CHICAGO AND NORTHWESTERN TRANSPORTATION COMPANY

OFFICE OF THE SECRETARY
DIRECT DIAL NUMBER
312 - 559-6165

RECORDATION NO. 13988 Filed 1425
MAR 17 1983 -12 00 PM
INTERSTATE COMMERCE COMMISSION

No. MAR 17 1983
Date
Fee $ 50.00
ICC Washington, D. C.

RECORDATION NO. 13988 Filed 1425
MAR 17 1983 -12 00 PM
INTERSTATE COMMERCE COMMISSION

March 14, 1983

File No. A-11941

Agatha L. Mergenovich, Secretary
Interstate Commerce Commission
Washington, D. C. 20423

Dear Ms. Mergenovich:

Pursuant to Section 11303 (formerly Section 20c) of the Interstate Commerce Act, enclosed for recordation are counterparts of Security Agreement and Equipment Lease dated as of March 10, 1983, covering twelve SD-45 Diesel Electric Locomotives listed on Schedule A attached to the Agreement.

The names and addresses of the parties to the transaction are as follows:

1. Equipment Lease dated as of March 10, 1983 between North Western Leasing Company, One North Western Center, Chicago, Illinois 60606, Lessor and Chicago and North Western Transportation Company, One North Western Center, Chicago, Illinois 60606, Lessee.

2. Security Agreement dated as of March 10, 1983 between North Western Leasing Company, One North Western Center, Chicago, Illinois, 60606, as Debtor and European-American Bank and Trust Company, 10 Hanover Square, New York, NY 10015 and European-American Banking Corporation, 10 Hanover Square, New York, NY 10015 between them as Secured Party.

Enclosed is a check for $100.00 to cover your recording fees for both documents. Please keep one counterpart of each for your files and return the other counterparts each showing your recordation data. Please assign the same recordation number in sequential order to the Equipment Lease and then to the Security Agreement.

Very truly yours,

Beverly Fortner
per

J. S. Edwards
Assistant Secretary

Enclosure

cc: R. D. Smith
F. E. Cunningham, Attn: R. DeWitt
T. E. Greenland
R. F. Guenther
D. E. Stockham
Arthur Anderson & Co.

CS(f-100)

# Interstate Commerce Commission

Washington, D.C. 20423

3/17/83

OFFICE OF THE SECRETARY

J.S. Edwards
Assist. Secretary
Chicago & North Western Transp. Co.
One North Western Center
Chicago, Illinois 60606

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 3/17/83 at 12:00pm , and assigned re-recordation number(s). 13988 & 13988-A

Sincerely yours,

Agatha L. Mergenovich

Agatha L. Mergenovich
Secretary

Enclosure(s)

SE-30
(7/79)

RECORDATION NO. 13988 Filed 1425

MAR 17 1983 - 12 05 PM

INTERSTATE COMMERCE COMMISSION

No. 8-C76A016

Date MAR 17 1983

Fee $ 50.00

ICC Washington, D. C.

# EQUIPMENT LEASE

Dated as of March 10, 1983

Between

NORTH WESTERN LEASING COMPANY

LESSOR

and

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY

LESSEE

RECEIVED
MAR 17 11 56 AM '83
I.C.C.
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NORTH WESTERN LEASING COMPANY

# EQUIPMENT LEASE

THIS EQUIPMENT LEASE dated as of March 10, 1983 between NORTH WESTERN LEASING COMPANY, a Delaware corporation (the "Lessor") and CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware corporation (the "Lessee"):

W I T N E S S E T H:

That for and in consideration of the premises and of the rental to be paid and the covenants hereinafter mentioned the parties hereby agree as follows:

## SECTION 1. PURCHASE AND DELIVERY OF EQUIPMENT

1.1 Purchase, Acceptance and Lease. Lessor has purchased the equipment described in Schedule A hereof (the "Equipment"), has entered into a Security Agreement dated as of the date hereof (the "Security Agreement") with EUROPEAN AMERICAN BANK AND TRUST COMPANY and EUROPEAN AMERICAN BANKING CORPORATION (individually and collectively the "Secured Party"), to secure the Loan Account (the "Loan Account"), the proceeds of which were or will be used to finance the cost of the Equipment, pursuant to a Finance Agreement, dated as of December 1, 1982 (the "Finance Agreement") among the Lessor, the Secured Party and the Lessee. Upon delivery of the Equipment and the acceptance of such Equipment as provided in Section 1.2 hereof, the Lessor shall lease and let such Equipment to the Lessee and the Lessee shall hire such Equipment from the Lessor for the rental and on and subject to the terms and conditions herein set forth.

1.2 Delivery and Acceptance of Equipment. The Lessor will cause the Equipment to be tendered to the Lessee at such point or points as may be mutually determined. Upon such tender, the Lessee will cause an inspector designated and authorized by the Lessee to inspect the same, and, if such Equipment is found to be in good order, to accept delivery of such Equipment and to execute and deliver to the Lessor a Certificate of Acceptance in the form attached hereto as Schedule B (the "Certificate of Acceptance") with respect to such Equipment. The Lessor shall have no obligation to lease, and the Lessee shall have no obligation to accept, items of Equipment delivered after November 30, 1983.

1.3 Lessee's Satisfaction with Equipment: Conformance with Specifications and Requirements. The Lessee's execution and delivery to the Lessor of a Certificate of Acceptance with respect to the Equipment shall conclusively establish that such Equipment is acceptable to and accepted by the Lessee under this Lease, notwithstanding any defect with respect to design, manufacture, condition or in any other respect, and that such Equipment is in good order and condition and appears to conform to the specifications applicable thereto. By execution and delivery of such Certificate of Acceptance, the Lessee represents that it has no knowledge of any such defect.

SECTION 2. RENTALS AND PAYMENT DATES.

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

(a) Interim Rental. For the Equipment, installments of interim rental ("Interim Rental") from the time the funds are loaned to the Lessor pursuant to the Finance Agreement to finance the cost and the Reconstruction cost (if any) of the Equipment (the "Loan Date") to the Lease Commencement Date (as hereinafter defined) payable on the Interest Payment Date (as defined in the Finance Agreement) ("Interim Rental Payment Dates") equal to the amount of interest then due on the unpaid balance of the Loan Account on those dates.

(b) Fixed Rental. For the Equipment, Lessee shall pay (i) rental in 14 semi-annual installments, payable on the Installment Payment Date each equal to the amount which would be payable as principal under the Loan Account pursuant to Section 3.4 of the Finance Agreement, assuming that the Loan Account is not accelerated; and (ii) installments payable on the Interest Payment Dates equal to the interest then due on the unpaid balance of the Loan Account on those dates. The Lease Commencement Date shall be December 1, 1983.

All payments of rent and other amounts due hereunder shall be made in immediately available funds on or before noon, Chicago time, on the date due; and funds received after that hour shall be deemed to have been received on the next Business Day (as defined in the Finance Agreement). If any such payment due dates is not a Business Day, the payment otherwise payable on such date shall be payable on the next succeeding Business Day and, in the case of fixed rental, the amount payable on such date shall include the interest payable by the Lessor pursuant to the Loan Account.

2.2 Place of Rent Payment. The Lessor irrevocably instructs the Lessee to make all rental payments provided for in this Lease at the principal office of the Secured Party for the account of the Lessor payable to the Secured Party with instructions to the Secured Party, first, to apply such payments to satisfy the obligations of the Lessor in respect of the Loan Account known to the Secured Party to be due and payable on the date such payments are due and payable hereunder, second, to satisfy the obligations of the Lessor under the Security Agreement and the Finance Agreement then due and payable, and third, so long as no Event of Default hereunder or under the Security Agreement shall have occurred and be continuing, to pay any balance promptly to the Lessor. The Lessee agrees that it will

make all payments due hereunder by wire transfer at the opening of business on the due date of such payment of Federal or otherwise immediately available funds to the party to whom such payment is to be made, or, if so requested in writing by a party entitled to receive a payment hereunder, by check of the Lessee drawn on a bank located in Chicago, Illinois, and mailed to such party at the address so provided.

2.3. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent or reduction thereof, including, but not limited to, abatements or reductions due to any present or future claims of the Lessee against the Lessor under this Lease (including for failure to deliver any unit of Equipment for acceptance on or before December 1, 1983) or otherwise or against any assignee of the Lessor pursuant to Section 16 hereof, nor except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss or destruction of the Equipment from any cause whatsoever, the taking or requisitioning of the Equipment by condemnation or otherwise, the lawful prohibition of the Lessee's use of the Equipment, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or lack of the right, power or authority of the Lessor to enter into this Lease, or for any other cause similar to the foregoing, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events unless the obligation to pay the same shall be terminated pursuant to Section 11 hereof, or until, pursuant to Section 13 hereof, the Equipment has been returned by the Lessee to the Lessor.

## SECTION 3. TERMS OF THE LEASE.

The term of this Lease for the Equipment shall begin on the date of the delivery to and acceptance by the Lessee of such Equipment hereunder and shall terminate on December 1, 1992, subject to the provisions of Section 11 and the right of Lessor to terminate this Lease with respect to units of Equipment released from the Security Agreement pursuant to Section 3.2 (iii) thereof.

## SECTION 4. OWNERSHIP AND MARKING OF EQUIPMENT.

4.1 Retention of Title. The Lessor, as between the Lessor and the Lessee, shall and hereby does retain full legal title to the Equipment notwithstanding the delivery thereof to and possession and use thereof by the Lessee.

4.2 Duty to Number and Mark Equipment. The Lessee will cause each unit of the Equipment to be kept numbered with its identifying number as set forth in Schedule A hereto, or in the case of Equipment not there listed such identifying number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Equipment, and will, cause to be kept and maintained, 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", or other appropriate markings approved by the Secured Party and Lessor with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Secured Party's and Lessor's interest in the Equipment and their rights under this Lease. The Lessee will replace promptly any such markings which may be removed, defaced, obliterated or destroyed. The Lessee will not change the number of any unit of the Equipment except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been filed with the Secured Party and Lessor by the Lessee and filed, recorded, and deposited by the Lessee in all public offices where this Lease shall have been filed, recorded and deposited.

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

SECTION 5. DISCLAIMER OF WARRANTIES.

THE LESSOR LEASES THE EQUIPMENT AS-IS WITHOUT WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO (A) THE FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY OF ANY ITEM OR ITEMS OF EQUIPMENT, INCLUDING, WITHOUT LIMITATION, THEIR VALUE, CONDITION, DESIGN OR OPERATION, (B) THE LESSOR'S TITLE THERETO, (C) THE LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF, OR (D) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE. The Lessor hereby appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease so long as no Event of Default (as defined in Section 14.1 hereof) shall have occurred and be continuing, to assert and enforce, from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have as owner of the Equipment against any manufacturers or contractors in respect thereof.

SECTION 6. LESSEE'S INDEMNITY.

6.1 Scope of Indemnity. The Lessee shall defend, indemnify and save harmless the Lessor, the Secured Party and the Lenders and their respective successors, agents and assigns from and against:

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

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

6.2 Continuation of Indemnities and Assumptions. The indemnities and assumptions of liability in this Section 6 contained shall continue in full force and effect notwithstanding the termination of this Lease, whether by expiration of time, by operation of law or otherwise; provided,however, that such indemnities and assumptions of liability shall not apply in respect of any matters referred to in subsection (a) or clause (i), (ii), or (iv) of subsection (b) of Section 6.1 hereof, occurring after the termination of this Lease, except for any such matters occurring after the termination arising in connection with the Lessee's delivering, storing or transporting of the Equipment as provided in Section 13 or 15, as the case may be. The Lessee shall be entitled to control, and shall assume full responsibility for, the defense of such claim or liability, and may select such counsel as it deems appropriate in connection with such matter. The indemnities and assumptions of liabilities set forth in this Section 6 do not constitute a guaranty of payment of the Loan Account.

SECTION 7. RULES, LAWS AND REGULATIONS.

The Lessee will at all times comply with all laws, requirements and rules (including, without limitation, the interchange rules of the Association of American Railroads ("A.A.R.") and with all lawful rules of the Department of

Transportation, Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment) as the same may be in effect from time to time to the extent that such laws, requirements and rules affect the title, operation, maintenance or use of the Equipment, and in the event that such laws or rules require any alteration, replacement or addition of any part on any unit of the Equipment, the Lessee will conform therewith, at its own expense; provided, however, that the Lessee may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Secured Party or Lessor, adversely affect the property or rights of the Secured Party and Lessor under this Lease.

SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.

The Lessee, so long as an Event of Default shall not have occurred under this Lease and be continuing, shall be entitled to the possession of the Equipment and the use thereof; provided, however, that (i) the Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear, and (ii) such possession and use of rolling stock units of equipment shall be upon the lines of railroad owned or operated by the Lessee either alone or jointly with others and whether under lease or otherwise, or upon the lines of railroad owned or operated by any railroad company controlled by, or under common control with, the Lessee, or over which it has trackage rights, or upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, from and after delivery of the Equipment by the Lessor to the Lessee, but only upon and subject to all the terms and conditions of this Lease.

The Lessee will at all times maintain the Equipment or cause the Equipment to be maintained in good order, condition and repair suitable for use in interchange if and to the extent permitted by Interchange Rules and supplements of the A.A.R., all at Lessee's expense. Any parts installed pursuant to Section 7 or this second paragraph of Section 8 shall be considered accessions to the Equipment and title thereto shall be immediately vested in the Lessor without further cost or expense to Lessor.

The Lessee shall make no other additions or improvements to the Equipment unless the same are readily removable without causing material damage to such Equipment or, if not readily removable, the same do not decrease the value, or modify the intended and permitted uses, of the Equipment. If the Lessee shall at its cost cause such readily removable additions or improvements to be made to the Equipment, the Lessee agrees that it will, prior to the return of such Equipment to the Lessor hereunder, remove the same at its own expense without

causing material damage to the Equipment. Title to any such readily removable additions or improvements shall remain with the Lessee.

Notwithstanding any restriction provided for in this Section 8, or in the Security Agreement, Equipment subject to the Lease may be reconstructed in accordance with the provisions of the Reconstruction Agreement.

SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee shall pay or satisfy and discharge any and all claims against, through or under the Lessee and its successors or assigns which, if unpaid, might constitute or become a lien or a charge upon the Equipment and any liens or charges which may be levied against or imposed upon the Equipment as a result of the failure of the Lessee to perform or observe any of its covenents or agreements under this Lease, but the Lessee shall not be required to pay or discharge any such claims so long as: (a) it shall, in good faith and by appropriate legal proceedings contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor to the Equipment, and (b) it establishes and maintains a reserve therefore in accordance with generally accepted accounting principles. The Lesses's obligations under this Section 9 shall survive the termination of this Lease.

SECTION 10. FILING, PAYMENT OF FEES AND TAXES.

10.1 Filing. The Lessee, at its sole expense, will cause this Lease and the Security Agreement and any amendments or supplements hereto or thereto to be filed and recorded with the Interstate Commerce Commission in accordance with Section 11303 of Title 49, United States Code; and the Lessee will from time to time, at its expense, do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record any and all further instruments required by law or reasonably requested by the Secured Party or Lessor for the purpose of proper protection, to the satisfaction of counsel for the Secured Party or Lessor, of their interests in the Equipment and their rights under this Lease and the Security Agreement or for the purpose of carrying out the intention of this Lease; and the Lessee will promptly furnish to the Secured Party and Lessor certificates or other evidence of such filing, registering, depositing and recording satisfactory to the Secured Party and Lessor.

10.2 Taxes. All payments to be made by Lessee hereunder will be free of expense to Lessor with respect to the amount of any local, state or federal taxes (other than any federal, state or city net income taxes or franchise taxes measured by net income based on such receipts, except any such tax which is in substitution for or relieves Lessee from the payment of

taxes which it would otherwise be obligated to pay or reimburse as herein provided) or license or registration fees, assessments, charges, fines, levies, imposts, duties, withholdings, stamp taxes and penalties (all such expenses, taxes, license fees, assessments, charges, fines, levies, imposts, duties, withholdings, stamp taxes and penalties, together with any interest payable with respect thereto, being hereinafter called "Impositions") hereafter levied or imposed upon or in connection with or measured by the Equipment or this Lease or any rental or other payment made hereunder or any ownership, lease, sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof, all of which Impositions Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. Without limiting the foregoing, Lessee will also pay promptly all Impositions which may be imposed upon any Equipment or for the use or operation thereof or upon the earnings arising therefrom (except as provided above) or upon Lessor solely by reason of its ownership thereof and will keep at all times all and every part of the Equipment free and clear of all Impositions which might in any way affect the title of Lessor or result in a lien upon such Equipment; provided, however, that the Lessee shall be under no obligation to pay any Impositions of any kind so long as it is contesting in good faith and by appropriate legal proceedings such Impositions and the nonpayment thereof does not, in the reasonable opinion of Lessor, adversely affect the title, property or rights of Lessor hereunder. If any Imposition shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall pay the Lessor on presentation of an invoice therefore if, in the reasonable opinion of Lessor, Lessor shall have been legally liable with respect thereto or the Lessee shall have approved the payment thereof, and the Lessor agrees to give the Lessee written notice promptly after it first obtains knowledge of the making of such charge or levy, and agrees, after payment by Lessee in accordance with this paragraph, to take, at Lessee's expense, such other action as may reasonably be requested by the Lessee for the purpose of contesting payment or obtaining refund of all or a portion of such Imposition.

In the event any reports with respect to Impositions are required to be made, Lessee shall make such reports in such manner which in the reasonable opinion of Lessor shall be required.

SECTION 11. INSURANCE; PAYMENT FOR CASUALTY OCCURRENCE.

11.1 Insurance. The Lessee will, at all times during the term of this Lease, at its own expense, cause to be carried and maintained property insurance and public liability insurance in respect of the units of Equipment at the time subject hereto in amounts (subject to Lessee's 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 the Lessee in respect of similar equipment owned by it. The Lessee will deliver on the Closing Date (as defined in the Finance Agreement) and annually thereafter on or before May 31, certificates (or verifications) of insurance from the Lessee's insurance broker evidencing any property and liability insurance effected or in force in accordance with the provisions of this Section. The Lessee will cause the Lessor and the Secured Party to be named as additional insureds. All policies evidenced by certificates of insurance shall contain an agreement of the insurers that such policies shall not be cancelled without at least 30 days' prior written notice to the Lessor and the Secured Party in the event of nonpayment of premium by the Lessee when due.

Any net insurance proceeds (excluding public liability insurance) resulting from insurance carried by the Lessee or condemnation payments received by the Lessor in respect of the Equipment suffering a Casualty Occurrence shall be deducted from the amounts payable by the Lessee to the Lessor in respect of Casualty Occurrences pursuant to this Section 11. If the Lessor shall receive any such net insurance proceeds or condemnation payments and the Lessee already has paid the full Casualty Value with respect to the unit for which such proceeds are received, the Lessor shall pay such net insurance proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to such unit paid by the Lessee; provided, however, that if an Event of Default or other event (hereinafter called a "Default") which with notice, demand and/or lapse of time, would consitute such an Event of Default shall have occurred and be continuing, then the amount otherwise payable to the Lessee may be retained by the Lessor and applied to discharge the liabilities of the Lessee under this Lease. The balance of such net insurance proceeds or condemnation payments shall remain the property of the Lessor. All net insurance proceeds (excluding public liability insurance) received by the Lessor or the Lessee with respect to a unit not suffering a Casualty Occurrence shall be applied in payment of the cost of repairing the damage to such item, but no such proceeds shall be paid to the Lessee until the Lessor and the Secured Party shall have received a certificate signed by an authorized officer of the Lessee to the effect that such damage has been fully repaired; and any balance remaining after the completion of such repairs shall be paid to the Lessee unless an Event of Default or Default shall have occurred and be continuing, in which case the amount otherwise payable to the Lessee may be retained by the Lessor and applied to discharge the liabilities of the Lessee hereunder.

The Lessor and the Secured Party shall not be liable for the payment of premiums and assessments under any insurance policy and such insurance shall be primary without right of

contribution from any other insurance which is carried by the Secured Party or Lessor to the extent that such other insurance provides it with contingent and/or excess liability insurance with respect to its interest as such in the Equipment.

11.2 Casualty Occurrence and Duty of Lessee to Notify Lessor. In the event that the Equipment shall be or become lost, stolen, destroyed, or, in the opinion of the Lessee, irreparably damaged during the term of this Lease, or thereafter while the Equipment is in the possession of the Lessee pursuant to Section 13 or 15 hereof, or shall be requisitioned or taken over by a governmental authority under the power of eminent domain or otherwise during the term of this Lease (any such occurrence, except for any requisition which by its terms is for an indefinite period or is for a stated period which does not exceed the term of this Lease, begin hereinafter called a "Casualty Occurrence"), the Lessee shall promptly and fully (after it has knowledge of such Casualty Occurrence) inform the Lessor and the Secured Party in regard thereto and shall pay the Casualty Value (as defined in Section 11.7 hereof) of such Equipment in accordance with the terms hereof.

11.3 Payment for Casualty Occurrence. In the event of a Casualty Occurrence with respect to the Equipment of which the Lessee has knowledge prior to the Lease Commencement Date, the Lessee, on the earlier of the next Interim Rental Payment Date or the Lease Commencement Date, shall pay to the Lessor a sum equal to the Casualty Value of such Equipment as of the date of such payment, plus the installment of Interim Rental due on such date. In the event of a Casualty Occurrence with respect to any Equipment of which the Lessee has knowledge on or after the Lease Commencement Date, the Lessee, on the next succeeding Installment or Interest Payment Date, shall pay to the Lessor a sum equal to the Casualty Value of such Equipment as of the date of such payment. The installment of principal or payment of interest in respect of the Equipment for which the Casualty Value is then being paid which would be otherwise due on such date of payment of the Casualty Value need not be paid if such Casualty Value is so paid.

11.4 Optional Retirement of Equipment. When, in the good faith judgment of a Senior Vice President of the Lessee, exercised after the Lease Commencement Date, any of the Equipment then leased hereunder shall have become economically unserviceable, the Lessee may, provided no Event of Default or Default shall have occurred and be continuing, upon not less than 30 days' prior written notice to the Lessor and the Secured Party, which notice shall identify such Equipment and designate the date on which termination will be effective and settlement therefor will be made, terminate this Lease on the next succeeding rental payment date with respect to such Equipment upon payment to the Lessor of an amount equal to the Casualty Value

of the Equipment as of such payment date. The installment of rental in respect of the Equipment for which Casualty Value is being paid need not be paid if such Casualty Value is so paid. For purposes of this Section 11.4, economic unserviceability with respect to the Equipment shall mean that such Equipment is no longer economic for the Lessee to retain because of changed economic circumstances, it being understood and agreed that in making such determination interest rates or similar finance charges payable by the Lessee in connection with the acquisition of similar equipment under conditional sales contracts, leases or other arrangements for deferred payment of the purchase price, shall be disregarded.

11.5 Rent Termination. Except as provided in Section 11.10 hereof, upon (and not until) payment of the Casualty Value in respect of the Equipment, the obligation to pay rent bor such Equipment accruing on and subsequent to the Casualty Value payment date shall terminate, but the Lessee shall continue to pay rental for all other items of Equipment.

11.6 Disposition of Equipment. Provided no Default or Event of Default shall have occurred and be continuing or if, notwithstanding either such event, the Lessor shall have so directed, the Lessee shall, as agent for the Lessor, dispose of such Equipment having suffered a Casualty Occurrence or been the subject of a determination of economic unserviceability pursuant to Section 11.4 hereof as soon as it is able to do so in a commercially reasonable manner in its then existing condition and location without representation or warranty, expressed or implied. As to the Equipment so disposed of and for which all rent and Casualty Value has been paid pursuant hereto, the Lessee may, provided no Default or Event of Default shall have occurred and be continuing, retain all amounts arising from such disposition plus, in the case of a Casualty Occurrence, any insurance proceeds and damages received by the Lessee up to the Casualty Value attributable thereto and shall remit the excess, if any, to the Lessor. In disposing of such Equipment, the Lessee shall take such action as the Lessor shall reasonably request to terminate any contingent liability which the Lessor might have arising after such disposition from or connected with such Equipment. Any sale or other disposition pursuant to this Section 11.6 must be effective to fully divest the Lessor of all the Lessor's right, title and interest in and to, and all obligations of the Lessor with respect to, such Equipment. It is understood and agreed that the Lessor shall not be liable to the Lessee for any costs or expenses incurred by the Lessee in connection with the sale or other disposition of any Equipment.

11.7 Casualty Value. The Casualty Value (the "Casualty Value") of each unit of the Equipment shall be an amount, determined as of the date the Casualty Value is required to be paid as provided in this Section 11 (and not the date of the

Casualty Occurrence), equal to the higher of (i) 125% of the amount the Lessor must pay to the Secured Party pursuant to clauses first and second of Section 4.1(b) of the Security Agreement or (ii) 20% of such unit's original Collateral Value (as defined in the Finance Agreement).

11.8 Risk of Loss. The Lessee shall bear the risk of loss and, except as hereinabove in this Section 11 provided, shall not be released from its obligations hereunder in the event of any Casualty Occurrence to the Equipment from and after the date hereof and continuing throughout the term hereof and during any storage period provided in Section 13 and 15 hereof until: (a) payment of the Casualty Value and any fixed rental due on or prior to the date of payment of such Casualty Value in respect of the Equipment has been made, (b) the Equipment or the salvage thereof has been disposed of by the Lessee, and (c) the title to the Equipment or the salvage thereof and all risk of loss and liabilities incident to ownership have been transferred to the purchaser of the Equipment or the salvage thereof.

11.9 Eminent Domain. In the event that during the term of this Lease the use of the Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for an indefinite period or for a stated period which does not exceed the original term of this Lease in respect of the Equipment, the Lessee's obligation to pay rent shall continue for the duration of the requisitioning or taking of the Equipment. If no Event of Default has occurred and is continuing, Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession of the Equipment to an amount equal to the rent paid or payable hereunder for such period; and, whether or not an Event of Default has occurred and is continuing hereunder, the balance, if any, shall be payable to and retained by the Lessor as it sole property.

11.10. Substitution. Notwithstanding anything in this Section 11 to the contrary, if no Event of Default shall have occurred and be continuing, the Lessee may, upon notice to Lessor given prior to the date the Casualty Value is required to be paid under this Agreement, elect to convey to Lessor, as a replacement for the unit of Equipment with respect to which a Casualty Occurrence has occurred ("Casualty Unit"), title to another unit of Equipment ("Replacement Unit") in accordance with the terms of this Section 11.10. If the Replacement Unit is conveyed to Lessor prior to the date upon which the payment of Casualty Value hereunder with respect to the Casualty Unit is due, then the replacement shall be made in accordance with the following paragraph hereof without the payment of any Casualty Value. If the Replacement Unit is not conveyed to Lessor prior to the date upon which the payment of Casualty Value hereunder with respect to the Casualty Unit is due, then the

Lessee shall pay the Casualty Value required by this Agreement with respect to the Casualty Occurrence, but such amount shall be deposited with the Lessor (or the Secured Party, if the Secured Party so requires under the Security Agreement) pending its return or application in accordance with the terms hereof. If the Lessee has elected to convey to Lessor a Replacement Unit, then the Lessee shall continue to pay rent under this Agreement as if no Casualty Occurrence with respect to the Casualty Unit had occurred, notwithstanding the payment of Casualty Value with respect thereto.

Prior to or at the time of any conveyance of a Replacement Unit, Lessee, at its own expense, will (i) furnish Lessor a bill of sale, in form and substance satisfactory to Lessor and the Secured Party, with respect to such Replacement Unit, (ii) cause a supplement hereto, in form and substance satisfactory to Lessor and the Secured Party, to be duly executed and delivered by Lessee and, after execution thereof by Lessor, to be filed or recorded, together with any required supplement to the Security Agreement (after execution thereof by the parties thereto), in all places where this Lease and the Security Agreement, or notice of either thereof, have been filed or recorded, and (iii) furnish Lessor and the Secured Party an opinion of counsel (and such other evidence as may be reasonably requested) to the effect that, upon such conveyance, Lessor will acquire full title to such Replacement Unit free of all liens and encumbrances not permitted by this Agreement and that such Replacement Unit will be leased hereunder and subject to the security interests created by, and to all the terms of, the Security Agreement, in each case to the same extent as the Casualty Unit replaced thereby. Each Replacement Unit conveyed to the Lessor shall be in good condition; and each Replacement Unit shall have a remaining useful life at least as long as, and a Fair Market Value (as defined in Section 14.2) at least equal to, that which the Casualty Unit being replaced would have had, but for the Casualty Occurrence. Replacement Units shall be freight cars, locomotives, cabooses or other rolling stock. The Lessee will cause any Replacement Unit or Units to be marked as provided for in Section 4.2 hereof. Any and all such Replacement Units shall be subject to all of the terms and conditions of this Agreement as though part of the original Equipment leased hereunder and shall be deemed to be "Equipment" as used in this Agreement. Upon replacement in accordance with the terms hereof, Lessor and the Secured Party will transfer to Lessee, without recourse or warranty (except as to the absence of liens arising through the transaction in which this Lease is a part), all of Lessor's and the Secured Party's right, title and interest, if any, in and to the Casualty Unit and such Casualty Unit shall thereupon cease to be a unit of Equipment leased hereunder.

If no Event of Default has occurred and is continuing, any Casualty Value deposited in accordance with this Section 11.10 shall, if the Lessee shall in writing so direct, be invested,

pending its return or application as hereinafter provided, in such of the following as may be specified in such written direction: (i) direct obligations of the United States of America or obligations for which the full faith and credit of the United States of America is pledged to provide for the payment of principal and interest, (ii) open market commercial paper rated A-1 or A-2 by Standard & Poor's Corporation or prime-1 or prime-2 by NCO/Moody's Commercial Paper Division of Moody's Investor Services, Inc., or the successor of either of them, (or equivalent ratings of either such service, if changed) or (iii) certificates of deposit of, or bankers' acceptances accepted by, domestic commercial banks in the United States of America having capital and surplus in excess of $50,000,000, in each case maturing not more than one year from the date of such investment (such investments being hereinafter called "Investments"). If no Event of Default has occurred and is continuing, any such Investment may from time to time be sold and the proceeds re-invested in such Investments as the Lessee may in writing direct. Any interest accrued on any Investments also shall be held by the Lessor or the Secured Party, as appropriate and returned or applied as hereinafter provided. Any Investments, the proceeds thereof, plus any interest accrued and paid thereon, shall be held by the Lessor or the Secured Party until the Replacement Unit to which it relates is made subject to this Agreement in accordance with the provisions of this Section, at which time, upon the request of Lessee, such funds shall be paid to the Lessee. If an Event of Default shall have occurred and be continuing, however, the Investments and all proceeds thereof shall be applied as if received upon the sale of the Casualty Unit as a unit of Equipment pursuant to Section 14.2 hereof. The Lessee will pay all expenses incurred by the Lessor and the Secured Party in connection with the purchase and sale of Investments.

SECTION 12. ANNUAL REPORTS.

On or before April 30 in each year, commencing in 1983, the Lessee shall furnish to the Secured Party and Lessor an accurate statement signed by an officer of the Lessee (a) setting forth as at the preceding December 31 the amount, description and numbers of all units of the Equipment that have been withdrawn from use pending repairs (other than running repairs)(such units being hereinafter called the Bad Order Units) or that have suffered a Casualty Occurrence during the preceding calendar year (or since the date of this Agreement in the case of the first such statement) and such other information regarding the condition and state of repair of the Equipment as the Secured Party and Lessor may reasonably request, (b) setting forth the amount, description and numbers of any Bad Order Units that have been repaired and that are in use on the date of such statement, (c) stating that, in the case of all Equipment repaired or repainted during the period covered by such statement, the numbers and markings required by Section 4 hereof have been preserved as replaced, and (d) stating that

Section 11.1 are fulfilled. If, as set forth in such statement, the number of Bad Order Units withdrawn from use as of the date of such statement (giving effect to repairs made on or prior to that date) exceeds the number equal to 5% of all the units of the Equipment, then the Bad Order Units in excess of such number shall be identified by the Lessee in such statement and shall be deemed to have suffered a Casualty Occurrence on the date of such statement, and payment therefor shall be made as provided in Section 11 hereof. The Secured Party and Lessor shall have the right, by its agents, to inspect the Equipment and the Lessee's records with respect thereto at such reasonable times as the Secured Party and Lessor may request during the term of this Lease.

SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM.

Upon the expiration of the term of this Lease with respect to the Equipment, the Lessee will, at its own cost and expense, deliver possession of the Equipment to the Lessor upon such storage tracks of the Lessee as the Lessee may reasonably designate, or in the absence of such designation, as the Lessor may reasonably select, and permit the Lessor to store such Equipment on such tracks for a period not exceeding 90 days from the date the last unit of Equipment is delivered to storage tracks pursuant to this Section 13 and transport the same at any time within such 90 day period to any reasonable place east of the Missouri River (i) on the lines of railroad operated by the Lessee or (ii) to any connecting carrier for shipment, all as directed by the Lessor upon not less than 30 days' written notice to the Lessee, provided, that the obligations of the Lessee to so transport shall be limited to only one such movement in respect of any such unit of Equipment. The Lessor will use its best efforts to completely remove the Equipment from storage as soon as possible within the 90 day period. The Lessee covenants that, at the time any unit of Equipment is returned to the Lessor in the manner above provided, it will then be in compliance with all applicable United States Department of Transportation and Interstate Commerce Commission requirements and specifications, if any, and, if and to the extent permitted thereby, all standards recommended by the A.A.R. applicable to railroad equipment of the character of the Equipment. All movement and storage of such units are to be at the risk and expense of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. The assembling, delivery, storage and transporting

of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so assemble, deliver, store and transport the Equipment.

SECTION 14. DEFAULT.

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

(a) The Lessee shall fail to pay in full any payment of rent or any other sum payable by the Lessee as provided in this Lease when payment thereof shall be due hereunder and such failure shall continue for more than 5 business days after written notice thereof from the Lessor; or

(b) The Lessee shall fail or refuse to comply with any covenant, agreement, term or provision of this Lease, the Finance Agreement or any Related Agreements (as defined in Article 6 of the form of Conditional Sale Agreement attached as an exhibit to the Finance Agreement) and such failure shall continue for more than 30 days after the Lessor shall have demanded in writing performance thereof; or

(c) Any representation or warranty on the part of the Lessee made herein, in the Finance Agreement, in any Related Agreement or in any of the other operative agreements with respect hereto or thereto or in any statement or certificate furnished to the Lessor or its assigns pursuant to or in connection with this Lease, the Finance Agreement or any Related Agreement, or any of the other operative agreements with respect hereto or thereto is untrue in any material respect as of the date of issuance or making thereof, and, in the case of representations or warranties set forth in paragraphs 2, 4, or 8 of Attachment A to the certificates delivered pursuant to Section 6.1(e) of the Finance Agreement, any such representation or warranty has continued to be false and misleading for thirty days after notice with respect thereto from the Lessor or the Secured Party; or

(d) A case shall be commenced under Subchapter IV of Chapter 11 of the Bankruptcy Code (as such Subchapter IV is now in effect or hereafter may be amended or replaced), by or against the Lessee and, unless such petition or case shall have been dismissed, nullified or otherwise rendered ineffective (but then only so long as such ineffectiveness shall continue), (i) within 60 days

after such case shall have been commenced, (A) all the obligations of the Lessee under this Lease shall not have been duly assumed for the then unexpired term hereof in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such case in such manner that such obligations shall have, to the fullest extent permitted by law, the same status and priority as to payment as obligations incurred by such trustee or trustees which are entitled to payment as administrative expenses pursuant to 11 U.S.C. 507(a)(1) (as such section is now in effect or hereafter may be amended or replaced) and (B) all Events of Default under subparagraphs (a), (b) or (f) of this Section 14.1 shall not have been cured, and (ii) thereafter during the pendency of the case, the trustee or trustees appointed in such case shall not cure in a timely fashion all other Events of Default under subparagraphs (a), (b), or (f) of this Section 14.1 which from time to time occur hereunder; or

(e) Any other case or proceedings shall be commenced by or against the Lessee for any relief or adjudication under any bankruptcy or insolvency law, or any law relating to the relief of debtors, readjustment of indebtedness, reorganization, arrangement, composition or extension or the Board of Directors of the Lessee shall authorize the commencement of any such other case or proceedings, and, if any such case or proceedings have been commenced against the Lessee, such case or proceedings shall not 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) within 60 days after such case or proceedings shall have commenced; or the Lessee shall make an assignment for the benefit of creditors; or the Lessee admits in writing its inability to pay its debts generally as they become due, or is unable to pay or is generally not paying its debts as they become due, and such admission, inability or failure shall continue for 30 days after notice thereof from the Lessor or the Secured Party; or a trustee, custodian or receiver is appointed for the Lessee or for a major part of the property thereof and is not discharged within 60 days after such appointment; or

(f) The Lessee shall make or suffer any unauthorized assignment or transfer of this Lease or any interest herein or any unauthorized transfer of the right to possession of the Equipment and shall fail or refuse to cause such assignment or transfer to be cancelled by agreement of all parties having any interest therein and to recover possession of such unit (or make provision satisfactory to the Lessor for such compliance) within 15 days after written notice from the Lessor demanding such cancellation and recovery of possession.

14.2 Remedies. If any Event of Default has occurred and is continuing, the Lessor, at its option, may:

(a) Proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this lease or to recover damages for the breach thereof, including reasonable attorneys' fees; or

(b) By notice in writing to the Lessee, terminate this Lease, whereupon all right of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be located and take possession of all or any of such Equipment and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Equipment for any purpose whatever, but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such accrued number of days in such full rental period and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee (i) as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to the Equipment, which represents the excess of the present worth, at the time of such termination, of all rentals for such Equipment which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease over the then present worth of the then Fair Rental Value of such Equipment for such period, such present worth to be computed in each case on a basis of a per annum discount at the penalty rate of interest applicable to the Loan Account on the date of termination minus 4%, compounded quarterly 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 of such Equipment as of the rent payment date on or immediately preceding the date of termination over the amount the Lessor reasonably estimates to be the Fair Market Value thereof at such time; and (ii) any damages and expenses, including reasonable attorneys' fees, which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease other than for the payment of rental.

For purposes of this Section 14.2 Fair Market Value and Fair Rental Value shall be determined as follows:

(A) Fair Market Value of a unit of Equipment shall be determined on the basis of, and shall be equal in amount to, the value which would be obtained in an arm's-length transaction between an informed and willing purchaser (other than a purchaser currently in possession or a purchaser which is a dealer in used equipment of the type which constitutes the unit of Equipment to be purchased) and an informed and willing seller under no compulsion to sell. Initially, the Lessor shall reasonably determine the Fair Market Value of a unit of Equipment. If Lessee does not agree to such determination within ten days, such value shall be determined in accordance with the foregoing definition by a qualified independent Appraiser. The term "Appraiser" shall mean two independent appraisers, one chosen by the Lessor and one chosen by the Lessee, or if the appraisers are not appointed or cannot agree on the amount of such value within thirty days, then the term "Appraiser" shall mean an appraiser chosen by the American Arbitration Association, which appraiser shall be instructed to make its determination within a period of thirty days following appointment. If such unit is sold in a commercially reasonably manner prior to such determination, such sale price shall conclusively establish Fair Market Value.

(B) The Fair Rental Value of a unit of Equipment shall be determined on the basis of, and shall be equal in amount to, the value which would be obtained in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease. Initially, the Lessor shall determine the Fair Rental Value of a unit of Equipment. If Lessee does not agree to such determination within ten days, such value shall be determined in accordance with the foregoing definition by a qualified independent Appraiser. The term "Appraiser" shall mean two independent appraisers, one chosen by the Lessor and one chosen by the Lessee, or if the appraisers are not appointed or cannot agree on the amount of such value within thirty days, then the term "Appraiser" shall mean an appraiser chosen by the American Arbitration Association, which appraiser shall be instructed to make its determination within a period of thiry days following appointment. If such unit is leased in a commercially reasonable manner prior to such

determination, the rental due thereunder shall be used in determining the Fair Rental Value of such Equipment.

The expenses and fees of the Appraiser shall be included as part of the Expenses for which the Lessee is liable in accordance with clause (ii) of subparagraph (b) above.

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

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

SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT.

15.1 Lessee's Duty to Return. If the Lessor or any assignee of the Lessor pursuant to Section 16 hereof shall terminate this Lease pursuant to Section 14 hereof, the Lessee shall forthwith deliver possession of the Equipment to the Lessor. For the purpose of delivering possession of the Equipment to the Lessor as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

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

(b) Permit the Lessor to store such Equipment in such reasonable storage place on the Lessee's lines of railroad without charge for insurance, rent or storage until the later of (i) 30 days after the Loan Account and all other obligations of the Lessor under the Finance Agreement and of the Lessee under the Finance Agreement and hereunder have been paid and performed in full, or (ii) 120 days after notice from the Lessee that all of the Equipment has been placed in storage; and

(c) Transport the Equipment to any reasonable place on Lessee's lines, all as the Lessor may direct in writing.

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

15.3 Lessor Appointed Lessee's Agent. Without in any way limiting the obligations of the Lessee under the foregoing provisions of this Section 15, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of the Equipment to the Lessor, to demand and take possession of the Equipment in the name and on behalf of the Lessee from whomsoever shall be at the time in possession of the Equipment.

SECTION 16. Assignments by Lessor

The Lessee and the Lessor hereby confirm that, concurrently with the execution and delivery of this Lease, the Lessor has executed and delivered to the Secured Party the Security Agreement which assigns and grants a security interest to the Secured Party in, to and under this Lease and certain of the rentals and other amounts payable hereunder, all as more explicitly set forth in Section 1 of the Security Agreement. The Lessee hereby acknowledges receipt of an executed copy of the Security Agreement and agrees that the sums payable by the Lessee hereunder which have been assigned to the Secured Party under the Security Agreement shall be paid to or upon the written order of the Secured Party; provided that until receipt of any such written order the Lessee may make all such payments in accordance with the provisions of Section 2.2 hereof. Without limiting the foregoing, the Lessee further acknowledges and agrees that, so long as any indebtedness secured by the Security Agreement remains unpaid, (a) the rights of the Secured Party in and to the sums payable under this Lease which are assigned to the Secured Party under the Security Agreement shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever whether by reason of failure of or defect in the Lessor's title, or any interruption from whatsoever cause in the use, operation or possession of the Equipment or any part thereof, or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that the Lessee shall be unconditionally and absolutely obligated to pay the Secured

Party all of the rents and other sums which are the subject matter of the assignment, and (b) except as otherwise provided in the Security Agreement, the Secured Party shall, if an Event of Default or a Default shall have occurred and be continuing, have the sole right to exercise all rights, privileges, and remedies (either in its own name or in the name of the Lessor for the use and benefit of the Secured Party) which by the terms of this Lease are permitted or provided to be exercised by the Lessor.

It is understood and agreed that the right, title and interest of the Secured Party in, to and under this Lease and the rents and other sums due and to become due hereunder shall by the express terms granting and conveying the same be subject to the interest of the Lessee in and to the Equipment.

SECTION 17. ASSIGNMENTS BY LESSEE; USE AND POSSESSION.

17.1 Lessee's Rights to the Equipment. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease, but, without the prior written consent of the Lessor and the Secured Party, the Lessee shall not (except as provided in Section 17.3 hereof) assign or transfer its leasehold interest under this Lease in any of the Equipment. The Lessee shall not, without the prior written consent of the Lessor and the Secured Party, part with the possession or control of, or suffer to allow to pass out of its possession or control, any of the Equipment, except to the extent permitted by the provisions of Section 17.2 hereof and clause (ii) of the first paragraph of Section 8 hereof.

17.2 Use and Possession. The Lessee shall not, without the prior written consent of the Lessor and the Secured Party (which consent will not be unreasonably withheld), have the right to sublease the Equipment or any unit thereof; provided, however, that the Lessee shall have the right to sublease the Equipment or any unit thereof to any railroad organized under the laws of the United States of America or any state thereof or the District of Columbia without the Lessor's and the Secured Party's consent if such sublease (i) shall provide that the Equipment will be operated and maintained in accordance with the terms hereof, and (ii) is for a term not longer than the lesser of six months or one day less than the remaining term of this Lease. Any sublease and the rights and interest of any sublessee thereunder shall in all events be expressly subject and subordinate to this Lease and the rights and interests of the Lessor and its successors and assigns hereunder. The Lessee shall, promptly upon entering into any

sublease, furnish to the Lessor and the Secured Party a written statement setting forth the amount, description and number of units of Equipment being subleased and attaching a copy of such sublease agreement. In no event shall any assignment or sublease agreement entered into by the Lessee relieve the Lessee of any liability or obligation hereunder which shall be and remain those of a principal and not a surety. Anything contained in this Lease to the contrary notwithstanding, the Lessee shall at no time throughout the term of this Lease assign or permit the assignment of any unit of Equipment to, or use or permit the use by any assignee or sublessee of any unit of Equipment in, service involving regular operation outside the contiguous continental United States.

17.3 Merger, Consolidation or Acquisition of Lessee. Nothing in this Section 17 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any corporation (which shall have duly assumed in writing satisfactory to the Lessor and the Secured Party the obligations hereunder of the Lessee) into or with which the Lessee shall have becomed merged or consolidated or which shall have acquired or leased all or substantially all of the lines of railroad of the Lessee, provided that such assignees, successors or transferees will not, upon the effectiveness of such merger or consolidation or acquisition of properties, be in default under any provision of this Lease and that such merger or consolidation or acquisition of properties shall not alter in any way the Lessee's obligations to the Lessor hereunder which shall be and remain those of a principal and not a surety. The Lessee agrees to give the Lessor and the Secured Party prior written notice of any such merger, consolidation or acquisition.

SECTION 18. INTEREST ON OVERDUE RENTALS AND AMOUNTS PAID BY LESSOR.

Anything to the contrary herein contained notwithstanding, any nonpayment of rentals due hereunder, or amounts expended by the Lessor on behalf of the Lessee, shall result in the additional obligation on the part of the Lessee to pay also an amount equal to (i) the applicable interest rate on overdue amounts as determined in Section 3.6 of the Finance Agreement times (ii) the overdue rentals and amounts expended for the period of time during which they are overdue or expended and not repaid.

SECTION 19. MISCELLANEOUS.

19.1 Warranties of Lessee. The Lessee represents, and warrants that: (i) The Lessee will use the Equipment at all

times in accordance with the laws, rules, regulations and ordinances of the United States of America, the several states and municipalities thereof, and any other sovereign jurisdiction in which the Equipment may be used; (ii) the Equipment will not be located in any area excluded from coverage by any insurance policy with respect thereto or required to be maintained thereon pursuant to this Lease;

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

If to the Lessor:
North Western Leasing Company
One North Western Center
165 North Canal Street
Chicago, Illinois 60606
Attn: Assistant Vice President-Finance

If to the Lessee:
Chicago and North Western Transportation Company
One North Western Center
165 North Canal Street
Chicago, Illinois 60606
Attn: Assistant Vice President-Finance

If to the Secured Party:
European American Bank and Trust Company and European American Banking Corporation
233 South Wacker Drive
Suite 9100
Chicago, Illinois 60606
Attn: Robert A. Lennox, Jr.
Vice President

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

19.3 Right of Lessor to Perform. If the Lessee shall fail to comply with any of its covenants herein contained, the Lessor may, but shall not be obligated to, make advances to perform the same and to take all such action as in the Lessor's opinion may be necessary to obtain such performance. All payments so made by the Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred in connection therewith shall be payable by the Lessee to the Lessor upon demand as additional rent hereunder.

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

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

19.6 Headings and Table of Contents. All Section headings and the Table of Contents are inserted for convenience only and shall not affect any construction or interpretation of this Lease.

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

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed by their respective officers thereunder duly authorized and the corporate seals to be hereto affixed as of the day and year first above written.

NORTH WESTERN LEASING COMPANY

[CORPORATE SEAL]

By _____
Vice President

ATTEST:

Joan A. Schramm
Assistant Secretary

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY

[CORPORATE SEAL]

By _____
Vice President-Finance

ATTEST:

Joan A. Schramm
Assistant Secretary

L/P56-440.3

This Lease and certain rent due and to become due hereunder have been assigned to, and are subject to a security interest in favor of, European American Bank and Trust Company and European American Banking Corporation (individually and collectively the "Secured Party") pursuant to a Security Agreement dated as of the date hereof between the Lessor and the Secured Party. Information concerning such security interest may be obtained from the Secured Party at 233 South Wacker Drive, Suite 9100, Chicago, Illinois 60606.

STATE OF ILLINOIS )
) SS
COUNTY OF COOK )

On this 14 day of MARCH, 1983, before me personally appeared T.A. TINGLEFF AND JOAN A. SCHRAMM to me personally known, who being by me duly sworn, did say that they are a Vice President and Assistant Secretary, respectively, of North Western Leasing Company and that the foregoing instrument was signed and sealed by them in the respective capacities therein set forth on behalf of said corporation by authority of its board of directors; and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Beverly A. Hinton
Notary Public

My commission expires: 2/18/84

STATE OF ILLINOIS )
) SS
COUNTY OF COOK )

On this 14 day of MARCH, 1983, before me personally appeared T.A. TINGLEFF AND JOAN A. SCHRAMM to me personally known, who being by me duly sworn, did say that they are a _____ Vice President and Assistant Secretary respectively, of Chicago and North Western Transportation Company and that the foregoing instrument was signed and sealed by them in the respective capacities therein set forth on behalf of said corporation by authority of its board of directors; and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Beverly A. Hinton
Notary Public

My commission expires: 2/18/84

L/P56-440.3

SCHEDULE A

TO EQUIPMENT LEASE

DESCRIPTION OF EQUIPMENT

| Type of Equipment | Quantity | Identification Numbers |
|---|---|---|
| SD-45 Diesel Electric Locomotives | 12 | CNW 6502<br>6505<br>6507<br>6514<br>6516<br>6517<br>6524<br>6546<br>6548<br>6550<br>6554<br>6557 |

13988

SCHEDULE B

Dated:

CERTIFICATE OF ACCEPTANCE
UNDER EQUIPMENT LEASE

13988

TO: NORTH WESTERN LEASING COMPANY, as Lessor,
and EUROPEAN AMERICAN BANK AND TRUST COMPANY
and EUROPEAN AMERICAN BANKING CORPORATION

I, _____, the duly authorized representative of CHICAGO AND NORTHWESTERN TRANSPORTATION COMPANY ("the Railroad") for the purpose of Section 1.2 of the Equipment Lease (the "Lease") dated as of _____ between NORTH WESTERN LEASING COMPANY (the "Lessor ) and the Railroad, DO HEREBY CERTIFY the units of railroad equipment described in Schedule A attached hereto (the "Equipment") have been inspected on behalf of the Railroad and that all units of the Equipment were delivered to the Railroad under the Lease and have been accepted by me on behalf of the Railroad.

_____
Authorized Representative
NORTH WESTERN LEASING
COMPANY