

FIRST SECURITY LEASING COMPANY

No. 12241 P.O. BOX 30006 · SALT LAKE CITY, UTAH 84125 · TELEPHONE: (801) 350-5270

Date SEP 30 1980

Fee \$ 50.00

ICC Washington, D. C.

Secretary
Interstate Commerce Commission
Washington, D.C. 20423

RECORDATION NO. 12241

September 26, 1980 SEP 30 1980-10 55 AM

INTERSTATE COMMERCE COMMISSION

LETTER OF TRANSMITTAL

Dear Secretary:

This Letter of Transmittal is for the purpose of requesting that the attached Equipment Lease be recorded pursuant to the provisions of 49 U.S.C. § 11303 (1976 and Supp). Enclosed in this packet also please find a separate Letter of Transmittal and a Financing Statement evidencing the Equipment Lease, which is to be recorded in connection with this Equipment Lease.

The parties to the Equipment Lease are as follows:

LESSEE - Kennecott Corporation
Ten Stamford Forum
Stamford, Connecticut 06904

LESSOR - First Security Leasing Company
P.O. Box 30006
Salt Lake City, Utah 84125

RECEIVED
SEP 30 10 52 AM '80
I.C.C.
FEE OPERATIONS DIV.

A general description of the equipment covered by the document is as follows:

<u>Quantity</u>	<u>Description</u>
7	General Motors EMD Model GP39-2, 2,300 horsepower, four axle diesel-electric locomotives in accordance with General Motors Locomotive Specification 8075, as modified, Road Numbers 705 through 711, inclusive.

Secretary
Interstate Commerce Commission
September 26, 1980
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Attached hereto is a check in the amount of \$50.00,
payable to the Secretary, Interstate Commerce Commission, to
cover the cost of recording.

When recorded please return the original document to:

Douglas Matsumori
Attorney at Law
Ray, Quinney & Nebeker
400 Deseret Building
Salt Lake City, Utah 84111

Respectfully submitted,

FIRST SECURITY LEASING COMPANY

By



Its

Asst. Vice Pres.

SEP 30 1980-10 55 AM

INTERSTATE COMMERCE COMMISSION

THE RIGHTS OF THE LESSOR UNDER THIS EQUIPMENT LEASE AND IN ALL EQUIPMENT COVERED HEREBY HAVE BEEN ASSIGNED TO, AND ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF, FIRST SECURITY BANK OF IDAHO, N.A. (THE "LENDER") UNDER A SECURITY AGREEMENT DATED AS OF SEPTEMBER 15, 1980. THIS EQUIPMENT LEASE HAS BEEN EXECUTED IN COUNTERPARTS. SEE SECTION 27(g) HEREOF FOR INFORMATION CONCERNING THE RIGHTS OF HOLDERS OF THE VARIOUS COUNTERPARTS.

EQUIPMENT LEASE
 Dated as of September 15, 1980 between
 FIRST SECURITY LEASING COMPANY, as Lessor
 and
 KENNECOTT CORPORATION,
 as Lessee

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EQUIPMENT LEASE

THIS EQUIPMENT LEASE dated as of September 15, 1980 (the Lease) between FIRST SECURITY LEASING COMPANY, a Utah corporation, as Lessor (Lessor) and KENECOTT CORPORATION, a New York corporation, as Lessee (Lessee).

W I T N E S S E T H:

SECTION 1. Definitions; Construction of References.

In this Lease, unless the context otherwise requires:

(a) All references in this Lease to designated Sections and other subdivisions are to designated Sections and other subdivisions of this Lease, and the words "herein", "hereof", "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Section or other subdivision.

(b) The terms defined in this Section 1 or elsewhere in this Lease shall, for purposes of this Lease and all Exhibits hereto, have the meanings assigned to them in this Section 1 or elsewhere and include the plural as well as the singular.

(c) Except as otherwise indicated, all the agreements or instruments herein defined shall mean such agreements or instruments as the same may from time to time be supplemented or amended or the terms thereof waived or modified to the extent permitted by, and in accordance with, the terms thereof.

(d) The following terms shall have the following meanings for all purposes of this Lease:

Abatements shall have the meaning set forth in Section 4 hereof.

Affiliate shall mean any member of an affiliated group, as defined in Section 1504 of the Code, which files a consolidated return for Federal income tax purposes.

Appraisal shall mean a procedure whereby two independent appraisers, neither of whom shall be a manufacturer of the Item of Leased Equipment for which appraisal is required or a manufacturer of any equipment of the same type or the American Appraisal Company, one chosen by the Lessee and one by the Lessor, shall mutually agree upon the amount in question. The Lessor or the Lessee, as the case may be, shall deliver a written notice to the other party appointing its appraiser within 15 days after receipt

from the other party of a written notice appointing that party's appraiser.

If within 30 days after appointment of the two appraisers, as described above, the two appraisers are unable to agree upon the amount in question, a third independent appraiser, who shall not be a manufacturer of the Item of Leased Equipment, or any equipment of the same type, for which appraisal is required, shall be chosen within fifteen days thereafter by the mutual consent of such first two appraisers or, if such first two appraisers fail to agree upon the appointment of a third appraiser, such appraiser shall be the American Appraisal Company, Milwaukee, Wisconsin, or any organization successor thereto. The decision of each appraiser so appointed and chosen shall be given within 30 days after the appointment of such third appraiser. The average of the three appraisals arrived at by said three appraisers shall be determined and the difference between said average and each of the appraisals shall be computed. The appraisal having the greatest difference (plus or minus) shall be dropped from further consideration for this purpose, and the average of the two remaining appraisals shall be binding and conclusive on the Lessor and the Lessee. Except as otherwise provided herein, the Lessor and the Lessee shall pay the fees and expenses of the respective appraisers appointed by them and the fees and expenses of the third appraiser, if any, shall be equally divided between Lessee and Lessor.

Basic Rent And Supplemental Payments shall have the meanings set forth in Section 3 hereof.

Rent Commencement Date, Late Payment Rate, Basic Rent Dates, First Delivery Date, Final Delivery Date, Interim Rent Date, First Basic Rent Date, Last Basic Rent Date, Expiration Date, Basic Lease Rate Factor, Daily Interim Rate Factor, Lease Extension Period, Equipment Marking, Return of Equipment, Investment Credit Percentage, Depreciable Life, Depreciation Method and Net Salvage Value shall have the meanings set forth in Exhibit C hereto, if, and to the extent, such terms are applicable to this Lease.

Business Day shall mean any day other than a Saturday, Sunday or other day on which banks in the City of New York, New York, or in Salt Lake City, Utah, are authorized to close.

Casualty Value and, if, and to the extent, such term is applicable to this Lease, Termination Value shall have the meanings set forth in Exhibit D hereto.

Certificate of Acceptance shall mean a certificate of acceptance substantially in the form of Exhibit B hereto.

Claims shall have the meaning set forth in Section 13 hereof.

Closing Date shall have the meaning set forth in the Participation Agreement.

Code shall have the meaning set forth in Section 16 hereof.

Default shall mean an event which, after the giving of notice or lapse of time, or both, would mature into an Event of Default.

Depreciation Deduction, Interest Deduction and Investment Credit shall have the meanings set forth in Section 16 hereof.

Equipment, and individually an Item or Items of Equipment, shall mean the equipment described in Exhibit A hereto.

Event of Default shall have the meaning set forth in Section 18 hereof.

Event of Loss shall have the meaning set forth in Section 11 hereof.

Fair Market Rental Value of an Item of Leased Equipment shall be determined on the basis of, and shall mean the amount which would be obtainable in, an arm's-length lease transaction between an informed and willing lessee under no compulsion to lease and an informed and willing lessor under no compulsion to lease.

Fair Market Value of an Item of Leased Equipment shall be determined on the basis of, and shall mean the amount which would be obtainable in, an arm's length transaction between an informed and willing buyer or user under no compulsion to buy and an informed and willing seller under no compulsion to sell.

Impositions shall have the meaning set forth in Section 8 hereof.

Improvement shall have the meaning set forth in Section 9 hereof.

Leased Equipment, and individually an Item of Leased Equipment, shall have the meanings set forth in Section 2 hereof.

Lender shall mean First Security Bank of Idaho, N.A.

Lessor's Cost shall mean the cost for each Item of Leased Equipment, which shall include freight charges to the place of delivery and insurance and storage charges, if any, prior to the

date of delivery and acceptance under this Lease, as set forth in each Certificate of Acceptance.

Liens and Lessor's Liens shall have the meanings set forth in Section 5 hereof.

Long-Term Debt Rate shall have the meaning set forth in the Participation Agreement.

Loss shall have the meaning set forth in Section 16 hereof.

Notes shall mean those promissory notes defined as Notes in the Participation Agreement issued in connection with the purchase of the Leased Equipment.

Participation Agreement shall mean the Participation Agreement, dated as of September 15, 1980, among the Lessee, the Lessor and the Lender.

Person shall mean any individual, partnership, corporation, trust, unincorporated association or joint venture, a government or any department or agency thereof, or any other entity.

Purchase Agreement shall mean those documents defined as the "Purchase Agreement" in the Purchase Order Assignment.

Purchase Order Assignment shall mean the Purchase Order Assignment, dated as of September 15, 1980, between Lessee and Lessor, with respect to the Equipment.

Requisition of Use shall have the meaning set forth in Section 11 hereof.

Return to Manufacturer shall have the meaning set forth in Section 11 hereof.

Security Agreement shall mean the Security Agreement dated as of September 15, 1980 between the Lender and the Lessor.

SECTION 2. Lease of Equipment.

Subject to the terms and conditions of this Lease, the Lessor hereby agrees to lease to the Lessee, and the Lessee hereby agrees to lease from the Lessor, such Items of Equipment as Lessee shall have accepted pursuant to this Section 2 on or before the Final Delivery Date and as Lessor shall have acquired, or become obligated to pay for, pursuant to the Purchase Order Assignment (Leased Equipment, and individually an Item of Leased Equipment). Upon delivery of each Item of Equipment to the Lessor on or after

the First Delivery Date, but on or before the Final Delivery Date, the Lessee will either (a) cause an authorized representative of the Lessee to inspect the same and, if such Item is found to be in acceptable order, to accept such Item and to execute and deliver a Certificate of Acceptance with respect thereto, or (b) if the Lessee, acting in good faith, should find that such Item or any component thereof is not in acceptable order, return the same to the manufacturer or vendor. Each Item of Equipment delivered to the Lessee in accordance with the Purchase Agreement shall be subject to the terms and conditions of this Lease from the date of acceptance set forth in the Certificate of Acceptance for such Item executed by the Lessee.

SECTION 3. Term and Rent.

(a) The term of this Lease shall begin on the date the first Item of Equipment shall become subject to the terms of this Lease and shall terminate on the Expiration Date unless this Lease shall have been earlier terminated, or the term of this Lease shall have been extended.

(b) The Lessee shall pay to the Lessor as basic rent (herein referred to as Basic Rent) for each Item of Leased Equipment, the following:

(i) on the Interim Rent Date, an amount equal to the Daily Interim Rate Factor, multiplied by the Lessor's Cost of such Item, for each day elapsed from, and including, the Rent Commencement Date with respect to such Item to, but excluding, the Interim Rent Date; and

(ii) on the First Basic Rent Date, and on each Basic Rent Date thereafter to, and including, the Last Basic Rent Date, an amount equal to the Basic Lease Rate Factor multiplied by the Lessor's Cost of such Item.

(c) The Lessee shall pay to the Lessor the following amounts (herein referred to as Supplemental Payments):

(i) on demand, except as otherwise expressly provided herein, any amount due and payable to the Lessor hereunder (other than Basic Rent, Casualty Value and Termination Value, if any) which the Lessee agrees to pay under this Lease;

(ii) on the date provided herein, any amount payable hereunder as Casualty Value or Termination Value, if any; and

(iii) on demand, to the extent permitted by applicable law, interest (computed on the basis of a 360-day year of actual days elapsed) at the Late Payment Rate on any payment of Basic Rent or any Supplemental Payments not paid when due for any period during which the same shall be overdue.

(d) All payments of Basic Rent and Supplemental Payments hereunder shall be made so that the Lessor shall have immediately available funds at Salt Lake City, Utah, not later than 11:00 A.M. Salt Lake City time on the date payable hereunder and shall except as otherwise directed under Section 7 of the Participation Agreement be paid to the Lessor at its address set forth herein.

SECTION 4. Net Lease.

This Lease is a net lease, and the Lessee acknowledges and agrees that the Lessee's obligation to pay all Basic Rent and Supplemental Payments hereunder, and the rights of the Lessor in and to such Basic Rent and Supplemental Payments, shall be absolute and unconditional and shall not be subject to any abatement, reduction, set-off, defense, counterclaim or recoupment (Abatements) for any reason whatsoever, including, without limitation, Abatements due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise, against the manufacturer or vendor of any Item of Leased Equipment, or against any other Person for whatever reason. Except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the obligations of the Lessee be affected, by reason of any defect in or damage to, or any loss or destruction of, the Leased Equipment or any Item thereof from whatsoever cause, or the interference with the use thereof by the Lessor or any Person, or the invalidity or unenforceability or lack of due authorization of this Lease or lack of right, power or authority of the Lessor to enter into this Lease, or any failure of the Lessor to perform any obligation of the Lessor to the Lessee or any other Person under this Lease, the Participation Agreement or any instrument or document executed in connection herewith, or for any other cause, whether similar or dissimilar to the foregoing, it being the express intention of the Lessor and the Lessee that all Basic Rent and Supplemental Payments payable by the Lessee hereunder shall be, and continue to be, payable in all events unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease.

SECTION 5. Return of Equipment.

Upon the expiration or termination of this Lease the Lessee will return the Items of Leased Equipment then subject to this Lease to the Lessor pursuant to the provisions set forth under the heading Return of Equipment in Exhibit C hereto and in the condition in which such Leased Equipment is required to be maintained pursuant to Section 9 hereof. Such Leased Equipment, upon redelivery pursuant hereto, shall be free and clear of all mortgages, liens, security interests, charges, claims or other encumbrances (Liens) other than (a) Liens created or granted by the Lessor, including any such Liens created or granted in connection with the purchase or financing of the Leased Equipment, or (b) Liens which the Lessee has not agreed to pay, assume or indemnify against hereunder (Liens described in clauses (a) and (b) above being herein referred to as Lessor's Liens). If the Lessee shall have affixed or installed any Severable Improvement as defined in Section 9(c) hereof to any Item of Leased Equipment redelivered pursuant hereto, the Lessee will, on or before the date of redelivery and at its own expense, remove any Severable Improvement if requested to do so by the Lessor. So long as there exists no Event of Default under Section 18(a) hereof, Lessee may, on or before the date of redelivery and at its own expense remove any Severable Improvement installed or affixed to an Item of Leased Equipment by the Lessee. Title to any Severable Improvement not removed by Lessee shall be vested immediately in Lessor on such date of redelivery. If the Lessee shall fail to return any Item of Equipment when required pursuant to the provisions of this Section, the Lessee shall pay to the Lessor as a Supplemental Payment hereunder, and as additional rent, an amount equal to the Daily Interim Rate Factor, multiplied by the Lessor's Cost of such Item; for each day during which such failure to return shall continue.

SECTION 6. Warranty of the Lessor.

(a) The Lessor warrants that during the term of this Lease, if no Event of Default has occurred, the Lessee's use of the Leased Equipment shall not be interrupted by the Lessor or anyone claiming solely through or under the Lessor.

(b) The warranty set forth in paragraph (a) of this Section is in lieu of all other warranties of the Lessor, whether written, oral or implied with respect to this Lease or the Leased Equipment, and the Lessor shall not be deemed to have modified in any respect the obligations of the Lessee pursuant to Section 4 hereof, which obligations are absolute and unconditional. THE LESSEE EXPRESSLY AGREES TO LEASE EACH ITEM OF LEASED EQUIPMENT "AS IS." THE LESSOR SHALL NOT BE DEEMED TO HAVE MADE, AND THE LESSOR HEREBY DISCLAIMS, ANY OTHER REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, THE DESIGN OR CONDITION OF THE LEASED EQUIPMENT, ITS

MERCHANTABILITY OR ITS FITNESS FOR ANY PARTICULAR PURPOSE, THE QUALITY OF THE MATERIAL OR WORKMANSHIP OF THE LEASED EQUIPMENT OR CONFORMITY OF THE LEASED EQUIPMENT TO THE PROVISIONS AND SPECIFICATIONS OF ANY PURCHASE ORDER OR ORDERS RELATING THERETO, NOR SHALL THE LESSOR BE LIABLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING STRICT OR ABSOLUTE LIABILITY IN TORT).

(c) The Lessor authorizes the Lessee, at the Lessee's expense, to assert for the Lessor's account, during the term of this Lease, all of the Lessor's rights, including the right to file a lawsuit as agent for the Lessor, under any applicable manufacturer's or vendor's warranty and the Lessor agrees to cooperate with the Lessee in asserting such rights; provided, however, that the Lessee shall indemnify the Lessor and hold the Lessor harmless from and against any and all claims, and all costs, expenses, damages, losses and liabilities including reasonable attorney's fees incurred or suffered by the Lessor in connection with, as a result of, or incidental to, any action by the Lessee pursuant to the above authorization other than any Impositions. Lessee is hereby authorized to make any necessary adjustments on Lessor's behalf with any manufacturer or vendor of Leased Equipment pursuant to any applicable warranty.

SECTION 7. Liens.

The Lessee will not directly or indirectly create, incur, assume or suffer to exist any Liens on or with respect to the Leased Equipment, the Lessor's title thereto or any interest of the Lessor therein (and the Lessee will promptly, at its own expense, take such action as may be necessary duly to discharge any such Lien), except (a) the respective rights of the Lessor and the Lessee as herein provided, (b) Liens created or granted by the Lessor, (c) Liens for taxes either not yet due or being contested by the Lessee in good faith with due diligence and by appropriate proceedings, and (d) inchoate materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business of the Lessee and not delinquent.

SECTION 8. Taxes.

The Lessee agrees to pay and to indemnify the Lessor for, and hold the Lessor harmless from and against (on a net after-tax basis) all withholdings with respect to taxes and all taxes of any nature, form or description, including, without limitation, license and registration fees and sales and use taxes, together with any penalties, fines or interest thereon (Impositions), arising out of the transactions contemplated by this Lease and imposed against the Lessor, the Lessee or any Item of Leased Equipment by any federal, state, local or foreign government or taxing authority upon or with respect to any Item of Leased Equipment or upon the sale, purchase,

ownership, delivery, leasing, possession, use, operation, return or other disposition thereof, or upon the rentals, receipts or earnings arising therefrom, or upon or with respect to this Lease; provided, however, the foregoing indemnity shall not apply: (i) to any federal, state or local taxes (or any other Impositions) imposed on or measured by the Lessor's (or any other Person's) net income from or with respect to any Item of Leased Equipment or with respect to the transactions contemplated by this Lease; (ii) to any federal, state or local taxes (or any other Impositions) imposed on or measured by the Lessor's (or any other Person's) gross income or receipts from or with respect to any Item of Leased Equipment or with respect to the transactions contemplated by this Lease which are imposed in substitution for any federal, state or local taxes (or any other Impositions) referred to in clause (i) above; (iii) any federal, state or local taxes (or any other Impositions) imposed as a result of the willful misconduct or negligence of the party to be indemnified; (iv) any federal, state or local minimum tax, and any other Impositions connected therewith imposed on or with respect to items of tax preference or any similar tax related to any federal, state or local taxes (or any other Impositions) imposed on or measured by the Lessor's (or any other Person's) net income or receipts from or with respect to any Item of Leased Equipment or with respect to the transactions contemplated by this Lease; (v) any federal, state or local taxes (or any other Impositions) which are included in Lessor's Cost; (vi) any federal, state or local taxes (or any other Impositions) imposed on or measured by any fees or compensation received by Lessor or the Lender for services rendered in connection with the transactions contemplated by this Lease; (vii) any federal, state or local taxes (or any other Impositions) (including any federal, state or local capital gain taxes or any other Impositions) imposed upon the sale, transfer or other disposition of any Item of Leased Equipment or any portion thereof, or all or any part of the Notes; or (viii) any federal, state or local taxes (or any other Impositions) not imposed as a result of an action of Lessee and which are fairly attributable to the events or periods after the end of the term of this Lease; provided, however, that nothing set forth in this Section 8 shall be deemed to abrogate or in any way affect any tax indemnification rights of the Lessor, or rights of the Lessee, pursuant to Section 16 hereof.

The Lessee agrees to pay all sales or use taxes imposed with respect to any Basic Rent or Supplemental Payments to the appropriate taxing authorities and to make copies of all returns, receipts and other documents related to such payment available to the Lessor upon written request.

If a claim is made against the Lessor for any Impositions with respect to which the Lessee is liable for payment or indemnification under this Section 8, the Lessor shall within 30 Business Days give the Lessee notice in writing of such claim and shall furnish the Lessee with copies of any request for information

from any taxing authority relating to such Impositions, and shall in good faith, with due diligence and at the Lessee's expense, if requested in writing by the Lessee, contest (or shall permit Lessee to contest in the name of Lessor) the validity, applicability, or amount of such tax or other Impositions; provided, however, that the Lessor shall not be required to take any action pursuant to this Section unless (i) the action to be taken will not result in the forfeiture or loss of any Item of Leased Equipment, and (ii) the Lessee shall have reimbursed the Lessor for any amounts required to be paid by the Lessor to obtain the right to contest. If the Lessor shall obtain a refund of all or any part of any taxes or other Impositions attributable to any amount paid by the Lessee pursuant to this Section 8, the Lessor shall promptly pay to Lessee the amount of such refund (plus any interest received thereon) together with any additional amounts theretofore paid by the Lessee in respect of such Impositions (plus any tax savings realized by the Lessor as a result of making such payment) net of out-of-pocket expenses not otherwise reimbursed by the Lessee, so that the Lessor shall neither profit nor lose (on a net after-tax basis) from such Imposition, the indemnity and the refund in respect thereof; provided, however, that no default in payment of Basic Rent or Supplemental Payments shall have occurred and be continuing.

If a claim is made against the Lessee or the Lessor for any Imposition for which such party denies liability, the party receiving notice of such claim shall notify the other party within 30 Business Days. In case any report or return is required to be made with respect to any Imposition indemnified against by the Lessee under this Section the Lessee will make and file such report or return in such manner as will show the ownership of the Leased Equipment in the Lessor and be satisfactory to the Lessor and Lessee and make copies thereof available to Lessor upon its written request. The Lessor agrees to cooperate fully with the Lessee in the preparation and filing of any such report or return.

SECTION 9. Use, Maintenance and Operation; Equipment Marking

(a) The Lessee agrees that its use of each Item of Leased Equipment will not violate any statutes, laws, ordinances or regulations of any governmental agency applicable to the use of the Leased Equipment, the violation of which would (i) subject the Lessor to legal or administrative remedies, (ii) subject the Leased Equipment to confiscation or impoundment or (iii) result in the invalidation of the Lender's security interest in any Item of Leased Equipment. Subject to the provisions of Section 14 hereof, the Lessee will at all times use the Leased Equipment solely in the conduct of its business and the Leased Equipment will remain in the possession and control of the Lessee within the geographic limits of the continental United States; provided, however, that upon giving of prior written notice to Lessor, Lessee may transfer possession and control of the Leased Equipment to any member of a consolidated group of companies of which Lessee is a member or to a

joint venture or a partnership of which Lessee (or any wholly-owned subsidiary thereof) is a party or member; provided, further, that Lessee may upon the prior written consent of Lessor (which consent shall not be unreasonably withheld or unreasonably delayed) transfer possession and control of the Leased Equipment to any other entity; and provided, further, that Lessee shall not permit the removal of the Leased Equipment from the State of Utah unless and until Lessor shall have been given notice of such proposed removal and financing statements shall have been filed and such other steps shall have been taken at Lessee's expense, as in the opinion of the Lessor and the Lender are sufficient to furnish notice of and protect the respective interests of the Lessor and the Lender in the Leased Equipment in any such new location, and Lessee shall pay the Lessor any increase in state or local taxes (on a net after-tax basis) based on Lessor's net or gross income which results from such removal notwithstanding clauses (i), (ii) and (iv) of the first paragraph of Section 8 hereof. Throughout the term of this Lease, the possession, use and maintenance of the Leased Equipment shall be at the sole risk and expense of the Lessee. No relinquishment of possession or control of the Leased Equipment shall in any way discharge or diminish any of the Lessee's obligations hereunder.

(b) The Lessee shall use the Items of Leased Equipment only in the manner for which they were designed and intended and will, at its own cost and expense, repair and maintain each Item of Leased Equipment so as to keep it in as good condition as when delivered to the Lessee hereunder, ordinary wear and tear excepted. Any replacement part affixed to or installed in or upon an Item of Leased Equipment in connection with repairing such Item shall be considered an accession to such Item, and title to such replacement part shall upon the installation or affixation thereof, automatically vest in the Lessor. Effective upon the installation or affixation of any such replacement part, the Lessor shall be deemed to have disclaimed ownership of, and the Lender shall be deemed to have released its security interest in, the original part so replaced.

(c) The Lessee represents and warrants that on the Rent Commencement Date for each Item of Leased Equipment, no improvements, modifications or additions (Improvements) other than those Severable Improvements, as hereinafter defined, customarily furnished by purchasers or lessees for property similar to such Item of Equipment, are or will be required in order to complete such Item of Leased Equipment for its intended use by Lessee. The Lessee may make, at its own expense, any Improvement necessary in order to comply with the health, safety or environmental standards of any government or governmental authority having relevant jurisdiction, each of which Improvements shall become the property of the Lessor and a part of the Item of Leased Equipment to which it is affixed unless such Improvement is a Severable Improvement (as defined below). Lessee may make any other Improvement that is

readily removable without causing material damage to an Item of Leased Equipment, will not impair the originally intended function or use of such Item of Leased Equipment and is not subject to any contract or option for purchase or sale between Lessor and Lessee or any member of the Lessee Group, as hereinafter defined, at a price other than Fair Market Value (Severable Improvement). For the purpose of this Section 9, the term Lessee Group shall mean the Lessee, a shareholder of the Lessee, or any person related to the Lessee within the meaning of Section 318 of the Code. In addition to the Improvements which may be made by Lessee under the foregoing provisions of this paragraph, the Lessee may make any Improvement which is not readily removable without causing material damage to the Leased Equipment (Nonseverable Improvement) provided, however, the Lessee represents and warrants to the Lessor that no such Nonseverable Improvement shall be made unless the following requirements are met: (A) neither Lessee, nor any member of the Lessee Group is or will be entitled to receive compensation, indirectly or directly, for such Nonseverable Improvement and the furnishing of the cost of such Nonseverable Improvement does not constitute an equity investment by a member of the Lessee Group in the Item of Leased Equipment, within the meaning of Rev. Proc. 7521, 1975-1 C.B. 715, as modified by Rev. Proc. 79-48, 1979-39 I.R.B. 27 (Rev. Proc. 75-21); (B) such Nonseverable Improvement will not cause any Item of Leased Equipment to become limited use property within the meaning of Rev. Proc. 76-30, 1976-2 C.B. 647; (C) either (x) such Nonseverable Improvement does not increase the productivity or capacity of the Item of Leased Equipment to which it is affixed by more than 25% over its productivity or capacity when first placed in service or modify the Item of Leased Equipment to which it is affixed for a materially different use, or (y) the cost of such Nonseverable Improvement when added to the cost of Nonseverable Improvements which previously have been made to the Item of Leased Equipment (other than Nonseverable Improvements necessary in order to comply with the health, safety or environmental standards of any government or governmental authority having relevant jurisdiction) does not exceed ten percent of the Lessor's Cost of the Item of Leased Equipment to which it is affixed (for the purpose of this clause (y), the cost of such Nonseverable Improvement shall be adjusted as provided in Rev. Proc. 75-21); (D) the making of such Nonseverable Improvement is otherwise in compliance with Rev. Proc. 75-21; and (E) such Nonseverable Improvement enhances the utility or value of the Item of Leased Equipment on which it is placed. The Lessee agrees to maintain records of all Improvements made with respect to any Item of Leased Equipment and to make such records available for inspection by Lessor. Each Severable Improvement permitted under this Section 9(c) shall be and remain the property of Lessee and each Nonseverable Improvement permitted under this Section 9(c) shall become the property of Lessor and shall become a part of the Item of Leased Equipment to which it is affixed.

(d) If for any reason whatsoever the cost of any Improvement, repair or replacement made by the Lessee under and pursuant to the terms of this Lease or otherwise is required to be included in the Lessor's gross income for federal, state or local income tax purposes at any time prior to the expiration of this Lease and the Lessor is not entitled to currently deduct such cost, the Lessee will pay the Lessor on demand (i) an amount which, after deduction of all taxes required to be paid by the Lessor in respect of the receipt thereof under the laws of any federal, state or local government or taxing authority in the United States, shall be equal to the sum of the net additional federal, state or local income taxes payable by the Lessor from time to time as a result thereof, plus (ii) the amount of any interest, penalties or additions to taxes payable by the Lessor as a result thereof; it being understood that the amount payable pursuant to this sentence shall not be due and payable by Lessee prior to the payment by the Lessor of such net additional federal, state or local income taxes. If Lessor realizes a tax benefit as a result of any Improvement, repair or replacement in respect of which Lessee is required to indemnify Lessor under this paragraph 9(d), the Lessor shall pay Lessee an amount equal to such tax benefit (plus additional tax savings, if any, realized by the Lessor as a result of the payment of such amount or the payment of such tax savings) when, as, if, and to the extent realized; provided, however, such payment shall not be offset against Basic Rent or Supplemental Payments. Notwithstanding the foregoing, Lessee shall have no obligation to indemnify Lessor under this Section 9(d), to the extent that such indemnity results solely from any changes, including any change in applicable tax rates, in the federal, state or local income tax laws from those in force on the date of this Lease. To the extent applicable, the provisions of Sections 16(b) and 16(e) hereof shall apply to this Section 9(d).

(e) The Lessee agrees that each Item of Leased Equipment shall be, and shall continue to be throughout the term of this Lease, personal property under applicable law. The Lessee agrees to take such action as shall be required from time to time by the Lessor to protect the respective interests of the Lessor and the Lender in each such Item.

(f) The Lessee agrees, at its own cost and expense, to (1) cause each Item of Leased Equipment to be kept numbered with the identification or serial number therefor as specified in the Certificate of Acceptance therefor, and (2) maintain the Equipment Marking on each Item of Leased Equipment and such other markings as from time to time may be required by law or otherwise deemed necessary by the Lessor in order to protect the title of the Lessor to such Item of Leased Equipment, the rights of the Lessor under this Lease and the Liens granted by the Lessor in financing the Lessor's Cost of the Leased Equipment. The Lessee will not place any Item of Leased Equipment in operation or exercise any control or dominion over the same until such Equipment Marking has been

placed thereon. The Lessee will replace promptly any such Equipment Marking which may be removed, defaced or destroyed.

SECTION 10. Inspection.

Upon reasonable prior notice to Lessee and at reasonable times and intervals, the Lessor and the Lender and agents of the Lessor and the Lender shall have the right, but not the duty, to inspect the Leased Equipment at the Lessor's or the Lender's expense, as the case may be. Upon the request of the Lessor or the Lender, the Lessee shall confirm to the Lessor and the Lender the location of each Item of Leased Equipment and shall, at any reasonable time, make the Leased Equipment, and the Lessee's records pertaining to the Leased Equipment, available to the Lessor or the Lender or the Lessor's or Lender's agents, for inspection.

SECTION 11. Loss or Destruction; Requisition of Use.

(a) In the event that (i) any Item of Leased Equipment shall be or become damaged in an amount exceeding \$50,000, worn out, destroyed, lost, stolen, or permanently rendered unfit for use for any reason whatsoever, or (ii) title thereto or use thereof shall be taken or requisitioned by condemnation or otherwise by any governmental authority (any such taking, requisition or condemnation being herein referred to as a Requisition of Use), or (iii) any Item of Leased Equipment is permanently returned to the manufacturer or seller thereof pursuant to the patent indemnity or warranty provisions of the Purchase Agreements (any such return being herein referred to as a Return to Manufacturer), in each such case such fact shall promptly be reported by the Lessee to the Lessor.

(b) The Lessee shall determine, within 30 days after the date of occurrence of any such damage in an amount exceeding \$50,000, wearing out, destruction, loss, theft or rendering unfit, Requisition of Use or Return to Manufacturer, whether such Item of Leased Equipment can be repaired or replaced.

(c) In the event that any Item of Leased Equipment shall be or become worn out, lost, stolen, destroyed or irreparably damaged in an amount exceeding \$50,000, from any cause whatsoever, or in the event of the Return to Manufacturer or Requisition of Use for a period which shall exceed the then remaining term of this Lease (or, if such Requisition of Use shall occur during a renewal term, for a period which shall exceed the then remaining renewal term) of any Item of Leased Equipment, (each of such occurrences being hereafter called an "Event of Loss"), prior to the return of such Item in the manner set forth in Section 5 hereof, the Lessee shall promptly (but in any event within 30 days after such Event of Loss) notify the Lessor and the Lender with respect thereto. If the Lessee has not elected to replace such Item under Section 11(d)

hereof, on the date for the payment of Basic Rent hereunder next succeeding such notice (or if at such time no Basic Rent will become payable under this Lease, then within 30 days following such notice) the Lessee shall pay to the Lessor an amount equal to the Casualty Value (as hereinafter defined) of such Item as of such date as determined in accordance with Exhibit D hereto, plus all Basic Rent and Supplemental Payments due on said date. Upon the making of such payment by the Lessee, the rental for such Item shall cease to accrue, the term of this Lease as to such Item shall terminate and (except in the case of the loss, theft, complete destruction, Return to Manufacturer or Requisition of Use of such Item) the Lessor shall be entitled to recover possession of such Item.

The Lessor hereby appoints the Lessee as its agent and Lessee accepts such appointment and shall use reasonable efforts to dispose of any Item suffering an Event of Loss, or any component thereof, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor the Lessee shall be entitled to the net proceeds of such sale and all other proceeds of such Item of Equipment arising out of such Event of Loss, including without limitation, proceeds payable by any manufacturer or seller in connection with a Return to Manufacturer or governmental authority in connection with a Requisition of Use to the extent the aggregate of such proceeds does not exceed the Casualty Value of such Item and the reasonable out-of-pocket costs and expenses of sale paid by the Lessee, and shall pay any excess to the Lessor, provided that Lessee may retain the proceeds of any insurance policy maintained by Lessee and wherein Lessee is the named beneficiary. The Lessee will pay all costs and expenses in connection with the sale of any Item pursuant to an Event of Loss and the collection of any such proceeds.

The Lessor shall be under no duty to the Lessee to pursue any claim against any insurer, manufacturer, seller or governmental authority, but the Lessee may at its own cost and expense pursue the same on behalf of the Lessor in such manner as may be satisfactory to the Lessor. The Lessee shall be entitled to retain any proceeds recovered as a result of pursuit of such claim to the extent of the Casualty Value paid by Lessee and the Lessee's reasonable out-of-pocket costs and expenses paid by Lessee in connection with such claim.

The Casualty Value of each Item as of any date for payment of Basic Rent shall be as set forth in Exhibit D hereto opposite such date.

(d) In the event the Lessee determines that such Item can be economically repaired or replaced, including repair or replacement in the event of any Return to Manufacturer, the Lessee

shall continue to make all payments of Basic Rent due with respect to such Item and shall (1) cause such Item to be repaired or replaced within 90 days after the occurrence of such damage or wearing out, and (2) in the event of replacement, take such action as may be required hereunder and under the Security Agreement to perfect, protect and preserve any security interests granted by the Lessor under and pursuant to the Security Agreement and Lessor's right, title and interest in and to such Item; provided, however, that if the Lessee shall, within such 90-day period, have commenced the repair or replacement of such Item and be diligently pursuing such repair or replacement, but is prevented from completing such repair or replacement within such 90-day period due to causes beyond the Lessee's control, then the time for repair or replacement shall be extended by the number of days necessary to complete such repair or replacement up to a maximum of 90 additional days, and provided, further, that if the Lessee shall fail to cause such Item to be repaired or replaced within such repair or replacement period, including any extension thereof, then such Item shall become subject to the provisions of Section 11(c) above except that the date for payment of the Casualty Value of such Item shall be the Basic Rent Date next following the end of such repair or replacement period, including any extension thereof, or if at such time no Basic Rent will become payable under this Lease, then within 30 days following such repair or replacement period. The obligation of the Lessee to pay Basic Rent and Supplemental Payments during the above-described replacement or repair period shall remain in full force and effect and, upon replacement, any replacement item shall be considered an Item of Leased Equipment for all purposes of this Lease and the Lessee's obligation to pay Basic Rent with respect thereto shall be computed on the basis of the Lessor's Cost of the Item replaced. Notwithstanding the foregoing, the Lessee, pursuant to the provisions of Sections 9(d) and 16 hereof, shall still be required to indemnify the Lessor for any additional federal, state or local income tax or Loss due to the Lessee's act of replacing such Item or otherwise causing such Item to be replaced, including replacement in the event of Return to Manufacturer. Any replacement Item replacing another Item in accordance with the provisions of this paragraph shall be an Item of the same general description, size and capacity as, and having useful life not less than the remaining useful life of, the replaced Item, and shall be in as good operating condition as, and shall have a value and utility at least equal to, the Item replaced, and no Item of Leased Equipment shall be modified upon Return to Manufacturer in order to cause such Item to be non-infringing of patents unless, after modification, such Item shall have a value and utility at least equal to the value and utility of such Item before modification, assuming the Item replaced or modified was in the condition and state of repair required to be maintained by the terms hereof.

(e) Except as provided in this Section, the Lessee shall bear the risk of loss and shall not be released from its obligations hereunder in the event of any damage to any Item of Leased Equipment or any Event of Loss relating thereto.

(f) In the case of a Requisition of Use not constituting an Event of Loss of any Item of Leased Equipment such Requisition of Use shall not terminate this Lease with respect to such Item and each and every obligation of the Lessee with respect thereto shall remain in full force and effect. The Lessee shall be entitled to all sums, attributable to the period such Item is subject to this Lease, received by reason of any such Requisition of Use referred to in the preceding sentence.

SECTION 12. Insurance.

(a) The Lessee may self-insure with respect to risk of loss or damage to the Leased Equipment and except as otherwise provided herein, with respect to the risk of liability for bodily injury, including death, and property damage.

(b) At its own expense Lessee shall maintain the following insurance with respect to each Item of Leased Equipment: Comprehensive General Liability Insurance with limits of at least \$1,000,000 bodily injury, including death, and \$1,000,000/\$1,000,000 property damage. Any policies with respect to such insurance shall (1) be with an insurance carrier acceptable to the Lessor, (2) name the Lessor, the Lender and the Lessee as assureds, as their interests may appear, and (3) provide for at least 30 days' prior written notice by the insurance carrier to the Lessor in the event of cancellation, expiration or material modification. The Lessee shall, prior to the First Delivery Date and annually thereafter on the anniversary thereof, furnish appropriate evidence of such insurance.

SECTION 13. Indemnification.

The Lessee agrees to assume liability for, and does hereby agree to indemnify, protect, save and keep harmless the Lessor and the Lender from and against (on a net after-tax basis) any and all liabilities, obligations, losses, damages, penalties, claims (including, without limitation, claims involving strict or absolute liability in tort), actions, suits, costs, expenses and disbursements (including, without limitation, legal fees and expenses) of any kind and nature whatsoever (Claims) in any way relating to or arising out of this Lease or any certificate contemplated hereby, or the performance of any of the terms hereof or thereof, or in any way relating to or arising out of the manufacture, purchase (but not including any obligation which Lessor has agreed to pay under the Purchase Order Assignment),

acceptance, rejection, ownership, delivery, lease, sublease, possession, use, operation, maintenance, condition, registration, sale, return, storage or disposition of any Item of Leased Equipment or any accident in connection therewith (including, without limitation, latent and other defects, whether or not discoverable and any Claim for patent, trademark or copyright infringement); provided, however, that the Lessee shall not be required to indemnify the Lessor or Lender pursuant to this Section 13 for (a) any Claim in respect of any Item of Leased Equipment arising from acts or events which occur after possession of such Item of Leased Equipment has been redelivered to the Lessor in accordance with Section 5 or any other provision hereof, (b) any Claim resulting from acts which would constitute the willful misconduct or negligence of the party otherwise to be indemnified hereunder, (c) any Claim resulting from a voluntary act of the Lessor expressly prohibited under the Lease, (d) any tax or other Imposition, whether or not covered under Section 8, Section 9(d) or Section 16 hereof; (e) any Claim arising from the breach of any express duty or express representation or warranty of the indemnified party contained in this Lease or any document contemplated by this Lease; (f) any Claim arising from the sale, transfer or other disposition of all or any part of the Leased Equipment or all or any part of the Notes other than a sale, transfer or other disposition resulting from Lessor's exercise of its remedies under Section 19 hereof; or (g) any Claim for services rendered or expenses arising in connection with the negotiation, preparation or execution of this Lease or any document contemplated hereby or related thereto which is to be delivered at the time of execution of this Lease or the acceptance of or payment for the Equipment originally to be subject to this Lease. Notwithstanding the foregoing, nothing set forth in this Section 13 shall be deemed to abrogate or in any way affect any rights of Lessor set forth in any Section hereof. To the extent that the Lessor or Lender in fact receives indemnification payments from the Lessee under the indemnification provisions of this Section, the Lessee shall be subrogated, to the extent of such indemnity paid, to the Lender's or Lessor's rights with respect to the transaction or event requiring or giving rise to such indemnity; provided, however, that the Lessee shall not enforce any such rights by legal proceedings without the approval of the Lessor or Lender as the case may be, which approval shall not be unreasonably withheld. THE LESSEE AGREES THAT THE LESSOR SHALL NOT BE LIABLE TO THE LESSEE FOR ANY CLAIM CAUSED DIRECTLY OR INDIRECTLY BY THE INADEQUACY OF ANY ITEM OF LEASED EQUIPMENT FOR ANY PURPOSE OR ANY DEFICIENCY OR DEFECT THEREIN OR THE USE OR MAINTENANCE THEREOF OR ANY REPAIRS, SERVICING OR ADJUSTMENTS THERETO OR ANY DELAY IN PROVIDING OR FAILURE TO PROVIDE ANY THEREOF OR ANY INTERRUPTION OR LOSS OF SERVICE OR USE THEREOF OR ANY LOSS OF BUSINESS, ALL OF WHICH SHALL BE THE RISK AND RESPONSIBILITY OF THE LESSEE.

SECTION 14. Sublease and Assignment by Lessee.

The Lessee will not, without the prior written consent of the Lessor and the Lender, which consent will not be unreasonably withheld or unreasonably delayed, sublet or otherwise relinquish possession of any of the Leased Equipment or assign any of its rights hereunder; provided, however, that without such consent, the Lessee may assign this Lease or sublease any Item of Leased Equipment upon prior written notice to the Lessor to (i) any member of the consolidated group of companies of which Lessee is a member, or (ii) any joint venture or partnership having assets of at least \$20,000,000 to which Lessee (or any wholly-owned subsidiary of Lessee) is a party or member. No assignment or sublease shall be permitted hereunder unless (a) the rights of the assignee or sublessee thereunder are expressly subject and subordinate to the rights of the Lessor and any security assignee of the Lessor, (b) the Items of Leased Equipment to be assigned or subleased shall be used within the geographic limits of the continental United States, (c) financing statements shall have been filed and such other steps shall have been taken which, in the opinion of the Lessor and the Lender, are sufficient to furnish notice of and protect the interests of the Lessor and the Lender in the Leased Equipment in any new location, and (d) Lessee shall have fully indemnified the Lessor (on a net after-tax basis) for any increase in state or local taxes based on Lessor's net or gross income notwithstanding clauses (i), (ii) and (iv) of the first paragraph of Section 8 hereof, arising from the assignment or sublease of the Leased Equipment. No sublease, other relinquishment of the possession of any of the Leased Equipment or assignment by the Lessee of any of its rights hereunder shall in any way discharge or diminish any of the Lessee's obligations to the Lessor hereunder.

SECTION 15. Assignment by Lessor.

This Lease shall be assignable in whole or in part by the Lessor but the Lessee shall be under no obligation to any assignee of the Lessor unless Lessee shall have consented to such assignment from the Lessor which consent will not be unreasonably withheld or unreasonably delayed, provided, however, that the Lessor may not assign its rights under Sections 8, 9(d) or 16 hereof.

SECTION 16. Tax Indemnification.

(a) Except as otherwise provided in Section 16 (c) below, if by reason of any act, failure to act when required to do so, or the misrepresentation of or by the Lessee of any of the matters set forth in paragraphs (i) and (j) of Section 3.2 of the Participation Agreement, the Lessor shall not be allowed, or shall have had recaptured, all or any portion of

(i) the investment tax credit (the Investment Credit) allowed by section 38 and related sections of the Internal Revenue Code of 1954, as amended, and the Regulations thereunder (collectively called the Code), in an amount equal to the Investment Credit Percentage of Lessor's Cost of each Item of Leased Equipment set forth in Exhibit C hereto;

(ii) the deduction for accelerated depreciation (the Depreciation Deduction) on each Item of Leased Equipment under various sections of the Code based upon the Depreciable Life, Depreciation Method and Net Salvage Value set forth in Exhibit C hereto; or

(iii) the deduction under section 163 of the Code (the Interest Deduction) of any interest paid or accrued with respect to the Notes in accordance with the Lessor's method of accounting for tax purposes:

(any such disallowance or recapture being called herein a Loss) then the Lessee shall pay to the Lessor upon written notice to the Lessee from the Lessor such sum, computed on the basis of a 7% per annum discount, as will (as determined by agreement between the Lessor and the Lessee) cause the Lessor's after tax rate of return on investment (as disclosed to Lease Management Corporation (the "Lease Consultant") on or before the Interim Rent Date) as such investment is reduced over the term of this Lease (based on the assumptions disclosed to the Lease Consultant on or before the Interim Rent Date in respect of such Item, and taking into account all relevant tax effects to the Lessor as a result of such Loss), to equal the after tax rate of return on investment (as such investment is so reduced) that would have been available if no such Loss had occurred. In the event that the Lessee and the Lessor fail to mutually agree on the amount of the adjustment, if any, the amount will be determined by the opinion of the Lease Consultant. Upon payment of such sum pursuant to this Section 16, the Casualty Values and Termination Values shall be adjusted to reflect the fact that the Lessor has been compensated for such Loss. The fees and expenses of the Lease Consultant shall be borne by the Lessor and Lessee, equally.

(b) If an auditing agent of the Internal Revenue Service proposes or makes an adjustment which, if sustained, would result in a Loss or the inclusion in the Lessor's income of the cost of any Improvement, repair or replacement with respect to which the Lessee would be required to indemnify pursuant to the provisions of Section 9(d) or Section 16 of this Lease, the Lessor hereby agrees (i) promptly to notify Lessee in writing of any such adjustment (which notice shall include all relevant information relating to such adjustment which may be particularly within the knowledge of the Lessor), (ii) to advise Lessee of all action taken or proposed to be taken by the Lessor in respect of any such adjustment, (iii) not to enter into any settlement or agreement with the Internal Revenue Service with respect to any such adjustment, or to

make any payment of the additional Federal income tax assessed as a result of any such adjustment for at least 60 days after the giving of such notice, and (iv) if (A) Lessee shall, within 45 days after receipt of such notice, request in writing that such adjustment be contested (which request is accompanied by an opinion of tax counsel selected by Lessee and satisfactory to the Lessor to the effect that there exists a reasonable basis for contesting such adjustment), (B) Lessee agrees that the adjustment to be contested is one for which the Lessee is obligated to indemnify the Lessor under this Section 16 or Section 9(d), and (C) Lessee agrees to pay on demand all reasonable out-of-pocket expenses incurred by the Lessor in connection with contesting such adjustment (including, without limitation, reasonable attorneys' fees and disbursements), then the Lessor shall take such action in connection with contesting any such adjustment (including such judicial proceedings and appeals from any lower court decisions) as Lessee shall reasonably request in writing from time to time; provided, however, that at any time after having received such initial request from Lessee, the Lessor may, at its sole option, either pay the additional Federal income tax assessed as a result of such adjustment and sue for a refund in the appropriate United States District Court or the United States Court of Claims as the Lessor shall elect or contest such proposed adjustment in the United States Tax Court, considering however in good faith such request as Lessee shall make concerning the most appropriate forum in which to proceed and provided, further, that if the Lessor agrees to waive indemnification under this Section 16 or Section 9(d), the Lessor may refuse the Lessee's request that such adjustment be contested. If, preliminary to a suit for refund, the Lessor pays the additional federal income tax assessed together with any related interest and penalties, the Lessee shall immediately reimburse the Lessor in full. If the Lessee does not request the Lessor to contest such adjustment or proposed adjustment within 45 days after the Lessor has given the Lessee notice of such adjustment or if tax counsel does not render the written opinion described above within the prescribed period, the Lessee shall indemnify the Lessor in the manner set forth in this Section 16.

Notwithstanding any of the foregoing provisions of this Section 16 or Section 9(d) of this Lease, in the event that any such adjustment is contested by the Lessor in the United States Tax Court (whether or not at the request of Lessee under the circumstances described in the preceding paragraph), Lessee shall not be required to make any payment to the Lessor pursuant to this Section 16 or Section 9(d) hereof prior to 30 days after the date of a final adverse determination of such contested adjustment (including any court proceedings or appeals with respect thereto). Upon receipt by the Lessor of a refund with or without interest of any tax paid by it in respect of which the Lessee has reimbursed the Lessor as provided for in the preceding paragraph, such refund, including any interest received plus any tax savings by Lessor as a result of making such payment, shall be paid by the Lessor to the Lessee.

(c) The Lessee shall not be required to make any payment pursuant to the foregoing provisions of this Section 16 in respect of any Loss which is the result of any one or more of the following causes:

(i) an event whereby Lessee is required or permitted by any of the terms of this Lease to pay, and thereupon pays to the extent required hereby, the Casualty Loss Value, Termination Value or Fair Market Value; or

(ii) the disposition or transfer of the Leased Equipment as a result of the exercise of any duty of first offer granted to the Lessee under this Lease.

(d) All rights, privileges, indemnities and obligations contained in this Section shall survive the expiration or other termination of this Lease.

(e) With respect to the provisions of this Section 16 and Sections 9(a), 9(d) and 14 hereof, references to the "Lessor" shall mean and be deemed to include Affiliates of the Lessor.

SECTION 17. Lease Extension.

(a) Provided that this Lease has not been terminated, the Lessee shall have the option at the Expiration Date to extend the term of this Lease with respect to any Item of Leased Equipment for such Lease Extension Period as may be designated by the Lessee in accordance with the provisions of Exhibit C hereto for a rental equal to the Fair Market Rental Value of such Item of Leased Equipment, determined as of such Expiration Date.

(b) Not less than 120 days prior to the Expiration Date the Lessee may indicate, by written notice to the Lessor, the Lessee's election to exercise the Lessee's lease extension option described above. Following such notice, Lessee and Lessor agree to negotiate in good faith the Fair Market Rental Value of each Item of the Leased Equipment separately. If, on or before a date 90 days prior to the Expiration Date, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental Value of any Item of the Leased Equipment, the Fair Market Rental Value of such Item shall be determined in accordance with the procedure for Appraisal.

(c) At any time prior to the thirty day period immediately preceding the Expiration Date, Lessee shall have the right to rescind its election to extend this Lease with respect to any Item of Leased Equipment by written notice to the Lessor. In the event the Lessee's election to extend this Lease with respect to any Item of Leased Equipment is rescinded, the term of the Lease with respect to such Item of Leased Equipment shall be extended for

a period of 120 days following the Expiration Date. On or before the last day of such lease extension period Lessee shall pay as rent for such Item of Leased Equipment an amount equal to the Daily Interim Rate Factor multiplied by the Lessor's Cost of such Item of Leased Equipment for each day of such lease extension period and the Lessee shall pay any out-of-pocket appraisal expenses incurred by the Lessor with respect to such Item.

SECTION 18. Events of Default.

The term Event of Default, wherever used herein, shall mean any of the following events under this Lease (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary, or come about or be effected by operation of law, or be pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) The Lessee shall fail to make any payment of Basic Rent within 10 days after the same shall become due or shall fail to make any Supplemental Payment within 10 days after written notice of such failure; or

(b) The Lessee shall fail to perform or observe any other covenant or agreement to be performed or observed by it under this Lease, the Participation Agreement or any agreement, document or certificate referred to in the Lease or in the Participation Agreement and delivered by the Lessee in connection herewith or therewith, and such failure shall continue for 45 days after written notice thereof from the Lessor to the Lessee; or

(c) Any representation or warranty (except the representations set forth in paragraphs (i) and (j) of Section 3.2 of the Participation Agreement, Section 9(c) of this Lease and representation (4) in Section 2 of any Certificate of Acceptance delivered pursuant to the terms hereof) made by the Lessee in the Participation Agreement, this Lease or any agreement, document or certificate referred to in this Lease or in the Participation Agreement and delivered by the Lessee in connection herewith or therewith shall prove to have been incorrect in any material respect when any such representation or warranty was made or given; or

(d) A petition in bankruptcy or for reorganization or arrangement shall be filed by the Lessee; or the Lessee shall make an assignment for the benefit of creditors or consent to the appointment of a trustee or a receiver, or a trustee or a receiver shall be appointed for the Lessee, for any Item of Leased Equipment or for a substantial part of the Lessee's property without its consent and any such trustee or receiver shall not be dismissed within a period of 60 days; or bankruptcy, reorganization or

insolvency proceedings shall be instituted against the Lessee and shall not be dismissed within a period of 60 days; or

(e) An event of default, as defined in any mortgage, indenture, agreement or other instrument under which there may be issued, or by which there may be secured or evidenced, any indebtedness outstanding in an amount of \$15,000,000 or more of the Lessee, whether such indebtedness now exists or shall hereafter be created, shall occur and shall result in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable.

SECTION 19. Remedies.

(a) Upon the occurrence of any Event of Default and so long as the same shall be continuing, the Lessor may, at its option, declare this Lease to be in default by written notice to such effect given to the Lessee, and at any time thereafter, the Lessor may exercise one or more of the following remedies, as the Lessor in its sole discretion shall lawfully elect:

(i) Proceed by appropriate court action, 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;

(ii) By notice in writing terminate this Lease, whereupon all rights of the Lessee to the use of the Leased Equipment shall absolutely cease and terminate but the Lessee shall remain liable as hereinafter provided; and thereupon the Lessee, if so requested by the Lessor, shall at its expense promptly return the Leased Equipment to the possession of the Lessor pursuant to Lessor's instructions set forth under the heading Return of Equipment in Exhibit C hereto and in the condition required upon the return thereof pursuant to and in accordance with the terms hereof, or the Lessor, at its option, may enter upon the premises where the Leased Equipment is located and take immediate possession of and remove the same by summary proceedings or otherwise. Following the return of the Leased Equipment to the Lessor pursuant to this clause (ii) the Lessor shall proceed to sell or release the Leased Equipment in such manner as it shall in good faith deem appropriate. Lessee shall be liable to Lessor for and Lessor may recover from Lessee as liquidated damages for the breach of this Lease (but not as penalty), the amount by which the net proceeds of such release (all future rental payments thereof discounted to the specified payment date to their present value at the rate of 7% per annum) or sale is less than the sum of (1) all due, unpaid and accrued Basic Rent and Supplemental Payments (other than Casualty Value) as of the Basic Rent Date following the date on which Lessor has

declared this Lease to be in default, (2) the Casualty Value of the Leased Equipment computed as of the Basic Rent Date following the date on which Lessor has declared this Lease to be in default, and (3) interest at the Late Payment Rate on each of the foregoing and on all sums not paid when due under any provision of this Lease. Upon full payment of the sum required under this clause (ii), the Lessee will have no further obligation under this Lease with respect to amounts included in the calculation of such sum.

(b) In addition, the Lessee shall be liable for all costs, charges and expenses, including, without limitation, reasonable legal fees and disbursements, all dismantling and loading costs provided for in Schedule C hereto (all of which shall be borne by Lessee without any sharing by Lessor), and any sales or use taxes incurred by the Lessor by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto.

(c) No remedy referred to herein is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to the Lessor at law or in equity. No express or implied waiver by the Lessor of any Default or Event of Default hereunder shall in any way be, or be construed to be, a waiver of any future or subsequent Default or Event of Default. The failure or delay of the Lessor in exercising any 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 and any single or partial exercise of any particular right by the Lessor shall not exhaust the same or constitute a waiver of any other right provided herein.

SECTION 20. Special Terms and Modifications.

Any special terms or modifications set forth in Exhibit C hereto shall be applicable to this Lease as though fully set forth herein.

SECTION 21. Notices.

All communications and notices provided for herein shall be in writing and shall become effective when deposited in the United States mail, registered or certified, with proper postage prepaid, addressed (a) if to the Lessor, at 79 South Main Street, Salt Lake City, Utah 84111, Attention: President (with copies to Lease Management Corporation, One IBM Plaza, Suite 3230, Chicago, Illinois 60611), and (b) if to the Lessee, at 10 Stamford Forum, Stamford, Connecticut 06904, Attention: Treasurer, or addressed to such other place as any such party may designate by notice given in accordance with this Section.

SECTION 22. Successors, Assigns and Indemnified Parties.

This Lease, including all agreements, covenants, representations, indemnities and warranties, shall, subject to the provisions of Section 15 of this Lease, be binding upon and inure to the benefit of, and may be enforced by, (1) the Lessor and its successors, assigns, agents, servants and personal representatives, and, where the context so requires, the Lender, as assignee and secured party, and the successors, assigns, agents, servants and personal representatives of the Lender, as assignee and secured party, and (2) the Lessee and its successors and, to the extent permitted hereby, assigns.

SECTION 23. Voluntary Termination.

(a) The Lessee shall have the right, at any time on or after the eighteenth Basic Rent Date, on at least 180 days prior written notice to the Lessor, to terminate this Lease with respect to any Item or Items of Leased Equipment which shall have become obsolete or surplus to the Lessee's requirements as supported by a concurring letter from a responsible official of the Lessee delivered at Lessee's expense. Any such termination will be effective on the Basic Rent Date next following the expiration of the 180-day notice period (the Termination Date). Lessee shall not have the right to terminate this Lease during any Lease Extension Period. During the period from the giving of such notice until the Termination Date, the Lessor may, and the Lessee, as agent for the Lessor, shall, use their best efforts to obtain bids for the purchase of such Items of Leased Equipment. The Lessee shall certify to the Lessor in writing the amount of each bid received by the Lessee and the name and address of the party submitting such bid. The Lessee may utilize agents for purposes of fulfilling its obligations set forth in this Section. On the Termination Date, the Lessor shall sell such Items of Leased Equipment, without recourse or warranty, for cash to whomsoever, other than Lessee or an Affiliate of Lessee, shall have submitted the highest bid prior to such date and shall transfer to such purchaser all of the Lessor's right, title and interest in and to such Items, and thereupon the Lessee shall deliver such Items of Leased Equipment so sold to the Lessor in accordance with the terms of Section 5 of this Lease. The Lessor shall certify in writing to the Lessee (i) the amount of such total sale price, (ii) the expenses incurred by the Lessor in connection with such sale, and (iii) that such total sale price represents the highest bid received by the Lessor for the purchase of such Items. The total sale price realized at such sale shall be retained by the Lessor, and, in addition, on the Termination Date, the Lessee shall pay to the Lessor the Basic Rent payment payable on such date and the amount, if any, by which (A) the Termination Value of such Items, computed as of the Termination Date, exceeds (B) the proceeds of such sale less all expenses incurred by the Lessor in selling such Items. In

the event no such sale takes place, the Lessee shall pay to the Lessor the Termination Value of such Items, computed as of the Termination Date, plus any expenses incurred by the Lessor in connection with attempting to arrange such sale and the Basic Rent payment then due. Upon payment of all amounts required to be paid by the Lessee pursuant to this paragraph (a), the obligation of the Lessee for all Basic Rent accruing hereunder with respect to such Items due and payable after, but not on or before, the Termination Date shall cease.

(b) Notwithstanding the foregoing, upon receipt of all bona fide bids for the purchase of such Items, the Lessor may, with the prior written consent of the Lender, elect not to sell such Items to the highest bidder on the Termination Date, in which case the Lessee shall deliver such Items to the Lessor in accordance with the terms of Section 5 of this Lease. In addition, on the Termination Date, the Lessee shall pay to the Lessor the Basic Rent due on such Termination Date and the amount, if any, by which the Termination Value of such Items plus the amount of any expenses incurred by the Lessor directly or indirectly in connection therewith exceeds such highest bid. Upon such redelivery and the payment of such amount, if any, the obligation of the Lessee to pay all Basic Rent accruing under this Lease with respect to such Items due and payable after, but not on or before, the Termination Date shall cease.

(c) Notwithstanding the foregoing, and provided that the Lessor has not notified the Lessee in writing of the Lessor's election under paragraph (b) above, upon written notification given to the Lessor not less than 30 days prior to the Termination Date, the Lessee may elect to rescind the Lessee's notice of termination, in which case this Lease shall not terminate as set forth in this Section, but shall continue in full force and effect as though no such notice of termination had been given by the Lessee. In the event of rescission of Lessee's notice of termination, Lessee shall pay any and all of Lessor's out-of-pocket expenses, including without limitation, appraisal fees, incurred in connection with such notice of termination.

SECTION 24. Duty of First Offer.

(a) If Lessor shall decide to sell any Item of Leased Equipment upon the expiration of the term of this Lease or any extension thereof, it shall furnish Lessee with written notice thereof within the period commencing 180 days prior to such expiration and ending 60 days following such expiration. Following receipt of such notice, the Lessee shall have the right to purchase such Item of Leased Equipment for an amount equal to its Fair Market Value. If Lessee intends to exercise its right pursuant to this Section, it shall provide Lessor with written notice of same within 30 days after receipt of Lessor's notice of its decision to

sell such Item of Leased Equipment. Following such notice Lessor and Lessee agree to negotiate in good faith the Fair Market Value of such Item of Leased Equipment. If within 30 days after Lessor's receipt of Lessee's notice of its election to exercise its right to purchase, Lessor and Lessee are unable to agree upon the Fair Market Value of such Item of Leased Equipment, then such value shall be determined in accordance with the procedure for Appraisal. During a period of 30 days after the date on which Fair Market Value is agreed upon or determined through the procedure for Appraisal but not earlier than the Expiration Date, the Lessee may purchase such Item of Leased Equipment at its Fair Market Value. If the Lessee does not furnish Lessor with notice of its intention to exercise its rights pursuant to this Section during the 30 day period provided above or if the Lessee does not purchase such Item of Leased Equipment during such 30 day period following determination of Fair Market Value, the Lessor shall be under no obligation to sell such Item of Leased Equipment to the Lessee under this Section 24.

(b) In the event the Lessee purchases any Item of Leased Equipment, then, upon payment of the purchase price, the Lessor shall, upon request of the Lessee, execute and deliver to the Lessee, or to the Lessee's assignee or nominee, a bill of sale (without representations or warranties except that such Item of Leased Equipment is free and clear of all Liens by or in favor of any Person claiming by, through or under the Lessor or the Lender other than liens resulting from claims which the Lessee has assumed or agreed to pay) for such Item of Leased Equipment, and such other documents as may be required to release such Item of Leased Equipment from the terms and scope of this Lease and from the lien under the Security Agreement and to transfer title thereto to the Lessee or such assignee or nominee, in such form as may reasonably be requested by the Lessee, all at the Lessee's expense.

SECTION 25. Storage Agreement.

At the expiration of this Lease or any extension thereof, Lessee shall provide Lessor space for storage of the Leased Equipment at a location on Lessee's property which does not subject the Leased Equipment to unusual hazard for a period of up to two months at no cost to Lessor for such space; provided, however, that Lessee shall otherwise have no other responsibility to Lessor for the Leased Equipment during the period of storage including, without limitation, no obligation to protect or maintain the Leased Equipment or to provide any security for the preservation of the Leased Equipment, and provided, further, that Lessor shall and does indemnify and hold Lessee harmless from any and all liability which Lessee may incur on account of the Leased Equipment being present on Lessee's property, including, but not limited to, liability for taxes assessed on the Leased Equipment or because of its storage on Lessee's property, except that Lessee shall be liable for any

personal injury or property damage caused by Lessee's negligence or willful misconduct. During the period of storage, Lessee agrees that upon reasonable prior notice to Lessee and at reasonable times and intervals, Lessor, Lessor's agents and prospective purchasers or lessees shall have access to the Leased Equipment at their own expense and risk for demonstration, maintenance and inspection purposes. Any such demonstration, maintenance or inspection shall be conducted in a manner which will not interfere with Lessee's operations. Any person asserting a right to demonstrate, maintain or inspect the Leased Equipment will be required to execute Lessee's standard plant visitor release and agreement. The provisions set forth under Return of Equipment in Exhibit C hereto shall be applicable at the termination of any storage period hereunder.

SECTION 26. Payments by Lessor or Lender.

In the event Lessee fails to procure, maintain or pay for any insurance required hereunder or to pay any fees, assessments, charges or taxes or to maintain or repair the Leased Equipment, as required herein, Lessor and Lender shall each have the right upon prior notice to Lessee, but not be obligated, to obtain such insurance, or pay said fees, assessments, charges and taxes or obtain such maintenance or repairs, as the case may be. In that event, Lessee shall reimburse Lessor or Lender, as the case may be, for the cost thereof upon demand.

SECTION 27. Amendments and Miscellaneous.

(a) The terms of this Lease shall not be waived, altered, modified, amended, supplemented or terminated in any manner whatsoever except by written instrument signed by the Lessor and the Lessee; provided, however, that no such waiver, alteration, modification, amendment or supplement shall make any change, and no termination shall be made, which is prohibited by the Security Agreement without the consent of the Lender.

(b) On expiration or termination of this Lease in accordance with the terms hereof, the provisions of this Lease shall terminate except for those contained in Sections 7, 8, 9(d), 13, 16 and 25; provided, however, that all rights arising hereunder prior to or upon such expiration or termination shall remain in full force and effect and shall not be affected by such expiration or termination.

(c) Any provision of this Lease which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such

prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law the Lessee hereby waives any provision of law which renders any provision hereof prohibited or unenforceable in any respect.

(d) This Lease shall constitute an agreement of lease and nothing herein shall be construed as conveying to the Lessee any right, title or interest in or to the Leased Equipment, except as lessee only.

(e) This Lease shall be governed by, and construed in accordance with, the laws of the State of Utah.

(f) The division of this Lease into sections, the provision of a table of contents and the insertion of headings are for the convenience of reference only and shall not affect the construction or interpretation of this Lease.

(g) This Lease may be executed in any number of counterparts and by the different parties hereto on separate counterparts, all of which together shall constitute a single instrument, but the counterpart or counterpart set delivered to the Lender shall be marked the "Original" and all other counterparts shall be marked "Duplicate Originals". No security interest in this Lease may be created through the transfer or possession of any counterpart set other than the "Original", but any "Duplicate Original" counterpart or counterpart set shall be valid evidence of this Lease for any other purpose.

(h) Although this Lease is dated as of the date first above written for convenience, the actual dates of execution hereof by the parties hereto are respectively the dates set forth under the signatures hereto, and this Lease shall be effective on the latest of such dates.

(i) The Lessor and the Lessee agree that for federal income tax purposes the Lessor shall be the owner of the Equipment and the Lessee shall be the lessee thereof, and the Lessor will not elect to treat the Lessee as having acquired the Leased Equipment pursuant to Section 48(d) of the Code.

(j) Nothing contained in this Lease or in any of the Operative Documents (as defined in the Participation Agreement) (including the assumption of liability and indemnities set forth in Sections 6, 8, 9(d), 13 and 16 hereof) constitutes a guarantee to any person of a residual value in the Leased Equipment or a guarantee of payment of the Notes or any interest accrued thereon.

IN WITNESS WHEREOF, the parties hereto have each caused this Lease to be duly executed by their respective officers thereunto duly authorized.

By FIRST SECURITY LEASING COMPANY,
as Lessor

By *C. L. Cummings*

Date 9/24/80

KENNECOTT CORPORATION,
as Lessee

By _____

Date _____

IN WITNESS WHEREOF, the parties hereto have each caused this Lease to be duly executed by their respective officers thereunto duly authorized.

By FIRST SECURITY LEASING COMPANY,
as Lessor

By _____

Date _____

KENNECOTT CORPORATION,
as Lessee

By Peter W. Berger

Date 9/26/80

STATE OF Connecticut)
) SS.
COUNTY OF Fairfield)

On this 26th day of September, 1980, before me, personally appeared Peter W. Brengel, to me personally known who, being by me duly sworn, says that he is the Vice President of Kennecott Corporation, signer of the foregoing instrument, and he acknowledges the same to be his free act and deed, as such Vice President, before me.

Rosemary C. Balosky
Notary Public
Residing at: Stamford

My Commission Expires:

March 31, 1984

STATE OF _____)
) SS.
COUNTY OF _____)

On this ___ day of September, 1980, before me, personally appeared _____, to me personally known who, being by me duly sworn, says that he is the _____ of First Security Leasing Company, signer of the foregoing instrument, and he acknowledges the same to be his free act and deed, as such _____, before me.

Notary Public
Residing at: _____

My Commission Expires:

EXHIBIT A
to Lease
DESCRIPTION OF EQUIPMENT

<u>Quantity</u>	<u>Description</u>
7	General Motors EMD Model GP39-2, 2,300 horsepower, four axle diesel-electric locomotives in accordance with General Motors Locomotive Specification 8075, as modified, Road Numbers 705 through 711, inclusive.

EXHIBIT B
to Lease
CERTIFICATE OF ACCEPTANCE NO. _____
under

EQUIPMENT LEASE dated as of September 15, 1980 (the Lease) between FIRST SECURITY LEASING COMPANY, as lessor (the Lessor), and KENNECOTT CORPORATION, as lessee (the Lessee).

1. Items of Equipment

The Lessee hereby certifies that the Items of Equipment set forth and described in Schedule 1 hereto (which Schedule includes the amount of the Lessor's Cost of each such Item) have been delivered to the location indicated below, inspected by the Lessee, found to be in good order and accepted as Items of Leased Equipment under the Lease, all on the Date of Acceptance set forth below:

Location of Items of Equipment:

Date of Acceptance:

2. Representations by the Lessee

The Lessee hereby represents and warrants to the Lessor and the Lender, as such terms are defined in the Lease and the Participation Agreement, that on the Date of Acceptance set forth above:

(1) The Lessee has satisfied or complied with all requirements set forth in the Participation Agreement, in any certificate of the Lessee and in the Lease to be satisfied or complied with on or prior to such Date of Acceptance.

(2) No Event of Default under the Lease has occurred and is continuing on such Date of Acceptance.

(3) The Lessee has obtained, and there are in full force and effect, such insurance policies with respect to each Item of Leased Equipment accepted pursuant hereto as are required to be obtained under the terms of the Lease.

(4) Each Item of Equipment accepted pursuant hereto was new and unused on the Date of Acceptance set forth above.

4. Assignment.

Lessee hereby acknowledges notice of and consents to the assignment by the Lessor of the Lease and certain rentals and sums due thereunder to First Security Bank of Idaho, N.A., as the lender and agrees that it will make payment of Basic Rent and Supplemental Payments in accordance with Section 7 of the Participation Agreement.

KENNECOTT CORPORATION,
as Lessee

By _____
Title _____

Accepted on the Date of Acceptance
set forth in paragraph 1 above on
behalf of the Lessor: FIRST SECURITY
LEASING COMPANY, as Lessor

By _____

SCHEDULE 1 TO
CERTIFICATE OF ACCEPTANCE NO. ____

Description of Items of Leased Equipment and Lessor's Cost

<u>Quantity</u>	Description and <u>Serial Number</u>	<u>Purchase Price of</u> <u>Each Item</u>	<u>Lessor's Cost</u>
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EXHIBIT C

to Lease

<u>Rent Commencement Date:</u>	With respect to each Item of Equipment, the date on which the Certificate of Acceptance for such Item is executed.
<u>Late Payment Rate:</u> 1.5% over	A rate per annum equal to the Long-Term Debt Rate, as such term is defined in the Participation Agreement, but in no event at a rate per annum greater than that permitted by applicable law.
<u>Basic Rent Dates:</u>	Commencing on the First Basic Rent Date and Ending on the Last Basic Rent Date, January 15 and July 15 of each year.
<u>Earliest Permitted Delivery Date:</u>	September 15, 1980
<u>Final Delivery Date:</u>	December 31, 1980
<u>Interim Rent Date:</u>	January 15, 1981
<u>First Basic Rent Date:</u>	July 15, 1981
<u>Last Basic Rent Date:</u>	January 15, 1999
<u>Expiration Date:</u>	January 15, 1999
<u>Basic Lease Rate Factor:</u>	4.979850%.
<u>Daily Interim Rate Factor:</u>	0.036458%
<u>Lease Extension Period:</u>	Five extension periods of three years each.
<u>Equipment Marking:</u>	FIRST SECURITY LEASING COMPANY: Lessor and Owner: FIRST SECURITY BANK OF IDAHO N.A.: Secured Party and Lienholder

Return of Equipment:

The Lessee at its expense will deliver the Leased Equipment to the railroad interchange nearest the location of the leased Equipment as of the expiration of the Lease or any Lease Extension Period.

Investment Credit Percentage:

10%

Depreciable Life:

A 12-year depreciable life pursuant to section 167(m) of the Code for an asset described in Asset Guideline Class No. 00.25.

Depreciation Method:

200%-declining balance method switching to the sum-of-the-years digits method when most beneficial to the Lessor and without the prior consent of the Commissioner of Internal Revenue utilizing the "half-year" convention pursuant to Reg. section 1.167(a)-11(c)(2) and taking into account the Net Salvage Value of the Leased Equipment.

Net Salvage Value:

0%

EXHIBIT D to Lease

SCHEDULE OF CASUALTY AND TERMINATION VALUES

Casualty Value or Termination Value, as the case may be, as of any rental payment date shall equal (1) the appropriate percentage shown below multiplied by the Lessor's Cost of the Items of Leased Equipment for which the Lease is being terminated plus (2) the pre-tax equivalent of any investment tax credit subject to recapture as a result of the lease being so terminated. The investment tax credit gross-up to a pre-tax equivalent shall be calculated assuming a 46.0% combined tax rate.

<u>Payment Date</u>	<u>Termination Percentage</u>	<u>Casualty Percentage</u>
1/15/81	-	84.01
7/15/81	-	85.19
1/15/82	-	86.13
7/15/82	-	86.87
1/15/83	-	87.37
7/15/83	-	87.67
1/15/84	-	87.74
7/15/84	-	87.62
1/15/85	-	87.28
7/15/85	-	86.75
1/15/86	-	86.02
7/15/86	-	85.10
1/15/87	-	83.99
7/15/87	-	82.72
1/15/88	-	81.27
7/15/88	-	79.66
1/15/89	77.89	77.89
7/15/89	75.97	75.97
1/15/90	73.92	73.92
7/15/90	71.73	71.73
1/15/91	69.42	69.42
7/15/91	66.99	66.99
1/15/92	64.49	64.49
7/15/92	61.88	61.88
1/15/93	59.21	59.21
7/15/93	56.45	56.45
1/15/94	53.65	53.65
7/15/94	50.78	50.78
1/15/95	47.86	47.86
7/15/95	44.88	44.88
1/15/96	41.86	41.86
7/15/96	38.71	38.71
1/15/97	35.42	35.42

<u>Payment Date</u>	<u>Termination Percentage</u>	<u>Casualty Percentage</u>
7/15/97	31.95	31.95
1/15/98	28.30	28.30
7/15/98	24.33	24.33
1/15/99	20.00	20.00

In the event of extension of the Lease pursuant to Section 17 of the Lease, the Lessee and Lessor agree to negotiate a new Schedule of Casualty and Termination Values, and if Lessee and Lessor are unable to agree, such Schedule will be determined by appraisal in the manner set forth in Section 17 of the Lease.