CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY

11927 A
RECORDATION NO. Filed 1425

June 24, 1980

JUN 25 1980 -10 30 AM

File No.: C-313

INTERSTATE COMMERCE COMMISSION

J. S. EDWARDS
DIANE KOHLER-RAUSCH
JOAN A. SCHRAMM
ASSISTANT SECRETARIES

No. 0-177A022
Date JUN 25 1980
Fee $ 100.00
ICC Washington, D. C.

RECORDATION NO. 11927 Filed 1425
JUN 25 1980 -10 30 AM
INTERSTATE COMMERCE COMMISSION

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, as amended for recordation are 6 counterparts each of Security Agreement and Equipment Lease dated as of 6/16/80 covering eight SD-45 locomotives CNW Nos. 964-971 inclusive.

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

1. Security Agreement dated as of June 16, 1980 from North Western Leasing Company, 400 W. Madison St., Chicago, Illinois 60606, Debtor to Continental Illinois National Bank and Trust Company of Chicago, 231 S. LaSalle St., Chicago, Illinois 60693, Secured Party.

2. Equipment Lease dated as of June 16, 1980 between North Western Leasing Company, 400 W. Madison St., Chicago, Illinois 60606, Lessor and Chicago and Northwestern Transportation Company, 400 W. Madison St., Chicago, Illinois 60606, as Lessee.

Please assign the Security Agreement and Equipment Lease related ~~numbers i.e., 4000 and 4000 A.~~

Enclosed are two checks each in the amount of $50.00 to cover your recording fee. Please keep one counterpart and return the other five (5) counterparts showing your recordation data.

Very truly yours,

J. S. Edwards
Assistant Secretary

JSE:bw

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I.C.C.
FEE OPERATION BR.

cc: G. R. Charles
R. D. Smith
Z. Steiger
R. F. Guenther
D. E. Stockham

Arthur Andersen*

Peter D. Horne
Continental Illinois National Bank
and Trust Company of Chicago

*Enclosures

C-313

11927-A
RECORDATION NO. Filed 1425

COUNTERPART
No. 1 of 10

JUN 25 1980 -10 22 AM

INTERSTATE COMMERCE COMMISSION

EQUIPMENT LEASE

Dated as of June 16, 1980

Between

NORTH WESTERN LEASING COMPANY

LESSOR

and

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY

LESSEE

NORTH WESTERN LEASING COMPANY

EQUIPMENT LEASE

THIS EQUIPMENT LEASE dated as of June 16, 1980 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 executed a Note (the "Note") and has entered into a Security Agreement dated as of June 16, 1980 with the CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, as Agent (the "Secured Party") to secure the Note, the proceeds of which were used to finance 80% of the cost of the Equipment, pursuant to a Finance Agreement, dated as of December 20, 1979 (the "Finance Agreement") among the Lessor, the Secured Party as Agent and the Banks named in Exhibit 1 (the "Lenders") to the Finance Agreement 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.

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, two installments of interim rental ("Interim Rental") from the time the funds are loaned to the Lessor under the Security Agreement-Note (the "Loan Date") to the Lease Commencement Date (as hereinafter defined) payable on the 15th of August and November 1980 equal to the amount of interest then due on the unpaid balance of the Note on those dates.

(b) Fixed Rental. For the Equipment, Lessee shall pay rental in 32 installments, payable February 15, May 15, August 15 and November 15, commencing February 15, 1981 each equal to the amount payable on such date by the Lessor to the Secured Party pursuant to the Note. The Lease Commencement Date shall be February 15, 1981.

If any of the rent payment dates is not a business day, the rent payment otherwise payable on such date shall be payable on the next succeeding business day. For purposes of this Lease, the term "business day" means calendar days, excluding Saturdays, Sundays and holidays on which banks in the state of Illinois are authorized or required to close.

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 Note known to the Secured Party to be due and payable on the date such payments are due and payable hereunder, and second, so long as no Event of Default hereunder or under the Security Agreement dated as of June 16, 1980 (the "Security Agreement") between the Lessor and the Secured Party 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 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. TERM 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 ten (10) years following the Lease Commencement Date in respect of such Equipment, subject to the provisions of Section 11.

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 1 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 disposition 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 hereunder, or under the Finance Agreement, (iii) as a result of claims for patent infringements, or (iv) as a result of claims for negligence or strict liability in tort 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 Note.

SECTION 7. RULES, LAWS AND REGULATIONS.

During the term of this Lease, the Lessee will at all times comply in all respects with all laws of the jurisdictions in which its operations involving the Equipment may extend, with the interchange rules of the Association of American Railroads 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, to the extent that such laws and rules affect the title, operation 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 and Lessor, adversely affect the property or rights of the Secured Party and Lessor under this Lease.

SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.

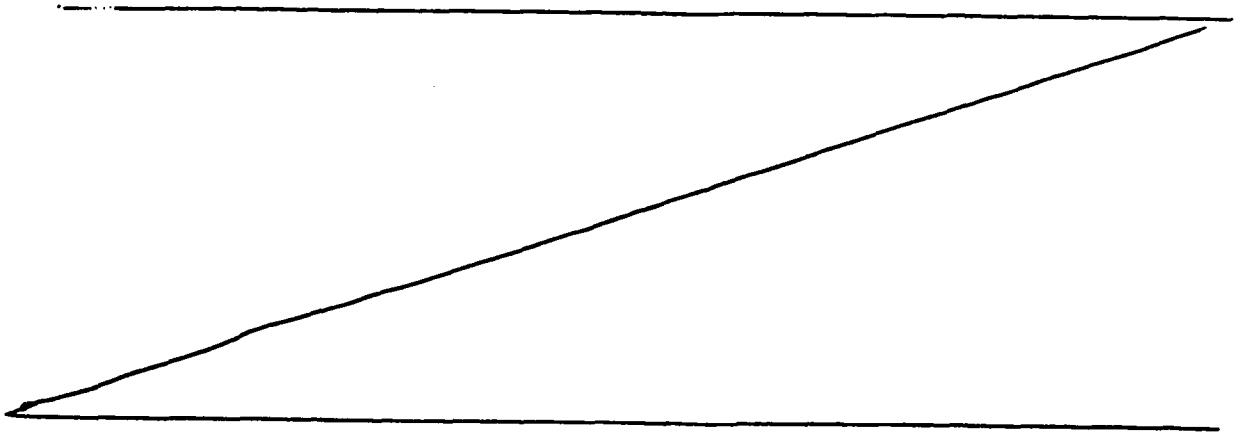
The Lessee, so long as an event of default shall not have occurred under this Lease and be continuing, shall be entitled to the possession of the Equipment and the use thereof; provided, however, that such possession and use of rolling stock units of equipment shall be upon the lines of railroad owned 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 and repair at its own expense.

The Lessee shall make no additions or improvements to the Equipment unless the same are readily removable without causing material damage to such 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.

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 covenants 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 matter which will not affect or endanger the title and interest of the Lessor to the Equipment, and (b) it



establishes and maintains a reserve therefor in accordance with generally accepted accounting principles. The Lessee'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 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 and Lessor for the purpose of proper protection, to the satisfaction of counsel for the Secured Party and Lessor, of their interest 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 fees, assessments, charges, fines and penalties (all such expenses, taxes, license fees, assessments, charges, fines 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 this Lease or any 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. 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 therefor 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.

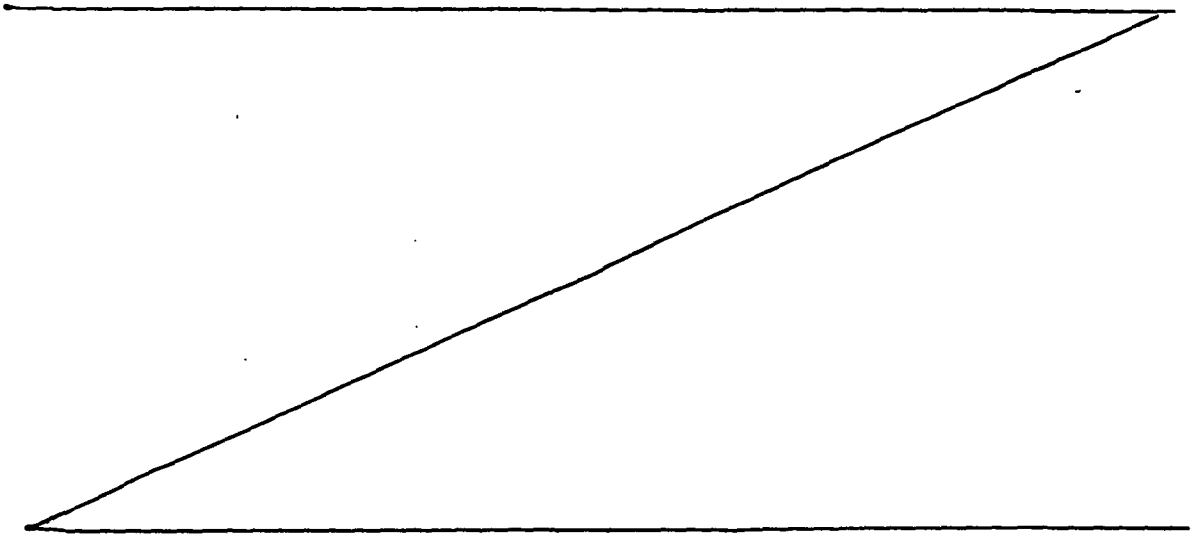
In the event any reports with respect to Impositions are required to be made, Lessee shall make such reports in such manner which in the reasonable opinion of Lessor shall be required.

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 thc 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 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 any 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, being hereinafter called a "Casualty Occurrence"), the Lessee shall promptly and fully (after it has knowledge of such Casualty Occurrence) inform the Lessor and the Secured Party in regard thereto and shall pay the Casualty Value (as defined in Section 11 of the Security Agreement) of such Equipment in accordance with the terms thereof and 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 such 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 Fixed Rental 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 Fixed Rental 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 good faith judgment of the Vice President-Operations and Secretary of the Lessee, 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 with respect to such Equipment upon payment to the Lessor of an amount equal to the Casualty Value of the Equipment. 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. Upon (and not until) payment of the Casualty Value in respect of the Equipment, the obligation to pay rent for such Equipment accruing on and subsequent to the Casualty Value payment date shall terminate.

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 of 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 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 amount Lessor must pay to the Secured Party pursuant to Section 11 of the Security 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 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. The Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession of the Equipment to an amount equal to the rent paid or payable hereunder for such period, and the balance, if any, shall be payable to and retained by the Lessor as its sole property.

SECTION 12. ANNUAL REPORTS.

On or before April 30 in each year, commencing in 1981, 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, and (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 or replaced. 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 such Equipment to the Lessor at a location on Lessee's lines that Lessor may designate or in the absence of such designation, as the Lessee may select. The Lessee covenants that, at the time the Equipment is returned to the Lessor in the manner above provided, it will then be in the condition that Lessee is required to maintain such Equipment pursuant to Section 8 hereof. All movement of such Equipment is to be at the risk and expense of the Lessee. The delivery 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 deliver 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, for more than 30 days after the Lessor shall have demanded in writing performance thereof, fail or refuse to comply with any covenant, agreement, term or provision of this Lease, or of the Finance Agreement or of the Related Agreements referred to in Section 2 of the Security Agreement; or

(c) a petition for reorganization under Title 11 of the United States Code, as now constituted or as may hereafter be amended, shall be

filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been (and shall not continue to have been) duly assumed and affirmed 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 obligations incurred by such trustee or trustees, within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier; or

(d) any other proceedings shall be commenced by or against the Lessee for any relief under any bankruptcy or insolvency law, or law relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of the indebtedness payable hereunder), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been (and shall not continue to have been) duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for its property in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier; or

(e) 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 canceled 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 by discounting from the end of such term to the date of such termination rentals which the Lessor reasonably estimates to be obtainable for the use of such Equipment during such period, such present worth to be computed in each case on a basis of a 6% per annum discount, 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 Section 14.2 above, Fair Market Value and Fair Rental Value for the Equipment shall be determined by independent appraisers, provided that any sale in a commercially reasonable manner of the Equipment prior to any such determination shall conclusively establish the Fair Market Value of such Equipment and any rental in a commercially reasonable manner of the Equipment prior to any such determination shall conclusively establish the Fair Rental Value of such Equipment.

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 place on Lessee's lines as the Lessor may designate or, in the absence of such designation, as the Lessee may select;

(b) 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 abatement whatsoever, and 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.

As long as Lessee shall not be in default under the Lease, the Lessee shall be entitled to sublease the Equipment to reputable corporations or individuals, provided, however, Lessee shall have first obtained the written consent, not to be unreasonably withheld, of the Secured Party. Lessee shall not assign or permit the assignment of the Equipment to service involving the regular operation and maintenance thereof outside the continental United States. All subleases shall be subject and subordinate to the terms and provisions of this Lease and the interests of Lessee hereunder. Under any such sublease, the Lessee's obligations shall remain those of a principal and not a guarantor.

17.2. 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 become 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 guarantor. 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 the interest per annum (or the lawful rate, whichever is less) set forth in the third paragraph of the Note, on 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
400 West Madison Street
Chicago, Illinois 60606

Attention: Vice President-Finance

If to the Lessee:
Chicago and North Western
Transportation Company
400 West Madison Street
Chicago, Illinois 60606

Attention: Senior Vice President-Finance

If to the Secured Party:
Continental Illinois National Bank
and Trust Company of Chicago
231 South La Salle Street
Chicago, Illinois 60693
Attention: Loan Division

or addressed to either party at such other address as such party shall 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, an amount equal to the interest per annum.

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]

ATTEST:

By _____
Vice President

Assistant Secretary

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY

[CORPORATE SEAL]

ATTEST:

By _____
Senior Vice President

Assistant Secretary

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, Continental Illinois National Bank and Trust Company of Chicago (the "Secured Party") pursuant to a Security Agreement dated as of June 16, 1980 between the Lessor and the Secured Party. Information concerning such security interest may be obtained from Continental Illinois National Bank and Trust Company of Chicago, 231 South La Salle Street, Chicago, Illinois 60693, Attention: Loan Division.

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 16th day of June, 1980, before me personally appeared J. W. Conlon and J. S. Edwards 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.

Janet S. Pillow
Notary Public

My commission expires: 7/12/83

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 16th day of June, 1980, before me personally appeared J. W. Conlon and J. S. Edwards, to me personally known, who being by me duly sworn, did say that they are a Senior 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.

Janet S. Pillow
Notary Public

My commission expires: 7/12/83

SCHEDULE B

Dated:

CERTIFICATE OF ACCEPTANCE
UNDER EQUIPMENT LEASE

TO: NORTH WESTERN LEASING COMPANY, as Lessor,
and CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO, as Agent

I, _____, the duly authorized representative of CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY (the "Railroad") for the purpose of Section 1.2 of the Equipment Lease (the "Lease") dated as of June 16, 1980 between NORTH WESTERN LEASING COMPANY (the "Lessor") and the Railroad, DO HEREBY CERTIFY that 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
CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY

SCHEDULE A

QUANTITY	DESCRIPTION	RAILROAD SYSTEM NO.	PURCHASE PRICE
8	SD-45 Locomotives	CNW 964	$ 500,000
		965	500,000
		966	500,000
		967	500,000
		968	500,000
		969	500,000
		970	500,000
		971	500,000
			$ 4,000,000