENT:
DATE ACCEPTED:
NUMBER OF UNITS:
LESSEE'S ROAD NUMBERS:

I do further certify that the foregoing Units are in good order and condition, and appear to conform to the specifications, requirements and standards applicable thereto as provided in Article 2 of the aforesaid Conditional Sale Agreement.

I do further certify that each of the foregoing Units has been marked by means of a stencil printed in contrasting colors upon each side of each such Unit in letters not less than one inch in height as follows:

"Ownership Subject to a Security Agreement Filed with the Interstate Commerce Commission"

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

_____
Authorized Representative of
Lessor and Lessee

BUILDER:

General Motors Corporation
(Electro-Motive Division)

[P62244A]
ANNEX D to
Conditional Sale Agreement
[CS&M Ref.: 2046-262A]

ASSIGNMENT OF LEASE AND AGREEMENT dated as of August 1, 1986 (this "Assignment"), between United States Trust Company of New York, a New York corporation, not individually but solely as Trustee (the "Lessor") under a Trust Agreement dated as of the date hereof (the "Trust Agreement"), with the Owner, as defined in the Participation Agreement hereinafter mentioned (the "Owner"), and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent (the "Vendor"), under a Participation Agreement dated as of the date hereof (the "Participation Agreement").

WHEREAS the Lessor is entering into a Conditional Sale Agreement dated as of the date hereof (the "CSA") with General Motors Corporation (Electro-Motive Division) (the "Builder"), providing for the conditional sale to the Lessor by the Builder of such units of railroad equipment described in Part A of Annex B thereto as are delivered to and accepted by the Lessor thereunder (which units, together with automatic train controls which may be installed on such units by the Lessee, as hereinafter defined, and settled for under the Participation Agreement are hereinafter called the "Units");

WHEREAS the Lessor and Chicago and North Western Transportation Company (the "Lessee") have entered into a Lease of Railroad Equipment dated as of the date hereof (the "Lease") which provides for the leasing by the Lessor to the Lessee of the Units; and

WHEREAS, in order to provide security for the obligations of the Lessor under the CSA and as an inducement to the Vendor and the Investors (as defined in the Participation Agreement) for whom the Vendor is acting to invest in the CSA Indebtedness (as defined in the CSA), the Lessor has agreed to assign, for security purposes, certain of its rights in, to and under the Lease to the Vendor.

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

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

and performance of the obligations of the Lessor under the CSA, all the Lessor's rights, titles and interests, powers, privileges, and other benefits under the Lease (other than the Lessor's rights under §§ 13 and 23 of the Lease), including, without limitation, the immediate right to receive and collect all rentals, profits and other sums payable to or receivable by the Lessor from the Lessee under or pursuant to the provisions of the Lease whether as rent, casualty payment, termination payment, indemnity, liquidated damages, or otherwise (such moneys being hereinafter called the "Payments"), and the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of an Event of Default specified in the Lease, and to do any and all other things whatsoever which the Lessor is or may become entitled to do under the Lease; provided, however, that, notwithstanding the foregoing, the Lessor shall be entitled to receive directly from the Lessee any indemnification provided for the Lessor under §§ 6 and 9 of the Lease and any indemnification under the Indemnity Agreement (as defined in the Participation Agreement), which indemnification is excluded from this Assignment (the "Excluded Indemnity"). In furtherance of the foregoing assignment, the Lessor hereby irrevocably authorizes and empowers the Vendor in its own name, or in the name of its nominee, or in the name of the Lessor, or as attorney for the Lessor, to ask, demand, sue for, collect and receive any and all Payments to which the Lessor is or may become entitled under the Lease, and to enforce compliance by the Lessee with all the terms and provisions thereof.

The Vendor agrees to accept any Payments made by the Lessee for the account of the Lessor pursuant to the Lease. To the extent received, the Vendor will apply such Payments first, to satisfy the obligations of the Lessor under the CSA, and second, so long as no event of default (or event which with the lapse of time and/or demand provided for in the CSA could constitute an event of default thereunder) shall have occurred and be continuing, any balance shall be paid to the Lessor or to such other party as the Lessor may direct in writing, on the first business day following receipt by the Vendor of such balance, at the Lessor's address specified in the Lease or at such other address as may be specified to the Vendor in writing. If the Vendor shall not receive any rental payment under the first paragraph of § 3 of the Lease when due, the Vendor shall notify the Lessor at its address specified in the Lease; provided, however, that the failure of the Vendor so to notify the Lessor shall not affect the obligations of the

Lessor hereunder or under the CSA; except that the Vendor may not make a Declaration of Default (as defined in the CSA) with respect to, or terminate the Lease pursuant to clause (i) of the first paragraph of Article 15 of the CSA by reason of, an event of default under subparagraph (a) or (f) of Article 15 of the CSA arising solely by reason of the failure of the Lessee to make any such rental payment, which failure, pursuant to subparagraph (f) of Article 15 of the CSA, would not constitute an event of default thereunder if the Lessor complies with the provisions thereof, unless such event of default is not remedied within seven business days after notification is received by the Lessor as aforesaid.

2. The assignment made by the Lessor hereunder is executed only as security and, therefore, the execution and delivery of this Assignment by the Lessor shall not subject the Vendor to, or transfer, or pass, or in any way affect or modify, the liability of the Lessor under the Lease, it being agreed that, notwithstanding this Assignment or any subsequent assignment, all obligations of the Lessor to the Lessee shall be and remain enforceable by the Lessee, its successors and assigns, against, and only against, the Lessor or persons other than the Vendor. Any action taken by the Lessor in connection with its obligations or duties under the Lease shall be at its sole cost.

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

4. The Lessor does hereby constitute the Vendor its true and lawful attorney, irrevocably, with full power (in the name of the Lessor or otherwise) to ask, require, demand, receive, compound and give acquittance for any and all Payments due and to become due under or arising out of the Lease to which the Lessor is or may become entitled, to enforce compliance by the Lessee with all the terms and provisions of the Lease, to endorse any checks or other

instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which to the Vendor may seem to be necessary or advisable in the premises.

5. Upon the full discharge and satisfaction of all sums due from the Lessor under the CSA and the Participation Agreement (without giving effect to any limitation of liability therein), the Lessor's assignment hereunder of its rights in, to and under the Lease shall terminate, and all estate, right, title and interest of the Vendor in and to the Lease shall automatically revert to the Lessor. However, the Vendor, if so requested by the Lessor at that time, will at the Lessor's expense (a) execute an instrument releasing its entire estate, right, title and interest in the Lease and transferring such estate, right, title and interest to the Lessor and (b) execute, acknowledge and deliver any and all further instruments required by law or reasonably requested by the Lessor in order to confirm or further assure that all such estate, right, title and interest in the Lease shall have so reverted or shall have been so transferred to the Lessor. Promptly following such full discharge and satisfaction, the Vendor agrees that it will advise the Lessee in writing that all sums and other obligations due from the Lessor under the CSA and the Participation Agreement have been fully discharged and satisfied and instruct the Lessee that no further payments under the Lease are to be made to the Vendor.

6. The Lessor will, from time to time, do and perform any other act and will execute, acknowledge, deliver and file, register, deposit and record (and will refile, reregister, rerecord or redeposit) any and all further instruments required by law and reasonably requested by the Vendor in order to confirm or further assure the interests of the Vendor hereunder.

7. The Vendor may assign all or any of the rights assigned to it hereby or arising under the Lease, including, without limitation, the right to receive any Payments due or to become due. In the event of any such assignment, any such subsequent or successive assignee or assignees shall, to the extent of such assignment, enjoy all the rights and privileges and be subject to all the obligations of the Vendor hereunder; provided, however, the Lessor and the Lessee shall not be bound to honor such assignment until they have received written notice thereof. Payment to the assignee of any Payments shall constitute full compliance with the terms of this Assignment and the Lease. The Lessor

and the Lessee may rely on instruments and documents of assignment which they believe in good faith to be true and authentic.

8. This Assignment shall be governed by the laws of the State of Illinois, but the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing or deposit hereof, if any, as shall be conferred by the laws of the several jurisdictions in which this Assignment shall be filed or deposited.

9. The Lessor shall cause copies of all notices and other documents received by it in connection with the Lease and all Payments hereunder to be promptly delivered or made to the Vendor at its address set forth in the CSA, or at such other address as the Vendor shall designate.

10. The Vendor hereby agrees with the Lessor that the Vendor will not, so long as no event of default under the CSA has occurred and is continuing, exercise or enforce, or seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits which are assigned and transferred by the Lessor to the Vendor by this Assignment, except the right to receive and apply the Payments as provided in Paragraph 1 hereof, and that, subject to the terms of the Lease and the CSA, the Lessor may, so long as no event of default under the CSA has occurred and is then continuing, exercise or enforce, or seek to exercise or enforce, its rights, powers, privileges, and remedies arising out of § 10(a) and § 10(b) of the Lease; provided, however, that the Lessor may, whether or not an event of default under the CSA has occurred and is then continuing, exercise or enforce, or seek to exercise and enforce, its or the Owner's rights, powers, privileges and remedies arising out of § 10(a) of the Lease in respect of its or the Owner's rights under §§ 6 and 9 of the Lease; provided, further, however, that the Lessor shall not, without the prior written consent of the Vendor, terminate the Lease or otherwise exercise or enforce, or seek to exercise or enforce, any rights, powers, privileges and remedies arising out of § 10(b) of the Lease.

11. Notwithstanding any other provision of this Assignment (including, but not limited to, any provision of the first paragraph of Paragraph 1 and of Paragraph 3 hereof), (a) the terms of this Assignment shall not impose any obligations on the Lessor in addition to the obligations of the Lessor under the Lease or under the CSA or in any way

limit the effect of the last paragraph of Article 4 of the CSA or Article 21 of the CSA, and (b) each and all of the warranties, representations, undertakings and agreements herein made on the part of the Lessor are each and every one of them made and intended not as personal representations, warranties, undertakings and agreements by United States Trust Company of New York, or for the purpose or with the intention of binding said trust company personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Assignment is executed and delivered by said trust company solely in the exercise of the powers expressly conferred upon said trust company as trustee under the Trust Agreement, and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said trust company, except for wilful misconduct or gross negligence on the part of said trust company or on account of any representation, warranty, undertaking or agreement of said trust company, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived and released by the Vendor and by all persons claiming by, through or under the Vendor; provided, however, that the Vendor or any person claiming by, through or under it, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

12. This Assignment may be executed in any number of counterparts, but the counterpart delivered to the Vendor shall be deemed to be the original counterpart. It shall not be necessary that any counterpart be signed by both the parties hereto so long as each party hereto shall have executed and delivered one counterpart hereof. Although for convenience this Assignment is dated as of the date first above written, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

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

respective corporate seals to be affixed and duly attested, all as of the date first above written.

UNITED STATES TRUST COMPANY OF NEW YORK, not in its individual capacity but solely as Trustee as aforesaid,

by

_____
Assistant Vice President

[Corporate Seal]

Attest:

_____
Assistant Secretary

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent,

by

_____
Vice President

[Corporate Seal]

Attest:

_____
Assistant Corporate Trust Officer

STATE OF NEW YORK,)
) ss.:
COUNTY OF NEW YORK,)

On this day of September 1986, before me personally appeared ,
to me personally known, who, being by me duly sworn, says that he is a Vice President of UNITED STATES TRUST COMPANY OF NEW YORK, that the seal affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Notary Public

[Notarial Seal]

My Commission expires

STATE OF MARYLAND,)
) ss.:
CITY OF BALTIMORE,)

On this day of September 1986, before me personally appeared ,
to me personally known, who, being by me duly sworn, says that he is a Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission expires

LESSEE'S CONSENT AND AGREEMENT

The undersigned, CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY (the "Lessee"), the lessee named in the Lease (the "Lease") referred to in the foregoing Assignment of Lease and Agreement (the "Lease Assignment"), hereby (a) acknowledges receipt of a copy of the Lease Assignment and (b) consents to all the terms and conditions of the Lease Assignment and agrees that:

(1) it will pay all rentals, casualty payments, liquidated damages, indemnities (except the Excluded Indemnity defined in Paragraph 1 of the Lease Assignment) and other moneys provided for in the Lease, due and to become due under the Lease or otherwise in respect of the Units leased thereunder, directly to MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent (the "Vendor"), the assignee named in the Lease Assignment, by bank wire transfer of immediately available funds to Mercantile-Safe Deposit and Trust Company, Baltimore, Maryland, for credit to its Corporate Trust Department's Account No. 620081-8, with notation that funds are "Re: CNW 8/1/86" (or at such other address as may be furnished in writing to the Lessee by the Vendor);

(2) it shall not be entitled to any abatement of rent or additional rent, reduction thereof or setoff against or recoupment of rent or additional rent, including, but not limited to, abatements, reductions, setoffs or recoupments due or alleged to be due by reason of any past, present or future claims or counterclaims of the Lessee against the Lessor under the Lease or under the CSA referred to in the Lease Assignment, or against the Builder (as defined in the Lease Assignment) or either of them or the Vendor or otherwise;

(3) except as and to the extent otherwise specifically provided in the Lease Assignment, the Vendor shall be entitled to the benefits of, and to receive and enforce performance of, all the covenants to be performed by the Lessee under the Lease as though the Vendor were named therein as the Lessor;

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

(5) the Lease shall not, without the prior written consent of the Vendor, be terminated, amended or modified, nor shall any waiver or release be given or accepted with respect thereto nor shall any action be taken or omitted by the Lessee the taking or omission of which might result in an alteration or impairment of the Lease or the Lease Assignment or this Consent and Agreement or of any of the rights created by any thereof.

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

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY,

by

_____
Vice President

[Corporate Seal]

Attest:

_____
Assistant Secretary

The foregoing Consent and Agreement is hereby accepted, as of the 1st day of August 1986.

MERCANTILE-SAFE DEPOSIT AND
TRUST COMPANY, as Agent,

by

_____
Vice President