

*3/13/81
see cc
H/350*

RECORDATION NO. 12984 Filed 1425
March , 1981
MAR 13 1981 -4 40 PM

INTERSTATE COMMERCE COMMISSION
Interstate Commerce Commission
Washington, D.C.

1-072 A173
3/13/81
120.00
MAR 13 1981 -4 40 PM
ICC Washington, D.C.
RECORDATION NO. 12984 Filed 1425
INTERSTATE COMMERCE COMMISSION

Dear Sir or Madam:

MAR 13 1981 -4 40 PM

INTERSTATE COMMERCE COMMISSION
Enclosed for recordation under the provisions of 49 USC 11303(a) are the original and six counterpart copies of the following documents:

- (1) Conditional Sale Agreement, dated as of February 2, 1981, between The M. W. Kellogg Company (Pullman Standard Division) (Vendor), and The Connecticut Bank and Trust Company, as trustee (Purchaser); Agreement and Assignment, dated as of February 2, 1981, between The M. W. Kellogg Company (Pullman Standard Division) (Assignor), and Continental Illinois National Bank and Trust Company of Chicago (Assignee).
- (2) Railroad Equipment Lease, dated as of February 2, 1981, between The Connecticut Bank and Trust Company, as trustee (Lessor), and Chicago and North Western Transportation Company (Lessee); Assignment of Lease and Agreement, dated as of February 2, 1981, between the Connecticut Bank and Trust Company (Assignor), and Continental Illinois National Bank and Trust Company of Chicago (Assignee).

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

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

Please return the original and six copies of the enclosed documents to Matthew A. Gabel, Csaplar & Bok, 235 Montgomery Street, Suite 450, San Francisco, California, 94104.

Also enclosed is a check in the amount of \$120. covering the required recording fee.

Very truly yours,
THE CONNECTICUT BANK AND TRUST
COMPANY, as trustee

By [Signature]
Its Asst Vice Pres.
Lessor as aforesaid

Enclosures

C. Deane Gabel - Doug Hutz

SCHEDULE A

The documents identified in paragraphs (1) and (2) of the foregoing letter relate to 1700 units of railroad equipment, manufactured by the M.W. Kellogg Company (Pullman Standard Division), consisting of 4,750 cubic feet, 100-ton covered steel hopper cars. Identification Numbers: CNW 181,000 through 182,699. A.A.R. mechanical designation (car type code):

RECORDATION NO. 12984 *B*
Filed 1425

MAR 13 1981 -4 40 PM

RAILROAD EQUIPMENT LEASE

INTERSTATE COMMERCE COMMISSION

between

THE CONNECTICUT BANK AND TRUST COMPANY,
as Trustee

f/b/o

GENERAL ELECTRIC CREDIT AND LEASING CORPORATION,
as Lessor

and

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY,
as Lessee

Dated as of February 2, 1981

TABLE OF CONTENTS

<u>Section</u>	<u>Title</u>	<u>Page</u>
	Preliminary Statement.....	1
1.	Net Lease.....	2
2.	Delivery and Acceptance of Units.....	3
3.	Rentals.....	3
4.	Term of Lease; Nondisturbance.....	6
5.	Identification Marks.....	6
6.	Taxes.....	7
7.	Maintenance; Insurance.....	10
8.	Casualty Occurrence.....	11
9.	Reports and Inspection.....	14
10.	Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification; Additions.....	15
11.	Default.....	20
12.	Return of Units upon Default.....	24
13.	Assignment; Possession and Use; Liens.....	25
14.	Right of Extension; Duty of First Offer	28
15.	Return of Units upon Expiration of Term.....	32
16.	Recording.....	33
17.	Interest on Overdue Rentals.....	33
18.	Notices.....	34
19.	Severability; Effect and Modification of Lease; Third-Party Beneficiaries; Effectiveness.....	34
20.	Immunities.....	35
21.	Execution.....	35
22.	Law Governing.....	35
23.	Table of Contents and Headings.....	36
	Schedule A. The Equipment	
	Schedule B. Form of Certificate of Inspection and Acceptance	
	Schedule C. Casualty Value Percentage Schedule	

Defined Terms

Acceptance Certificate.....	3
Acceptance Date.....	3
Additions.....	16
Agent.....	1
Applicable Laws.....	16
Basic Rent Commencement Date.....	3

<u>Title</u>	<u>Page</u>
Builder.....	1
Business day.....	5
Casualty Payment Date.....	11
Casualty Occurrence.....	11
Casualty Value.....	11
Casualty Value Percentages.....	4
Consent.....	1
Default.....	5
Documents.....	2
Equipment.....	2
Event of Default.....	20
Fair Market Purchase Price.....	30
Fair Market Rental.....	30
Government.....	12
Impositions.....	8
Indebtedness.....	5
Indemnified Matter.....	18
Indemnified Party.....	8
Interchange Rules.....	10,16
Investors.....	17
Lease Assignment.....	1
Lessee.....	1
Net Economic Return.....	4
Owner.....	1
Part.....	17
Participation Agreement.....	1
Purchase Agreement.....	1
Purchase Price.....	4
Rental Factors.....	4
Rental Payment Date.....	3
Scheduled Units.....	1
Termination Date.....	13
Trust Agreement.....	1
Unit.....	2
Units.....	2

RAILROAD EQUIPMENT LEASE

RAILROAD EQUIPMENT LEASE, dated as of February 2, 1981 (this Lease), between THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation having an address at One Constitution Plaza, Hartford, Connecticut 06115, Attention: Corporate Trust Department, and acting not in its individual capacity but solely as trustee (Lessor) under that certain Trust Agreement, dated as of the date hereof (together with all amendments and supplements thereto called the Trust Agreement), for the benefit of General Electric Credit and Leasing Corporation, a Delaware corporation (Owner), having an address at 260 Long Ridge Road, Stamford, Connecticut 06904, as lessor, and CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware corporation (Lessee), having an address at 400 West Madison Street, Chicago, Illinois 60606, as lessee.

Preliminary Statement

By that certain Conditional Sale Agreement, dated as of the date hereof (the Purchase Agreement), between The M.W. Kellogg Company (Pullman Standard Division), a Delaware corporation formerly known as Pullman Incorporated (Pullman Standard Division) (the Builder), and Lessor, Builder has agreed to manufacture and sell to Lessor the units of railroad equipment described in Schedule A hereto (the Scheduled Units). Lessee desires to lease, upon the terms and conditions set forth in this Lease, so many of such units of railroad equipment as are delivered to and accepted by Lessor and settled for under the Purchase Agreement. In connection with the sale and leasing of such units and by that certain Agreement and Assignment, dated as of the date hereof (the Purchase Agreement Assignment), between the Builder and the Agent hereinafter referred to, the Builder is assigning its interest in the Purchase Agreement to Continental Illinois National Bank and Trust Company of Chicago, a national banking association acting as agent for an institutional investor (the Investor) under that certain Participation Agreement, dated as of February 2, 1981 (the Participation Agreement), among such bank, Lessor, Lessee, Owner and the Investor (such bank and its successors and assigns as such agent are collectively called the Agent). As security for the performance of Lessor's obligations under the Purchase Agreement, Lessor intends to assign certain of its rights in this Lease to the Agent by an Assignment of Lease and Agreement, dated as of the date hereof

(the Lease Assignment), to which Lessee will consent by a Lessee's Consent and Agreement, dated as of the date hereof (the Consent).

NOW, THEREFORE, in consideration of the premises and the covenants hereinafter set forth to be performed by Lessee and Lessor, Lessor hereby leases to Lessee and Lessee hereby leases from Lessor, upon the following terms and conditions, such of the Scheduled Units which are delivered to and accepted by Lessor and Lessee in accordance with the Purchase Agreement and this Lease (each of such units upon such delivery and acceptance is called a Unit, and all of the Units are called the Units and are collectively called the Equipment):

1. Net Lease. This Lease is a net lease and Lessee shall not be entitled to any abatement, recoupment or reduction of rental or additional rental, or any setoff against rental or additional rental, including any abatement, setoff, reduction or recoupment due or alleged to be due by reason of any past, present or future claims or counterclaims of Lessee against Lessor, Owner, the Builder, the Agent or any other person. Lessee's obligations hereunder, including but not limited to its obligations to pay all rentals, additional rentals and other amounts hereunder, shall be absolute and unconditional; and, except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the respective obligations of Lessor or Lessee be otherwise affected, by reason of (i) any latent or patent defect in, or damage to, or loss of possession or use or destruction of, any Unit from whatever cause, (ii) any lien, encumbrance or right of others with respect to any Unit, (iii) the prohibition of or other restriction against Lessee's use of any Unit, (iv) the interference with such use by any person, (v) the invalidity, unenforceability or lack of due authorization of this Lease, (vi) any insolvency of, or any bankruptcy, reorganization or similar proceeding against, Lessee or (vii) any other cause whether similar or dissimilar to the foregoing, whether arising under this Lease, any other Document (as defined in the Participation Agreement) or otherwise, any present or future law to the contrary notwithstanding. Lessor and Lessee intend that the rentals and other amounts payable by 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 an express provision of this Lease. To the extent permitted by law, Lessee hereby waives any right 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 this Lease with respect to any Unit except in accordance with the express terms hereof. Each rental or other payment made by Lessee hereunder shall be final and Lessee shall not seek to recover any part of such payment from Lessor for any reason. The reduction in rental agreed on pursuant to Section 3(a) or 3(b) and the abatement in rental permitted by Section 3(f) shall be deemed not to be reductions or abatements prohibited by the first sentence of this Section 1.

2. Delivery and Acceptance of Units. Lessor hereby appoints Lessee its agent for inspection and acceptance of the Scheduled Units pursuant to the Purchase Agreement. Each tender for delivery of a Scheduled Unit to Lessor under the Purchase Agreement shall be deemed to be tender of delivery to Lessee under this Lease at the point or points within the United States of America at which such Scheduled Unit is tendered for delivery to Lessor under the Purchase Agreement. Upon such tender, Lessee will cause its representative, on behalf of Lessor and Lessee, to inspect the same; and, if such Scheduled Unit is found to be acceptable, to accept delivery of such Scheduled Unit and execute a certificate of inspection and acceptance (an Acceptance Certificate) substantially in the form attached hereto as Schedule B, and to deliver such certificate or a telecopy thereof to the Builder. Upon delivery of such certificate or telecopy to the Builder, such Unit shall be deemed to have been delivered to and accepted by Lessee hereunder and shall be subject to the terms and conditions of this Lease, except that any Unit excluded from the Purchase Agreement pursuant to Article 3.2 or 4.1 thereof shall be deemed to have not been delivered to and accepted by Lessor or Lessee for any purpose hereunder (the date of acceptance of each Unit specified in an Acceptance Certificate is called an Acceptance Date). Lessee will also cause its representative to deliver by first class mail to Lessor (and to the Builder, in the case of any Acceptance Certificate telecopied to the Builder) an executed copy of each Acceptance Certificate. Upon the acceptance of all Units to be subject to this Lease, Lessor and Lessee will enter into an amendment to this Lease setting forth the specific identifying numbers of the Units if this Lease shall not set forth the same.

3. Rentals. (a) Lessee shall pay to Lessor, as rental for each Unit, 40 consecutive semiannual rental payments, in arrears. The 40 semiannual rental payments are payable on February 1 and August 1 in each year commencing February 1, 1982 (the Basic Rent Commencement Date), and ending on

August 1, 2001 (each date on which a rental payment is payable is called a Rental Payment Date). The first 20 semiannual rental payments for any Unit shall each be in an amount equal to 4.86771% of the Purchase Price (as defined in Schedule B of the Purchase Agreement) of such Unit; and the subsequent 20 semiannual rental payments for any Unit shall each be in an amount equal to 5.94943% of the Purchase Price of such Unit (the percentages set forth in this sentence are called the Rental Factors). If for any reason any Unit shall be delivered and accepted hereunder after June 30, 1981, and before August 1, 1981, the Rental Factors and the Casualty Value percentages set forth in Schedule C (the Casualty Value Percentages) will be adjusted upward or downward, subject to clause (i) of Section 3(g), so that the after-tax economic yields and cash flows (computed on the same assumptions, including tax rates, as were utilized by Owner in originally evaluating the purchase and leasing of the Equipment) shall equal the after-tax economic yields and cash flows that would have been realized by Owner if the Equipment had been delivered and accepted prior to July 1, 1981 (the yields and cash flows that would have been realized upon pre-July deliveries and acceptances is called the Net Economic Return), Lessor shall provide such revised Rental Factors and Casualty Value Percentages to Lessee and the Agent promptly after the same have been determined. If Lessor shall be required to make the payment provided for in Paragraph 2(c) of the Participation Agreement, the Rental Factors shall be increased with respect to each Rent Payment Date thereafter occurring such that Owner's Net Economic Return will be preserved as though such payment had not been made.

(b) Subject to Section 3(g) of this Lease, the Rental Factors and related Casualty Value Percentages may be adjusted upward or downward in response to certain changes of law in accordance with Section 7 of that certain Indemnity Agreement, dated as of February 2, 1981 (the Indemnity Agreement), between Owner and Lessee.

(c) In addition to the rentals set forth above, Lessee shall pay to Lessor, on each date on which Lessor is required to make a payment pursuant to Paragraph 2(a) of the Participation Agreement and clauses (i), (ii) and (iii) of Paragraph 10(c) of the Participation Agreement, as additional rental, an amount which, after deduction of any taxes payable in respect of such amount, will be equal to the amount required by Lessor to make the payment provided for in such Paragraph 2(a) or such clauses (i), (ii) and (iii), as the case

may be. Lessor shall apply such additional rentals to the making of such payments.

(d) If any Rental Payment Date is not a business day, the rental payment otherwise payable on such date shall be payable on the last business day preceding such date. The term "business day" means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Chicago, Illinois, Hartford, Connecticut, or New York, New York, are authorized or obligated to remain closed.

(e) Lessor irrevocably instructs Lessee to make all the payments provided for in this Lease, including the payments provided for in Sections 3 and 8 but excluding all payments not assigned to the Agent pursuant to the Assignment, at the principal office of the Agent, for the account of Lessor in care of the Agent, with instructions to the Agent first to apply such payments to satisfy the obligations of Lessor under the Purchase Agreement and the Participation Agreement, and second, so long as no event of default or Default under the Purchase Agreement shall have occurred and be continuing, to pay any balance promptly to Lessor at such place as Lessor shall specify in writing (the term "Default" when used in conjunction with the term "Event of Default" or "event of default" shall mean an event which, but for the making of a demand, the lapse of time or both, would constitute such an Event of Default or event of default). Lessee shall make each payment contemplated by this paragraph in immediately available funds to the Agent by 10:00 a.m., Chicago time, on the date such payment is due.

(f) Notwithstanding any other provision hereof, to the extent that, prior to the termination of this Lease, Lessee shall be denied possession or use of a Unit because of the exercise of any right or remedy of the Agent under the Purchase Agreement upon the occurrence of a default under the Purchase Agreement which shall not result from an Event of Default under this Lease, Lessee shall have no obligation to make any rental payment for such Unit with regard to the period of its loss of such possession or use of such Unit.

(g) Any provision hereof to the contrary notwithstanding: (i) the rentals and Casualty Values payable hereunder with respect to any Unit shall never be less than those amounts required to enable Lessor to satisfy its obligations to pay or prepay with respect to such Unit the portion of the Indebtedness (as defined in the Purchase Agreement) allocable thereto and

interest thereon, regardless of any limitation of liability set forth in the Purchase Agreement; and (ii) such rentals and Casualty Values shall never be less than those amounts required to enable Owner to satisfy the requirements set forth in Revenue Procedure 75-21, 1975-1 Cum. Bull. 715 (Rev. Proc. 75-21) (except Section 5.01 thereof), as such requirements may be modified or adjusted prior to, or retroactive to a period prior to, the last Acceptance Date hereunder, whether by statute, regulation, revenue ruling, revenue procedure or otherwise.

4.(a) Term of Lease; Nondisturbance. The term of this Lease as to each Unit shall begin on the Acceptance Date of such Unit and, subject to the provisions of Sections 8, 11 and 14, shall terminate on the final Rental Payment Date occurring with respect to such Unit. The obligations of Lessee hereunder (including but not limited to the obligations under Sections 3, 6, 7, 8, 10, 12, and 15) shall survive the expiration or termination of the term of this Lease and the full payment of all amounts payable under this Lease.

(b) Notwithstanding anything to the contrary contained herein and except as provided in the following sentence: (i) all rights and obligations of Lessee under this Lease and in and to the Units are subject to the rights of the Agent under the Purchase Agreement; and (ii) if an event of default should occur under the Purchase Agreement, the Agent may terminate this Lease or rescind its termination of this Lease, all as provided therein. So long as (i) no Event of Default shall exist hereunder and (ii) Lessee shall be complying with the provisions of the Consent, however, this Lease may not be terminated, and Lessee shall be entitled to exercise its rights hereunder, including its rights of possession, use and assignment provided by Section 13, and neither Lessor nor Owner shall interfere with such rights.

5. (a) Identification Marks. Lessee will cause each Unit to be kept numbered with a different identification number within the group of identification numbers set forth in Schedule A, 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 Agent and Lessor, in order to protect Lessor's and the Agent's title to and interest in each Unit and the rights of Lessor under this Lease and the rights of the Agent under the Purchase

Agreement. Lessee will not place any 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. 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 Agent and Lessor and duly filed and deposited by Lessee in all public offices where this Lease and the Purchase Agreement shall have been filed and deposited, and all required publications, if any, made; and (ii) Lessee shall have furnished the Agent and Lessor with an opinion of counsel to the effect that such statement has been so filed, deposited and published, that such filing, deposit and publishing will protect the Agent's and Lessor's rights in such Units and that no other filing, deposit, publishing or other giving of notice with or to any Federal, state or local government or agency thereof is necessary to protect the rights of the Agent and Lessor in such Unit in any state of the United States of America or the District of Columbia.

(b) Except as provided in Section 5(a), 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, except that any Unit may be lettered with the name, initials or other insignia customarily used by Lessee or its affiliates.

6. (a) 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 Agent harmless from, all taxes (income, gross receipts, franchise, sales, use, property (real or personal, tangible or intangible), stamp and minimum (imposed under Section 56 of the Internal Revenue Code of 1954, as amended) 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 Lessor, Owner, the Agent, Lessee, any 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 (except for a transfer or disposition of

any Unit or interest therein by Lessor or Owner or of Lessor's or Owner's interest in this Lease or the rentals or other sums payable hereunder to one other than the Agent prior to the occurrence of an Event of Default, whether such transfer or disposition is voluntary or involuntary, or follows the return of any Unit in accordance with Section 15); the rentals, receipts or earnings arising therefrom; or this Lease, the Purchase Agreement, the Purchase Agreement Assignment, the Lease Assignment, any payment made pursuant to any such agreement, or the property, 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 Impositions); excluding, however: (i) Impositions 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 Lessor, the Agent or Owner, or value-added taxes in lieu of any such net income or excess profits taxes, other than Impositions arising out of or imposed in respect of the receipt of indemnification payments pursuant to this Lease; and (ii) any Impositions imposed on or measured by any fees or compensation received by the Lessor or the Agent; provided, however, that the Lessee shall not be required to pay any Impositions during the period it may be contesting the same in the manner provided below in this Section 6(a).

(b) If any return, statement or report with respect to Impositions relating to a Unit is required to be made, Lessee will make such return, statement or report in such manner as to show the interests of Lessor, Owner and the Agent in such Unit to their satisfaction; if such interest may not be so shown, Lessee will notify Lessor, Owner and the Agent thereof and prepare and deliver such return, statement or report to Lessor, Owner and the Agent within a reasonable period of time prior to the time the same is to be filed and in such manner as shall be satisfactory to Lessor, Owner and the Agent.

(c) The liability of Lessee for the payment or reimbursement of any Imposition pursuant to this Section 6 shall survive the expiration or termination of this Lease and the return of the Units as provided in Section 12 or 15 with respect to all Impositions existing prior to such expiration or termination and return or relating to such period; and such liability shall continue until all such Impositions are paid or reimbursed by Lessee, notwithstanding the expiration or termination of this Lease.

(d) If a claim shall be made against Lessor (in its individual or fiduciary capacity), Owner, the Agent, the Investor or their respective successors, assigns, agents and servants (each of Lessor, Owner, the Agent and the Investor, together with its successors, assigns, agents and servants, being called an Indemnified Party) for the payment of what could be an Imposition, such Indemnified Party shall notify Lessee in a timely manner. If reasonably requested by Lessee in writing and so long as Lessee is prohibited or impaired from doing so in its own name, such Indemnified Party, upon receipt of an indemnity 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 Lessee, shall contest in good faith the validity, applicability or amount of such Imposition by (i) resisting payment thereof if legally permissible, provided that such nonpayment does not, in the reasonable opinion of the Indemnified Party, adversely affect the interest of such Indemnified Party in and to the Units, (ii) not paying the same except under protest, if protest is necessary and proper, or (iii) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative or judicial proceedings, or any thereof. If such Indemnified Party shall obtain a refund of all or any part of such Imposition previously reimbursed by Lessee in connection with any such contest or an amount representing interest thereon applicable to the amount paid by Lessee and the period of such payment, such Indemnified Party shall pay to Lessee the amount of such refund or interest net of expenses, but only if no Event of Default or Default shall have occurred and be continuing.

(e) Lessee, whenever reasonably requested by such Indemnified Party, shall submit to such Indemnified Party copies of the returns, statements, reports, billings and remittances referred to above, or furnish other evidence satisfactory to such party of Lessee's performance of its duties under this Section 6. 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 Lessee relating to use of any Unit outside the continental United States.

(f) The amount which Lessee shall be required to pay with respect to any Imposition which shall be subject to indemnification under Section 6(a) or 6(d) shall be an amount sufficient to restore such Indemnified Party to the

same net after-tax rate of return, after considering the effect of such payment on its United States Federal income taxes and income taxes or franchise taxes of any state or political subdivision thereof based on net income, that such Indemnified Party would have been in had such Imposition not been imposed.

(g) The foregoing indemnities by Lessee shall not constitute a guarantee by Lessee or any subsidiary or affiliated corporation of Lessee of the payment of any instalments of principal or interest payable under the Indebtedness, 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 extended.

7. (a) Maintenance; Insurance. Lessee, at its own expense, will maintain and service each Unit (including any parts installed on or replacements made to any Unit and considered an Addition as defined in Section 10) so that each Unit will remain (i) in as good an operating condition as when delivered (ordinary wear and tear excepted), (ii) in compliance with all applicable laws and regulations, (iii) sufficient to preserve the warranty coverage of the Builder specified in Schedule A to the Purchase Agreement, (iv) at a level of maintenance comparable to that of all other owned or leased similar equipment in Lessee's fleet and (v) eligible for railroad interchange in accordance with the interchange rules of the Association of American Railroads (the Interchange Rules).

(b) At all times after delivery and acceptance of each Unit and prior to the return of the Equipment to Lessor, Lessee, at its own expense, will cause to be carried and maintained (and shall furnish to Lessor, Owner and the Agent an insurer's certificate or Lessee's independent insurance broker's verification evidencing) property insurance and public liability insurance in respect of the Equipment then subject to any provision hereof, in amounts (subject to customary deductibles) and against risks customarily insured against by railroad companies in respect of similar equipment and, in any event, comparable in amounts and against risks customarily insured against by Lessee from time to time in respect of similar equipment owned by it. Any policies of insurance carried in accordance with this section shall name Lessor, Owner and the Agent as additional insureds as their respective interests may appear and shall provide for 30 days prior written notice to Lessor, Owner and the Agent of any cancellation or material change. If Lessor shall receive any property insurance proceeds or condemnation payments in

respect of a Unit suffering a Casualty Occurrence, Lessor, subject to Lessee's having made payment of the Casualty Value in respect of such Unit and provided that no Event of Default or Default shall have occurred and be continuing, shall pay such proceeds or condemnation payments to Lessee up to an amount equal to the Casualty Value paid by Lessee with respect to a Unit; any balance of such proceeds or condemnation payments shall remain the property of Lessor. Of no Event of Default or Default shall have occurred and be continuing, all insurance proceeds and condemnation payments received by Lessor from Lessee's property insurance coverage or from a governmental authority, as the case may be, in respect of any Unit suffering damage or requisition, that shall not constitute a Casualty Occurrence, shall be paid to Lessee, in the case of damage upon proof satisfactory to Lessor that such damage has been fully repaired so as to comply with Section 7(a).

8. Casualty Occurrence. (a) If prior to the return of any Unit in the manner set forth in Section 15 such Unit shall be or become worn out, lost, stolen, destroyed or irreparably damaged from any cause whatever, permanently returned to the Builder pursuant to any patent indemnity provision of the Purchase Agreement or taken or requisitioned by condemnation or otherwise by the United States of America for a stated or indefinite period that shall exceed the then remaining term of this Lease (or, if such taking, requisition or condemnation shall occur during the extended term, for a stated or indefinite period which shall exceed the then remaining extended term) or by any other government or governmental entity resulting in loss of possession by Lessee for a period of 90 consecutive days (any such occurrence being called a Casualty Occurrence), Lessee shall give prompt (but in any event within 30 days after such Casualty Occurrence) notice thereof to Lessor, Owner and the Agent. On August 1, 1981, or, if such Casualty occurs thereafter, on the first Rental Payment Date after such notice (the Casualty Payment Date), Lessee shall pay to 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 of such Unit as of the Casualty Payment Date, minus, subject to Section 3(g)(i), the Present Value of any unused rental reduction as described in Section 7 of the Indemnity Agreement. Upon the making of such payment by 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) Lessor shall be entitled to recover possession of such Unit.

(b) The term "Casualty Value" with respect to any Unit shall mean, as of any Rental Payment date an amount equal to that percentage of the Purchase Price of such Unit set forth in Schedule C opposite such date; provided, however, that if the Casualty Value for any Unit as of such payment date as determined pursuant to Schedule C shall reflect an amount representing investment credit recapture to Owner that is greater or lesser than the actual amount of investment credit recapture incurred by Owner as a result of the Casualty Occurrence to such Unit, the Casualty Value for such Unit as so determined shall be appropriately decreased, subject to clause (i) of Section 3(g), or increased so as to reflect the actual amount of investment credit recapture incurred by Owner as a result of the Casualty Occurrence to such Unit.

(c) Whenever any Unit shall suffer a Casualty Occurrence after the final payment of rental in respect thereof is due pursuant to Section 3 and before (i) such Unit shall have been returned in the manner provided in Section 15, and (ii) the storage period therein provided with respect to such Unit shall have expired, Lessee shall give prompt (as provided above) notice to Lessor with respect thereto and pay to Lessor an amount equal to the Casualty Value of such Unit, which shall, except as otherwise provided in Section 14, be an amount equal to 20% of the Purchase Price of such Unit. Upon the making of any payment by Lessee in respect of a Casualty Occurrence 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), Lessor shall be entitled to recover possession of such Unit.

(d) In the event of the requisition for use by the United States of America or by any other government or governmental entity (hereinafter severally called the Government) of any Unit during the term of this Lease or any renewal thereof other than a requisition which shall constitute a Casualty Occurrence, Lessee's obligations (including, without limitation, the obligation to pay rentals and other sums hereunder) 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 shall be returned by the Government at any time after the end of the original term of this Lease or any extended term, Lessee shall be obligated to return such Unit to Lessor

pursuant to Section 12 or 15, as the case may be, promptly upon such return by the Government rather than at the end of the original term of this Lease or any extended term, but Lessee shall in all other respects comply with Section 12 or 15, as the case may be, with respect to such Unit. All payments received by Lessor or Lessee from the Government for the use of such Unit during the original term of this Lease or any extended term shall be paid over to, or retained by, Lessee, provided that no Event of Default or Default shall have occurred and be continuing; and all payments received by Lessor or Lessee from the Government for the use of such Unit after the original term of this Lease and any extended term shall have expired shall be paid over to, or retained by, Lessor.

(e) Lessor hereby appoints Lessee its agent to dispose of any Unit or component thereof suffering a Casualty Occurrence at the best price obtainable on an "as is, where is" basis; and Lessee shall notify Lessor and Owner prior to any such sale. Provided that Lessee shall have previously paid the Casualty Value to Lessor and that no Event of Default or Default shall have occurred and be continuing, Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit plus Lessee's out-of-pocket expenses in connection with such sale. Lessee shall pay any proceeds in excess of such Casualty Value and expenses to Lessor. Lessee shall be entitled to credit against the Casualty Value payment in respect of any Unit permanently returned to the Builder pursuant to any patent indemnity provision of the Purchase Agreement in an amount equal to any net patent indemnity payment in respect of such Unit made by the Builder to Lessor under the Purchase Agreement. Lessee will pay all costs and expenses in connection with the sale of any Unit pursuant to a Casualty Occurrence.

(f) Except as hereinabove in this Section 8 provided, 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 Lessee hereunder.

(g) If, in its reasonable judgment, Lessee shall determine in good faith from time to time after February 1, 1988, that the Equipment shall have become no longer economical for Lessee to retain, Lessee shall have the right, on at least 180 days' prior written notice to Lessor, which notice shall in no event be given before February 1, 1988, to terminate this Lease with respect to all, but not less than all, of the Equipment as of any succeeding Rental

Payment Date specified in such notice (the Termination Date), provided that (i) each holder of Indebtedness, if outstanding, shall have consented to such termination, (ii) no Default or Event of Default shall have occurred and be continuing (other than with respect to the Equipment as a consequence of a default under Section 7(a) or 10(b)), and (iii) on the Termination Date the Equipment be in the same condition (except for noncompliance with Section 7(a) or Section 10(b), as the case may be) as if returned pursuant to Section 15. During the period from such termination notice until the fifth business day preceding the Termination Date, Lessee shall use its best efforts, and Lessor may assist if it so chooses, to obtain bids for the purchase of the Equipment. Lessee, at least five business days prior to such Termination Date, shall certify to Lessor the amount of each such bid and the name and address of the party submitting such bid. On the Termination Date, Lessor may elect to sell the Equipment 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 Lessor; and on the Termination Date, Lessee shall pay to Lessor (i) the excess, if any, of the Casualty Value for the Equipment computed as of such date over the sale price of the Equipment after the deduction of all expenses incurred by Lessor in connection with the sale, and (ii) the rental payment for the Equipment due on the Termination Date. Lessor, however, by written notice to the Lessee given prior to the Termination Date, may elect to retain the Equipment, in which case (i) Lessee shall not be obligated to pay the Casualty Value of the Equipment to Lessor, and (ii) Lessee shall deliver the Equipment to Lessor in accordance with Section 15 (except as aforesaid as to the condition of the Equipment).

9. Reports and Inspection. (a) On or before April 30 in each year, commencing with the calendar year 1982, Lessee will furnish to Lessor, the Agent and Owner (A) an accurate statement (i) setting forth as of the preceding December 31 the amount, description and identifying numbers of all Units then leased hereunder and covered by the Purchase Agreement, the amount, description and identifying 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 Lessor and the Agent 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 Section 5 and by the Purchase Agreement have been preserved or replaced; and (B) a certification or verification of insurance coverage from Lessee's independent broker stating the amounts of insurance in effect with respect to the Equipment pursuant to Section 7 and the amount of any deductible. Lessor and Owner, each at its sole cost and expense, shall have the right (but not the obligation), by their agents, to inspect the Units and their maintenance, and Lessee's records with respect thereto at such times and under conditions mutually acceptable to the Owner and Lessee. Lessee shall promptly notify Lessor, Owner and the Agent of any material changes or any proposed material changes of which Lessee has knowledge in its insurance coverage in effect with respect to the Equipment pursuant to Section 7.

(b) Lessee shall promptly notify Lessor, Owner and the Agent of any occurrence of an Event of Default or Default, specifying such Event of Default or Default and the nature and status thereof.

10. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification; Additions. (a) NEITHER LESSOR NOR OWNER MAKES, HAS MADE NOR SHALL BE DEEMED TO HAVE MADE 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 THEREOF DELIVERED TO LESSEE HEREUNDER, AND NEITHER LESSOR NOR OWNER MAKES ANY 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 LESSEE'S RIGHTS TO QUIET ENJOYMENT THEREOF (EXCEPT AS TO ACTS OF LESSOR OR OWNER), OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT OR ANY SUCH COMPONENT, EITHER UPON DELIVERY THEREOF TO LESSEE OR OTHERWISE, all such risks, as among Owner, Lessor and Lessee, being borne by Lessee. Lessor hereby irrevocably appoints and constitutes 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 Lessor or Lessee, as their interests may appear, at Lessee's sole cost and expense, whatever claims and rights Lessor may have against the Builder under Items 3 and 4 of the Schedule A to the Purchase Agreement; except that if at any time an Event of Default shall have occurred and be continuing, Lessor may assert and enforce, at Lessee's sole cost and expense, such claims and rights. Lessor shall have no responsibility or liability to Lessee or any other person with respect to the following: (i)

any liability, loss or damage caused or alleged to be caused directly or indirectly by any Unit or by an inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Unit 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 Unit. Lessee's delivery of an Acceptance Certificate shall be conclusive evidence as between Lessee and Lessor that the Units described therein are satisfactory to Lessee in the foregoing respects. Lessee will not assert any claim of any nature whatsoever against Lessor based on any of the foregoing matters.

(b) Lessee, for the benefit of Lessor and the Agent, at all times shall comply in all respects (including with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which operations involving the Units may extend, with the interchange rules established by the Association of American Railroads (the Interchange Rules), if applicable, and with all lawful rules and regulations 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, rules and regulations affect the title, operation or use of the Units (all such laws, rules and regulations to such extent being hereinafter called the Applicable Laws). If, prior to the expiration of the original or the extended term of this Lease, the Applicable Laws shall require any alteration, replacement, addition or modification of or to any part on any Unit, Lessee will conform such Unit therewith at its own expense; but Lessee, at its own expense, may contest the validity or application of any Applicable Law in any reasonable manner which shall not, in the opinion of Lessor, Owner or the Agent, adversely affect the property or rights of Lessor, Owner or the Agent under this Lease or under the Purchase Agreement. Lessee, at its own cost and expense, may furnish other alterations, replacements, additions or modifications to any Unit, whether or not removable, including 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 Applicable Laws (collectively called the Additions) as 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 such Unit, shall not materially diminish the value, utility or condition of such Unit below the value, utility and condition thereof immediately prior to the making of such Additions (assuming such Unit was then in the condition required to be maintained by the terms of this Lease), and shall not render such Unit ineligible for interchange service under the Interchange Rules. Title to all Parts (as hereinafter defined) incorporated in or installed as part of the Units, without further act, shall vest in Lessor and be subject to a valid first lien and prior perfected security interest under the Purchase Agreement if: (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 a Unit pursuant to the provisions of the first paragraph of Section 7 or the terms of the second sentence of this paragraph; or (iii) such Part cannot be readily removed from the Unit to which it relates without material damage to such Unit and without materially diminishing or impairing the value or utility which such Unit would have had at such time had such alteration, replacement, modification or addition not occurred. In all other cases, if no Event of Default or 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, replacements, modifications and additions shall vest in Lessee and may be removed by Lessee at any time during the term of this Lease and any renewal thereof and prior to the return of the Units to Lessor pursuant to Section 15. The term "Part" shall 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.

(c) The Lessee agrees to indemnify, protect and hold harmless each Indemnified Party (in both its individual and fiduciary capacities), 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 Party) 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 Purchase Agreement, the Participation Agreement, this Lease, or any sublease entered into pursuant to Section 13 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 Section 14 of this Lease, the transfer of title to the Equipment by the Builder or the Agent pursuant to any provision of the Purchase Agreement 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 arising solely by reason of the participation of such party in the transactions intended by the Documents (as defined in the Participation Agreement) or caused by an act or omission of an Indemnified Party in violation of the provisions of the Documents signed by it (its Documents), provided that this exception shall not apply to any matter with respect to which the Indemnified Party is claiming indemnification to the extent of the Indemnified Party's claim, unless such claim was the direct result of the Indemnified Party's default under its Documents (all of which matters indemnified against pursuant to the above being hereinafter called the Indemnified Matters). The amount Lessee shall be required to pay with respect to any Indemnified Matter shall include a payment to the Indemnified Party sufficient to restore such party to the same position, after considering the effect of such payment on its United States Federal income taxes and state and local income taxes or franchise taxes based on net income, that such Indemnified Party would have been in had the Indemnified Matter not been incurred. Lessee shall be obligated under this Section 10, irrespective of whether any Indemnified Party shall also be indemnified with respect to the same matter under any other agreement by any other person; and the Indemnified Party seeking to enforce its indemnification hereunder may proceed directly against Lessee under this Section 10 without first resorting to any such other rights of indemnification.

(d) Lessee further agrees to indemnify, protect and hold harmless each Indemnified Party, as a third-party beneficiary hereof, from and against all liabilities, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against such Indemnified Party because of the use in or about the construction or operation of any Unit of any article or material which is specified by Lessee and not manufactured by the Builder or of any design, system, process, formula or combination which is specified by Lessee and not developed or purported to be developed by the Builder, in each case which shall infringe or is claimed to infringe on any patent or other right. Lessee will give notice to the Builder of any claim known to Lessee from which liability may be charged against the Builder with respect to the foregoing.

(e) 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.

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

(g) None of the indemnities in this Section 10 shall be deemed to create any rights of subrogation, from or under any Indemnified Party, in any insurer or third party against Lessee or Lessor therefor, whether because of any claim paid or defense provided for the benefit thereof or otherwise. The foregoing indemnities by Lessee shall not constitute a guarantee by Lessee of the payment of any instalment of principal or interest payable under the Purchase Agreement or a guarantee of the residual value of the Units. The indemnities contained in this Section 10 shall survive the expiration or termination of this Lease and the return of the Units as provided in Section 12 or 15 with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination and return, and are expressly made for the benefit of, and shall be enforceable by, each Indemnified Party.

(h) Upon the payment in full to any Indemnified Party of any indemnity as contained in this Section 10 by Lessee, and if no Event of

Default or Default shall have occurred and be continuing, (i) Lessee shall be subrogated to any right of such Indemnified Party (except against another Indemnified Party) in respect of the matter against which indemnity has been given; and (ii) any payments received by such Indemnified Party from any person (except Lessee) as a result of any matter with respect to which such Indemnified Party has been indemnified by Lessee pursuant to this Section 10 shall be paid over to Lessee to the extent necessary to reimburse Lessee for indemnification payments previously made in respect of such matter.

11. Default. (a) 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:

(i) default shall be made by Lessee in the payment of any amount provided for in Section 3, 8 or 14 and such default shall continue for seven business days;

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

(iii) default shall be made in the observance or performance of any other covenant, condition or agreement of Lessee contained herein or in the Consent, the Participation Agreement or the Indemnity Agreement, and such default shall continue for 30 days after written notice to Lessee specifying the default and demanding that the same be remedied;

(iv) a petition for reorganization under Title 11 of the United States Code, as now constituted or as it may hereafter be amended, shall be filed by or against 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 obligations of Lessee under this Lease, the Consent and 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 Section 1168 of Title 11 of the United States Code (11 U.S.C. sec. 1168) or any successor provision, as the same may hereafter be amended; or

(v) any other proceeding shall be commenced by or against Lessee for any relief which shall include, or might result in, any modification of obligations of 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 Lessee hereunder or under the Consent or the Indemnity Agreement), 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 obligations of Lessee under this Lease, the Consent and 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 or receiver or receivers appointed (whether or not subject to ratification) for Lessee, or for the property of 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, Lessor, at its option, may:

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

(II) by notice in writing to Lessee, terminate this Lease, whereupon all rights of Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but Lessee shall remain liable as herein provided; and thereupon, subject to compliance with all mandatory requirements of law, Lessor, by its agents, may enter upon the premises of 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 Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to Lessee for such action or inaction or for any proceeds arising therefrom; but Lessor nevertheless shall have a right to recover from Lessee 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, the numerator of which is such number of days and the denominator of which is the total number of days in such full rental period) and also to recover forthwith from Lessee as damages for loss of the bargain and not as a penalty whichever of the following amounts which Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to 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, if such Unit shall have been sold, the net proceeds of sale, or, if such Unit shall not have been sold, the then present value of the rental which Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 9% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, or (y) an amount equal to the excess, if any, of the Casualty Value as of the Rental Payment Date on or before the date of termination over the amount Lessor reasonably shall estimate to be the sale value of such Unit at such time; provided, however, that if Lessor shall have sold any Unit, Lessor, in lieu of collecting any amounts payable to Lessor by Lessee pursuant to the preceding clauses (x) or (y) of this part (II) with respect to such Unit, may, if it shall so elect, demand that Lessee pay Lessor, and Lessee shall pay to 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 preceding the date of termination over the

net proceeds of such sale. In addition, Lessee shall be liable, except as otherwise provided above, for all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies, for all damages and expenses sustained by reason of Lessee's default of any covenant, representation or warranty hereunder other than for the payment of rent 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 Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit and in connection with any suit to enforce the Lessor's rights hereunder.

(b) The remedies in this Lease provided in favor of 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. 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 shall not, at the time in question, be prohibited by law. Lessee hereby waives all existing or future claims to any offset against the rentals due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by Lessee or on its behalf. Lessee hereby waives all claims against Lessor and the Agent and their agent or agents for damages of whatever nature in connection with any retaking of any Unit in any reasonable manner. Lessor and Lessee agree that Lessor shall be entitled to all rights (such rights being fundamental to the willingness of Lessor to enter into this Lease) provided for in 11 U.S.C. sec. 1168 or any comparable provision of any amendment thereto, or of any other bankruptcy act, so that Lessor shall have the right to take possession of the Equipment upon an Event of Default under this Lease regardless of whether Lessee is in reorganization, subject to the provisions of 11 U.S.C. sec. 1168 or any such comparable provision.

(c) No failure by Lessor to exercise, and no delay by 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 Lessor preclude any other or further exercise thereof, or the exercise of any other right, power or privilege.

(d) If Lessee shall fail to perform or comply with any agreement, covenant or condition contained in this Lease, Lessor, upon notice to Lessee, may (but shall not be required to) perform or comply with such agreement, covenant or condition and the amount of the reasonable costs and expenses of Lessor incurred in connection with such performance or compliance, together with interest on such amounts at the rate of 15-3/4% per annum, or if such rate is not legally enforceable then at the highest legally enforceable rate, shall be payable to Lessor by Lessee upon demand. No such performance or compliance by Lessor shall be deemed a waiver of the rights and remedies of Lessor against Lessee hereunder or be deemed to cure a default by Lessee hereunder.

12. Return of Units upon Default. (a) If this Lease shall terminate pursuant to Section 11, Lessee shall forthwith deliver possession of the Units to Lessor. Except as hereinafter provided, each Unit so delivered shall be in the condition required by Section 7(a). For the purpose of delivering possession, Lessee shall:

- (i) forthwith and in the usual manner (including, but not in limitation, by giving prompt telegraphic or written notice to the Association of American Railroads and each railroad to which any Unit has been interchanged or which may have possession thereof to return such Unit) place such Unit upon such storage tracks of Lessee or any of its affiliates as Lessor reasonably may designate;
- (ii) permit Lessor to store such Units on such tracks at the risk of Lessee; such storage shall be without charge for insurance (which Lessee shall maintain in conformity with Section 7), rent or storage until such Units have been sold, leased or otherwise disposed of by Lessor but in no event later than the later of (x) 30 days after the payment in full of all Indebtedness and other sums due under the Purchase Agreement and (y) a storage period of not more than 120 days following notification by Lessee to Lessor that 75% of the Units have been delivered for storage (or with respect to any Unit not delivered at the time of such notification, not more than 120 days following notification from Lessee to Lessor that such Unit has been delivered for storage); and
- (iii) transport the same to any reasonable place, without charge for the portion thereof occurring east of the Missouri River, (A) on the

lines of railroad operated by Lessee or any of its affiliates, or (B) for interchange to any connecting carrier for shipment, as directed by Lessor.

The assembling, delivery, storage, insurance and transporting of the Units as provided above shall be at the expense and risk of Lessee and are of the essence of this Lease. Upon application to any court of equity having jurisdiction, Lessor shall be entitled to a decree against Lessee requiring specific performance of the covenants of Lessee so to assemble, deliver, store and transport the Units. Except as hereinafter provided, during any storage period, Lessee will, at its own expense, maintain and keep the Equipment in the condition required by Section 7(a) and will permit 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. Anything to the contrary contained in this Section 12 notwithstanding, Lessee shall have no obligation under clause (ii) or (iii) of Section 7(a) after the later of (i) the payment in full of all Indebtedness and other sums due under the Purchase Agreement and (ii) the earlier of Lessor's disposition of the Units and the scheduled date of expiration of the then term of this Lease. At the request of Lessor, Lessee will continue to store any Unit up to 365 days beyond the storage period determined pursuant to clause (ii) of this Section 12(a), but such storage shall be at the risk, liability and expense (including reasonable storage charges) of Lessor, who shall indemnify Lessee in a manner satisfactory to Lessee with respect to such storage. All rent and per diem charges earned in respect of the Units (including incentive rate charges) after the date of termination of this Lease shall belong to Lessor and, if received by Lessee, shall be promptly turned over to Lessor.

(b) Without in any way limiting the foregoing obligations of Lessee under this Section 12, Lessee hereby irrevocably appoints Lessor as the agent and attorney-in-fact of Lessee, with full power and authority, at any time while Lessee is obligated to deliver possession of any Unit to Lessor, to demand and take possession of such Unit in the name and on behalf of Lessee from whosoever shall be in possession of such Unit at the time.

13. Assignment; Possession and Use; Liens. (a) Except for any assignment of this Lease to or by the Agent and its successors and assigns, this Lease may not be assigned in whole or in part by Lessor without the prior written consent of Lessee except to General Electric Company or any affiliate

thereof, 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 Lessee within the meaning of Section 10 of the Clayton Act (49 U.S.C. Section 20); but Lessee shall be under no obligation to any assignee of Lessor except upon written notice of such assignment from Lessor. Any sale, transfer, assignment or other disposition by Lessor in violation of its rights hereunder shall be void. All rights of Lessor hereunder shall inure to the benefit of Lessor's successors and assigns. So long as this Lease shall be assigned to the Agent or any successor thereto as collateral, the term "Lessor" shall include the Agent and any successors thereto or assignees thereof unless the context shall otherwise require, except that neither the Agent nor any such successor or assignee shall be subject to any liabilities or obligations under this Lease (the Agent being specifically named in certain provisions herein shall not be construed to mean that the Agent or any successor thereto or assignee thereof is not entitled to the benefits of other provisions where only Lessor is named).

(b) Provided that no Event of Default exists hereunder, without the prior written consent of Lessor and the Agent, Lessee may sublease (which sublease by its terms shall be subject to the rights and remedies of Lessor and the Agent 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 a railroad owned or operated by 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 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 this Lease; provided, however, that (i) the Agent's and Lessor's consent, not to be unreasonably withheld, must be obtained for any sublease that would be longer than six months during any period of twelve consecutive months, (ii) Lessee shall not sublease or permit the sublease or use of any Unit for service involving operation or maintenance outside the United States of America (except that occasional service ~~outside the United States of America~~ shall be in Canada or Mexico

on a temporary basis which is not expected to exceed a total permitted ~~so long as such service does not involve regular operation and of 90 days in any taxable year of the owner)~~ maintenance outside the United States of America), and (iii) no such sublease or use shall be to or by any person if, as a consequence thereof, such Unit would not qualify as "section 38 property" within the meaning of the Code. No sublease by Lessee shall relieve Lessee of its obligations hereunder, which shall be and remain those of a principal and not a surety.

(c) Nothing in this Section 13 shall be deemed to restrict the right of 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 Lessee hereunder and under its Documents (as defined in the Participation Agreement) other than this Lease) 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 Lessee; provided, however, that such assignee, lessee or transferee will not, upon the effectiveness of such merger, consolidation, lease or acquisition, be in default hereunder or under any other of its Documents, that such acquisition or lease of railroad lines of Lessee shall not alter in any way Lessee's obligations to Lessor and Agent hereunder which shall be and remain those of a principal and not a surety and that the net worth of such assignee, lessee or transferee immediately after such merger, consolidation, lease or acquisition, shall not be less than that of Lessee immediately before such merger, consolidation, lease or acquisition. The consent of Lessor and the Agent, not to be unreasonably withheld, must be obtained for any other assignment or transfer by Lessee; and any such assignment or transfer made without such consent shall be void. No such other assignment or transfer by Lessee shall relieve Lessee of its obligations hereunder, which shall be and remain those of a principal and not a surety.

(d) Lessee, at its own expense and as soon as possible, will pay, or satisfy or discharge, any claim of any party which, if unpaid, might constitute or become a lien, charge, security interest or other encumbrance upon or with respect to any Unit, or the interest of the Agent therein or Lessor's or the Agent's interest in this Lease and the payments due and to become due hereunder (other than a lien, charge, security interest or other encumbrance arising from, through or under Lessor, Owner, the Agent or their

respective successors or assigns by reason of a claim against Lessor, Owner, the Agent or their successors and assigns not arising solely by reason of the participation of such party in the transactions intended in the Participation Agreement, the Trust Agreement and the documents referred to therein, except in the case of the Agent and its successors and assigns any claim arising by reason of the gross negligence or wilful misconduct of the Agent) and shall promptly discharge any such lien, charge, security interest or other encumbrance; such obligations shall survive the expiration or earlier termination of this Lease and the return of the Equipment as to all such claims, liens, charges, security interests, or other encumbrances arising prior to such expiration or termination and return (notwithstanding the foregoing, Owner shall have no right to receive any payment from Lessee in the nature of an indemnity payment with regard to the foregoing to the extent that Owner shall have recourse to Lessor for the amount of such payment under the Trust Agreement or otherwise). The foregoing covenant, however, 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. Lessee, however, shall be under no obligation to discharge any such lien, charge, security interest or other encumbrance so long as it shall be contesting the same in good faith and by appropriate legal proceedings, and the failure to discharge the same shall not, in the opinion of Lessor or the Agent, as the case may be, adversely affect the title, property or rights of Lessor hereunder or of the Agent under the Purchase Agreement and the Lease Assignment.

14. Right of Extension; Duty of First Offer. (a) If this Lease shall not have been earlier terminated and Lessee shall not be in default hereunder, Lessee, by written notice delivered to Lessor not less than 180 days prior to the end of the original term of this Lease, may elect to extend the term of this Lease with respect to all but not fewer than all the Units then covered hereby for a period of 5 years (the extended term) commencing on the date of the scheduled expiration of the original term of this Lease.

(b) The extended term of this Lease shall be on the same payment and other terms and conditions as are contained in this Lease, except that (i) the rentals provided for in Section 3(a) for any Unit shall be payable

commencing February 1, 2002, in an amount equal to the Fair Market Rental (as hereinafter defined) of such Unit, and (ii) the Casualty Value of such Unit as of the first day of the extended term shall be equal to the greater of (x) the Fair Market Purchase Price (as hereinafter defined) of such Unit on such date, and (y) the present value as of such date of all rentals payable during such extended term as provided in clause (i) above, discounted at a rate of 14-3/4% per annum, compounded semiannually from the respective dates upon which such rentals are payable hereunder to such date, and thereafter such Casualty Value for the remainder of the extended term shall be reduced on a straight-line basis (computed on the basis of a 360-day year of twelve 30-day months) over the estimated remaining useful life of such Unit (as of the first day of the extended term) to zero. The estimated remaining useful life and the Fair Market Purchase Price, if not agreed upon by Lessor and Lessee, shall be determined by appraisal consistent with the procedure hereinafter set forth.

(c) Not less than 300 days prior to the end of the term of this Lease (either the original or the extended term) and provided that no Event of Default shall be in existence, Lessor shall notify Lessee in writing as to whether Lessor intends to sell the Equipment at the end of the term hereof, and shall accompany such notice with an irrevocable offer to sell the Equipment to Lessee, at the end of the term hereof, upon the terms and conditions set forth herein; provided, however, that Lessor's right to sell the Equipment at the end of the original term hereof shall be subject to Lessee's right to extend such term pursuant to Section 14(a). If Lessee shall be interested in purchasing the equipment, Lessee shall give written notice to Lessor, not less than 260 days prior to the end of the term hereof, of such interest. If (i) during the original term hereof, Lessee fails to give such notice and also fails to give written notice that it elects to extend the term hereof as provided in Section 14(a), in each case at least 260 days prior to the end of the original term hereof or (ii) during the extended term hereof, Lessee fails to give such notice of its interest to purchase, Lessee shall have no further right to purchase the Equipment. If Lessee shall give such notice, Lessor and Lessee shall promptly cause the Fair Market Purchase Price of the Equipment to be determined as provided in Section 14(c), which determination shall be made not less than 200 days prior to the end of the term hereof; and Lessor, at its election and in a commercially reasonable manner, may solicit offers to buy the Equipment on the same terms and

conditions as would apply to a sale of the Equipment to Lessee. True copies of any bona fide offers received by Lessor from a party not related to Lessor, Lessee or Owner shall be submitted to Lessee not less than 200 days prior to the end of the term hereof. After determination of the Fair Market Purchase Price and not less than 180 days prior to the end of the term hereof, Lessee may give written notice to Lessor of its acceptance of Lessor's offer at a price equal to the greater of (i) the Fair Market Purchase Price and (ii) the highest such bona fide offer so received by Lessor and transmitted to Lessee. If Lessee shall fail to give such notice, Lessee shall have no further right to purchase the Equipment. If Lessee shall give such notice, Lessee shall purchase the Equipment on the last business day of the term hereof, at such price and upon the other terms and conditions set forth in Section 14(d). The costs of appraisal, if any, incurred in connection with the determination of Fair Market Purchase Price pursuant to this Section 14(c) shall be shared equally by Lessor and Lessee if Lessee shall elect to purchase the Equipment pursuant to this Section 14(c), and shall be paid entirely by Lessee if Lessee shall fail to elect to so purchase the Equipment.

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

(e) The Fair Market Rental or the Fair Market Purchase Price, as the case may be, shall be determined on the basis of, and shall be equal in amount to, the cash rental or the purchase price (as of the date the context

hereof 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 (other than a lessee currently in possession) under no compulsion to lease or sell, but there shall be excluded from such determination any portion of such rental or purchase price attributable to Parts which Lessee is entitled to remove pursuant to Section 10; in addition, the 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 of Fair Market Rental or Fair Market Purchase Price, costs of removal from the location of current use shall not be considered and the Units involved shall be deemed to have been collected in one place on the lines of Lessee as directed by Lessor. If, within 20 days from the giving of notice by Lessee of its election to extend the term of this Lease or from the giving of notice by Lessor that it intends to sell any Units as aforesaid, Lessor and Lessee shall be unable to agree upon the Fair Market Rental or the Fair Market Purchase Price of such Units, such rental or purchase price shall be determined in accordance with 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 shall be so appointed within 15 business days after such notice shall have been given, each party shall appoint an independent appraiser within 20 business days after such notice shall have been given and the two appraisers so appointed, within 25 business days after such notice is given, shall appoint a third independent appraiser; if no such third appraiser is appointed within 25 business days after such notice shall have been 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 appointed pursuant to the foregoing procedure shall be instructed to determine, within 30 days after his or their appointment, the Fair Market Rental or the Fair Market Purchase Price, as the case may be, of the Units then subject to this Lease as though all such Units were being leased or sold as a unit. 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 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 the 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, Lessee and Lessor shall share equally all appraisal expenses.

15. Return of Units upon Expiration of Term. As soon as practicable after the expiration of the original or the extended term of this Lease with respect to any Unit, Lessee, at its own cost, expense and risk, and at the request of Lessor, will deliver possession of such Unit, if not purchased by Lessee, to Lessor upon such storage tracks of Lessee as Lessee may reasonably designate, or, in the absence of such designation, as Lessor may reasonably select, and permit Lessor to store such Unit on such tracks for a period not exceeding 60 days following notification to Lessor by Lessee that 75% of the Units have been assembled on such tracks and delivered for storage (or, with respect to any Unit not delivered at the time of such notification, a period not exceeding 60 days following notification from Lessee that such Unit has been assembled and delivered for storage) and transport the same, at any time within such 60-day period, to any reasonable place east of the Missouri River on the lines of a railroad operated by Lessee, or to any connecting carrier for shipment, all as mutually agreed upon by Lessor and Lessee, the movement and storage of such Units to be at the expense and risk of Lessee (which shall during such period maintain the insurance required by Section 7). If any Unit shall suffer a Casualty Occurrence during such storage period, Lessee shall pay Lessor the Casualty Value thereof as provided in Section 8. During any such storage period, Lessee will permit 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; but

Lessee shall not be liable, except in the case of negligence or strict liability of Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, on behalf of either Lessor or any prospective purchaser, lessee or user, such rights of inspection. Except as hereinafter provided in this Section 15, each Unit returned to Lessor pursuant to this Section 15 (except for Parts which Lessee shall be entitled to remove and shall remove pursuant to Section 10) shall be in the condition required by Section 7(a). 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, Lessor shall be entitled to a decree against Lessee requiring specific performance thereof. During any storage period, Lessee, at its expense, will maintain and keep the Units (except for Parts which Lessee shall be entitled to remove and shall remove pursuant to Section 10) in the condition required by Section 7(a). Notwithstanding anything to the contrary contained in this Section 15, Lessee shall have no obligation under clause (ii) of Section 7(a) after the expiration of the term of this Lease. All rent and per diem charges earned in respect of the Units after the date of termination of this Lease shall belong to Lessor and, if received by Lessee, shall be promptly turned over to Lessor.

16. Recording. Lessee, at its own expense, will cause this Lease, the Purchase Agreement and any assignment hereof or thereof to be filed in accordance with 49 U.S.C. Section 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. Lessee will undertake the filing, registering, deposit, and recording required of Lessor under the Purchase Agreement and from time to time will 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) all further instruments required by law or reasonably requested by Lessor or the Agent for the purpose of proper protection, to their satisfaction, of the Agent's and Lessor's respective rights in the Units, or for the purpose of carrying out the intention of this Lease, the Purchase Agreement and the assignments hereof and thereof to the Agent; and Lessee will promptly furnish to the Agent and Lessor evidence of all such filing, registering, depositing, recording and other acts which may be required under this Section 16, and an opinion or opinions of counsel for Lessee with respect

thereto satisfactory to the Agent and Lessor. This Lease and the Purchase Agreement, 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.

17. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, the nonpayment of rentals and other obligations due to Lessor or the Agent hereunder shall obligate Lessee promptly to pay, to the extent legally enforceable, interest on such overdue rentals and other obligations for the period of time during which they are overdue at a rate of 15-3/4% per annum, or, if such rate is not legally enforceable, at the highest legally enforceable rate. Except as otherwise expressly provided herein, interest hereunder shall be determined on the basis of a 360-day year of twelve 30-day months, and at a daily rate of interest of .04375% for any partial month.

18. Notices. Any notice hereunder to be given by any party to another shall be deemed to have been given when mailed, by registered or certified mail, postage prepaid, return receipt requested, to the addressee thereof at its address as first set forth above or to such other address or to such attention as shall have specified in a written notice to the other party. Copies of each such notice shall be given to the Agent at 30 North LaSalle Street, Chicago, Illinois 60693, Attention: Corporate Trust Department, to Owner at its address first set forth above and to Lessee at its address first set forth above to the attention of the Assistant Vice President Finance.

19. Severability; Effect and Modification of Lease; Third Party Beneficiaries; Effectiveness. (a) Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be ineffective as to such jurisdiction 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.

(b) Except for the Participation Agreement and the exhibits thereto, this Lease exclusively and completely states the rights of Lessor and 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 Lessor and Lessee.

(c) Nothing in this Lease shall be deemed to create any right in any person other than Lessor, Lessee, Owner, the Agent, the Investor, the Builder and their permitted successors and assigns, and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of any third party not referred to above.

20. Immunities. Anything herein to the contrary notwithstanding, (i) Lessor shall be liable in its individual capacity with respect to its wilful misconduct and gross negligence; and (ii), except as provided in clause (i) above, each representation, warranty, undertaking and agreement herein on the part of Lessor is made and intended not as a personal representation, warranty, undertaking or agreement by The Connecticut Bank and Trust Company or any successor trustee or cotrustee as the Trustee under the Trust Agreement, or for the purpose or with the intention of binding Lessor or any successor or cotrustee personally, but is made by Lessor solely in its capacity as trustee under the Trust Agreement for the purpose of binding only the Trust Estate, as defined in the Trust Agreement. This Lease is executed and delivered by Lessor solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement. Except for wilful misconduct or gross negligence of Lessor, no personal liability hereunder is assumed by, or at any time shall be asserted or enforceable against, Lessor, or any successor or cotrustee or the Owner on account of any representation, warranty, undertaking or agreement hereunder of Lessor, express or implied, all such personal liability, if any, being expressly waived and released by Lessee and by all persons claiming by, through or under Lessee. Lessee or any person claiming by, through or under Lessee, however, may look to the Trust Estate for satisfaction of any claim hereunder.

21. Execution. This Lease may be executed in several counterparts which together shall constitute but one and same instrument, but the counterpart delivered to the Agent shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. No such counterpart need be signed by both parties hereto so long as each party hereto shall have executed and delivered one counterpart hereof. The actual date of execution

hereof by any party hereto is the date stated in the acknowledgement of such party attached hereto.

22. Law Governing. This Lease and all rights and obligations hereunder shall be governed by the laws of the State of Illinois, but Lessor, Lessee and their successors and assigns shall be entitled to all rights conferred by 49 U.S.C. Section 11303 and to any additional rights arising out of the filing or deposit hereof or of any assignment hereof 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. Table of Contents and Headings. The table of contents and the headings of the various Articles, Sections and Schedules of this Lease have been inserted for reference only and do not form a part of or affect any construction or interpretation of this Lease.

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

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity, but
solely as trustee under that certain
Trust Agreement, dated as of February
2, 1981, between The Connecticut Bank
and Trust Company and General Electric
Credit and Leasing Corporation.

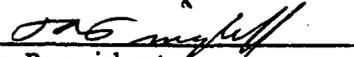
By 
Authorized Officer

(Corporate Seal)

Attest:


Authorized Officer

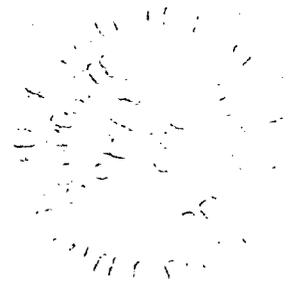
CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY

By 
Vice President

(Corporate Seal)

Attest:


Assistant Secretary



STATE OF ILLINOIS)

)ss.:

COUNTY OF COOK)

On this 11TH day of March, 1981, before me personally appeared T.A. Tingleff, to me personally known, who being by me duly sworn, says that he is an Authorized Officer of CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, 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 he executed the foregoing instrument as a free act and deed of said Corporation for the purposes set forth therein.

Sylvia B. Thomas
Notary Public

My Commission Expires: 2/9/83

(Notarial Seal)

SCHEDULE A

The Equipment

<u>Description</u>	<u>Builder</u>	<u>Quantity</u>	<u>Lessee's Identification Numbers</u>
4,750 cu. ft. 100-ton covered hopper car	The M. W. Kellogg Company (Pullman Standard Division)	1700	CNW 181,000 through CNW 182,699

SCHEDULE B

Certificate of Inspection and Acceptance

To: The Connecticut Bank and Trust Company,
acting as Trustee (Lessor) under
Trust Agreement
One Constitution Plaza
Hartford, Connecticut 06115
Attention: Corporate Trust Department

The M.W. Kellogg Company
(Pullman Standard Division)
200 South Michigan Avenue
Chicago, Illinois 60604

I, the duly authorized representative for Lessor under the Conditional Sale Agreement, dated as of February 2, 1981, between The M.W. Kellogg Company (Pullman Standard Division) and the Lessor, and for Chicago and North Western Transportation Company (Lessee) under the Railroad Equipment Lease, dated as of February 2, 1981, do hereby certify that the following equipment has been inspected and that I have accepted delivery of such equipment thereunder:

TYPE OF EQUIPMENT: 4,750 cu. ft. covered hopper car;
Manufacturer: The M.W. Kellogg Company
(Pullman Standard Division)

DATES OF ACCEPTANCE:
NUMBER OF UNITS:
LESSEE'S ROAD NUMBERS: CNW 181,000 through CNW 182,699

I do further certify that such equipment is in good order and condition, and appears to conform to the specifications, requirements and standards applicable thereto as provided in Article 1 of the aforesaid Conditional Sale Agreement.

I do further certify that each unit of such equipment has been marked by means of a stencil printed in contrasting colors upon each side of 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 M.W. Kellogg Company (Pullman Standard Division) for any warranties it has made with respect to such equipment.

Authorized Representative of
Lessor and Lessee

SCHEDULE C
Casualty Value Percentage Schedule (1981 Acceptance)

<u>Casualty Value Date</u>	<u>Percentage of Purchase Price</u>
On or before the day prior to:	
February 1, 1982	110.24
August 1, 1982	111.86
February 1, 1983	113.27
August 1, 1983	114.47
February 1, 1984	115.47
August 1, 1984	116.87
February 1, 1985	110.50
August 1, 1985	110.94
February 1, 1986	111.20
August 1, 1986	111.88
February 1, 1987	104.80
August 1, 1987	104.56
February 1, 1988	104.16
August 1, 1988	104.20
February 1, 1989	96.50
August 1, 1989	95.67
February 1, 1990	94.71
August 1, 1990	93.62
February 1, 1991	92.42
August 1, 1991	91.11
February 1, 1992	88.62
August 1, 1992	86.00
February 1, 1993	83.25
August 1, 1993	80.37
February 1, 1994	77.38
August 1, 1994	74.28
February 1, 1995	71.10
August 1, 1995	67.82
February 1, 1996	64.45
August 1, 1996	61.00
February 1, 1997	57.45
August 1, 1997	53.81
February 1, 1998	50.08
August 1, 1998	46.27
February 1, 1999	42.37
August 1, 1999	38.30
February 1, 2000	34.03
August 1, 2000	29.56
February 1, 2001	24.89
August 1, 2001	20.00