

CRAVATH, SWAINE & MOORE

ONE CHASE MANHATTAN PLAZA

NEW YORK, N. Y. 10005

TELEPHONE
212 428-1000

TELETYPE DIRECT DIAL NUMBER

INTERSTATE COMMERCE COMMISSION

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

ALLEN F. MAULSBY
STEWART R. BROSS, JR.
HENRY P. RIORDAN
JOHN R. HUPPER
SAMUEL C. BUTLER
BENJAMIN F. CRANE
JOHN F. HUNT
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5700A
RECORDATION NO. 5700
FILED 1988

JUN 29 1988 - 4 00 PM

5700
RECORDATION NO. 5700
FILED 1988

JUN 29 1988 - 4 00 PM

8-181A
RECORDATION NO. 5700
FILED 1988

INTERSTATE COMMERCE COMMISSION

Date JUN 29 1988 JUN 29 1988 - 4 00 PM

Fee \$ 26.00 INTERSTATE COMMERCE COMMISSION

ICC Washington, D. C.

June 28, 1988

Grand Trunk Western Railroad Company
Lease Financing Dated as of June 1, 1988
10.23% Conditional Sale Indebtedness due July 2, 1999

Dear Ms. McGee:

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

1. Reconstruction and Conditional Sale Agreement dated as of June 1, 1988, among Mercantile-Safe Deposit and Trust Company, as Agent, Grand Trunk Western Railroad Company, as Builder, and Pacificorp Credit, Inc., as Vendee.

2. (a) Lease of Railroad Equipment dated as of June 1, 1988, between Grand Trunk Western Railroad Company, as Lessee, and Pacificorp Credit, Inc., as Vendee and

(b) Assignment of Lease and Agreement dated as of June 1, 1988, between Pacificorp Credit, Inc., as Vendee, and Mercantile-Safe Deposit and Trust Company, as Agent.

Handwritten notes and signatures on the left margin, including a large signature that appears to read "J. McGee".

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

1. Agent:

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

2. Vendee-Buyer:

Pacificorp Credit, Inc.
111 S.W. 5th Avenue
Portland, Oregon 97204

3. Lessee-Builder-Seller:

Grand Trunk Western Railroad Company
1333 Brewery Park Blvd.
Detroit, Michigan 48207

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

The reconstructed railroad equipment covered by
the Reconstruction and Conditional Sale Agreement and the
Lease are listed in Exhibit A attached hereto. The
reconstructed railroad equipment bears the legend "OWNERSHIP
SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE
COMMERCE COMMISSION."

Enclosed is our check for \$26 for the required
recordation fee. Please accept for recordation one counter-
part of each of the enclosed agreements, stamp the remaining

counterparts with your recordation number and return them to the delivering messenger along with your fee receipt, addressed to the undersigned.

Very truly yours,

Laurance V. Goodrich /cws
Laurance V. Goodrich
as Agent for
Grand Trunk Western
Railroad Company

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

encls.

REGISTRATION NO. 5700/B
FIVE 1988

JUN 29 1988 -4 02 PM

INTERSTATE COMMERCE COMMISSION

[CS&M Ref. 6442-003]

ASSIGNMENT OF LEASE AND AGREEMENT

Dated as of June 1, 1988

between

PACIFICORP CREDIT, INC.
as Vendee,

and

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY,
not in its individual capacity but solely
as Agent

ASSIGNMENT OF LEASE AND AGREEMENT

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

ASSIGNMENT OF LEASE AND AGREEMENT dated as of June 1, 1988, by and between PACIFICORP CREDIT, INC. an Oregon corporation ("Vendee"), and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, not in its individual capacity but solely as Agent ("Vendor") under a Participation Agreement dated as of the date hereof.

The Vendee and the Vendor have entered into a Reconstruction and Conditional Sale Agreement dated as of the date hereof ("RCSA") with Grand Trunk Western Railroad Company ("Lessee") in its capacity as builder providing for the sale to the Vendee of the interest of the Vendor in such units of railroad equipment ("Units") described in Schedule A thereto as are delivered to and accepted by the Vendee thereunder.

The Vendee and the Lessee have entered into a Lease of Railroad Equipment dated as of the date hereof ("Lease") providing for the leasing by the Vendee to the Lessee of the Units.

In order to provide security for the obligations of the Vendee under the RCSA and as an inducement to the Vendor to invest in the CSA Indebtedness (as that term is defined in the RCSA), the Vendee has agreed to assign for security purposes its rights in, to and under the Lease to the Vendor.

In consideration of the premises and of the payments to be made and the covenants hereinafter mentioned to be kept and performed, the parties hereto agree as follows:

1. The Vendee hereby assigns, transfers and sets over unto the Vendor, as collateral security for the payment and performance of the obligations of the Vendee under the RCSA, all the Vendee's right, title and interest, powers, privileges, and other benefits under the Lease, including, without limitation, the immediate right to receive and collect all rentals, profits and other sums payable to or receivable by the Vendee from the Lessee under or pursuant to the provisions of the Lease whether as rent, casualty payment, payments in respect of purchase options, indemnity, liquidated damages, or otherwise (such moneys being hereinafter called "Payments"), and the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of an Event

of Default specified in the Lease, and to do any and all other things whatsoever which the Vendee is or may become entitled to do under the Lease. Notwithstanding the foregoing, the Payments shall not be deemed to include (i) any proceeds of public liability insurance, maintained pursuant to Section 6 of the Lease, payable to the Vendee, (ii) payments by the Lessee to the Vendee pursuant to Sections 5 and 8 of the Lease (except to the extent that the Vendee is obligated to reimburse the Vendor pursuant to Articles 5 and 12 of the RCSA and except to the extent that the Vendee is obligated to pay and discharge claims, liens, charges or security interests under Section 9 of this Assignment), (iii) such amounts of indemnity receivable by the Vendee pursuant to the Tax Indemnity Agreement dated as of the date hereof between the Vendee and the Lessee and (iv) any reimbursements payable by the Lessee to the Vendee in respect of any amounts paid by the Vendee to cure defaults by the Lessee under the Lease (such amounts and payments referred to in (i) through (iv) being hereinafter collectively called the "Excluded Payments"). In furtherance of the foregoing assignment, the Vendee hereby irrevocably authorizes and empowers the Vendor in its own name, or in the name of its nominee, or in the name of the Vendee or as its attorney, to ask, demand, sue for, collect and receive any and all Payments, and to enforce compliance by the Lessee with all the terms and provisions thereof.

The Vendor agrees to accept any Payments made by the Lessee for the account of the Vendee pursuant to Section 2 of the Lease. To the extent received, the Vendor will apply such Payments to satisfy the obligations of the Vendee under the RCSA due and payable at the time such Payments are due and payable under the Lease, and to provide for the payments required to be made by the Vendee to the Vendor pursuant to Section 9 of the Participation Agreement under which the Vendor is acting as Agent, and so long as no event of default (or event which, with notice or lapse of time, or both, could constitute an event of default) under the RCSA shall have occurred and be continuing, any balance shall be paid to the Vendee, or to such other party as the Vendee may direct in writing, in Federal funds not later than the first business day following receipt of such balance; provided, however, that such balance shall be payable as aforesaid if an event of default (other than an event of default under Article 14(a) of the RCSA) or event which, with notice or lapse of time, or both, could constitute an event of default (other than an event of default under Article 14(a) of the RCSA) under the RCSA shall have occurred and be continuing for a period of one year unless the Vendor has declared a Declaration of Default under Article 14 thereof. If the Vendor shall not receive any rental payment under Section 2 of the Lease when due, the Vendor shall, on the date due,

notify the Vendee and the Lessee, by telephone, confirmed in writing, at the respective addresses set forth in the Lease; provided, however, that the failure of the Vendor so to notify the Vendee and the Lessee shall not affect the obligations of the Vendee hereunder, under the RCSA or the Participation Agreement or the Lessee under the Lease or the Consent and Agreement attached hereto, except as otherwise provided therein.

2. This Assignment is executed only as security and, therefore, the execution and delivery of this Assignment shall not subject the Vendor to, or transfer, or pass, or in any way affect or modify the liability of the Vendee under the Lease, it being understood and agreed that notwithstanding this Assignment or any subsequent assignment, all obligations of the Vendee to the Lessee shall be and remain enforceable by the Lessee, its successors and assigns, against, and only against, the Vendee or persons other than the Vendor.

3. To protect the security afforded by this Assignment the Vendee agrees that, without the written consent of the Vendor, the Vendee will not anticipate the rents under the Lease or waive, excuse, condone, forgive or in any manner release or discharge the Lessee thereunder of or from the obligations, covenants, conditions and agreements to be performed by the Lessee, including, without limitation, the obligation to pay the rents in the manner and at the time and place specified therein or enter into any agreement amending, modifying or terminating the Lease and the Vendee agrees that any amendment, modification or termination thereof without such consent shall be void; provided, however, that the Vendee may amend or supplement the Lease to provide for an increase or decrease of amounts due as rentals under Section 2 thereof and/or Casualty Values under Section 6 thereof provided that no such decrease shall reduce said amounts below that which are necessary to satisfy the obligations of the Vendee under the RCSA and the Participation Agreement, notwithstanding any limitation of liability of the Vendee contained therein.

4. Subject to Section 12, the Vendee does hereby constitute the Vendor the Vendee's true and lawful attorney, irrevocably, with full power (in the name of the Vendee, or otherwise), to ask, require, demand, and receive, any and all Payments due and to become due under or arising out of the Lease to which the Vendee is or may become entitled, to enforce compliance by the Lessee with all the terms and provisions of the Lease, to endorse any checks or other

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

5. Upon the full discharge and satisfaction of all the Vendee's obligations under the RCSA and the Participation Agreement (without giving effect to any limitations on liability contained therein), this Assignment and all rights herein assigned to the Vendor shall terminate, and all estate, right, title and interest of the Vendor in and to the Lease shall revert to the Vendee.

6. If an event of default under the RCSA shall occur and be continuing, the Vendor may declare all sums secured hereby immediately due and payable and may apply all such sums against the amounts due and payable under the RCSA.

7. The Vendee will, from time to time, do and perform any other act and will execute, acknowledge, deliver and file (and will refile) any and all further instruments required by law and reasonably requested by the Vendor in order to confirm or further assure, the interests of the Vendor hereunder.

8. The Vendor may assign all or any of the rights assigned to it hereby or arising under the Lease, including, without limitation, the right to receive any Payments due or to become due. In the event of any such assignment, any such subsequent or successive assignee or assignees shall, to the extent of such assignment, enjoy all the rights and privileges and be subject to all the obligations of the Vendor hereunder; provided, however, the Vendee and the Lessee shall not be bound to honor such assignment until they have received written notice thereof. Payment to the assignee of all Payments shall constitute full compliance with the terms of this Agreement and the Lease. The Vendee and the Lessee may rely on instruments and documents of assignment which they believe in good faith to be true and authentic.

9. The Vendee will pay and discharge any and all claims, liens, charges or security interests (other than those created by the RCSA) on the Lease or the rentals or other payments due or to become due thereunder claimed by any party from, through or under the Vendee or its successors and assigns (other than the Vendor), not arising out of the transactions contemplated by the RCSA or the

Lease (but including income taxes arising out of the receipt of rentals and other payments under the Lease and any other "income and proceeds from the Equipment", as defined in the RCSA) which, if unpaid, might become a claim, lien, charge or security interest on or with respect to the Lease or such rentals or other payments, unless the Vendee shall be contesting the same in good faith by appropriate proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect such interests of the Vendor.

10. The terms of this Assignment and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of the State of Michigan, but the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Assignment or any assignment hereof shall be filed, recorded or deposited.

11. The Vendee shall cause copies of all notices received by it in connection with the Lease and all payments hereunder to be promptly delivered or made to the Vendor at its address set forth in Article 20 of the RCSA, or at such other address as the Vendor shall designate.

12. So long as no event of default under the RCSA has occurred and is continuing, the Vendor will not exercise or enforce, or seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits which are assigned and transferred by the Vendee to the Vendor by this Assignment, except the right to demand, sue for, collect, receive and apply the Payments as provided in Section 1 .

13. Notwithstanding any other provision of this Assignment (including, but not limited to, any provision of the first paragraph of Section 1 and Section 3), and so long as there is no event of default under the RCSA or event which with notice or lapse of time could become such an event of default, and to the extent that the Vendor does not seek to receive and collect any Payments under the Lease in excess of the amounts required to discharge the obligations of the Vendee under the RCSA and the Participation Agreement, the terms of this Assignment shall not limit or in any way affect the Vendee's right to receive and collect any Payments under the Lease in excess of the obligations of the Vendee under the RCSA and the Participation Agreement, or

empower the Vendor in any way to waive or release the Lessee's obligation to pay such excess amounts, and the Vendee shall continue to be empowered to ask, demand, sue for, collect and receive any and all of such excess amounts, but shall not take any action under subparagraph (b) of Section 9 of the Lease without the written consent of the Vendor.

14. This Assignment may be executed in any number of counterparts, all of which together shall constitute a single instrument, but the counterpart delivered to the Vendor shall be deemed to be the original counterpart. It is not necessary that the parties hereto all sign the same counterpart as long as each party shall sign a counterpart and such counterpart is delivered to the Vendor or its counsel, whereupon this Agreement shall become effective.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in their respective corporate names by officers thereunto duly authorized, and their respective corporate seals to be affixed and duly attested, all as of the date first above written.

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, not in its individual capacity but solely as Agent,

[Seal]

by



Vice President

Attest:



Corporate Trust Officer

PACIFICORP CREDIT, INC.

by

Vice President

[Corporate Seal]

Attest:

Assistant Secretary

empower the Vendor in any way to waive or release the Lessee's obligation to pay such excess amounts, and the Vendee shall continue to be empowered to ask, demand, sue for, collect and receive any and all of such excess amounts, but shall not take any action under subparagraph (b) of Section 9 of the Lease without the written consent of the Vendor.

14. This Assignment may be executed in any number of counterparts, all of which together shall constitute a single instrument, but the counterpart delivered to the Vendor shall be deemed to be the original counterpart. It is not necessary that the parties hereto all sign the same counterpart as long as each party shall sign a counterpart and such counterpart is delivered to the Vendor or its counsel, whereupon this Agreement shall become effective.

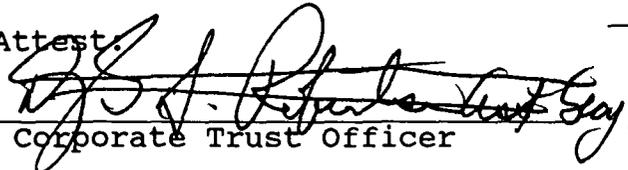
IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in their respective corporate names by officers thereunto duly authorized, and their respective corporate seals to be affixed and duly attested, all as of the date first above written.

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, not in its individual capacity but solely as Agent,

[Seal]

by

Attest:


Corporate Trust Officer

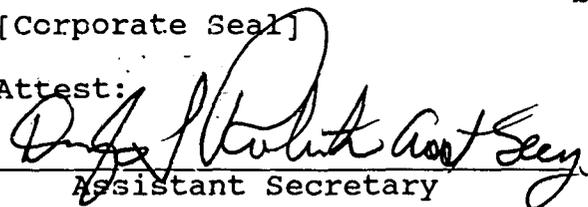
Vice President

PACIFICORP CREDIT, INC.

by

[Corporate Seal]

Attest:


Assistant Secretary



Vice President

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

On this 27th day of June 1988, before me personally appeared R. E. Schreiber, to me personally known, who, being by me duly sworn, says that he is a VICE PRESIDENT of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Handwritten signature of Patricia A. Conn, Notary Public

[Notarial Seal]

My commission expires: 7-1-90

STATE OF OREGON,)
) ss.:
COUNTY OF MULTNOMAH,)

On this day of June 1988, before me personally appeared, to me personally known, who, being by me duly sworn, says that he is a Vice President of PACIFICORP CREDIT, INC. that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My commission expires:

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

On this day of June 1988, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

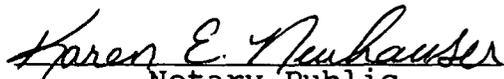
Notary Public

[Notarial Seal]

My commission expires:

STATE OF OREGON,)
) ss.:
COUNTY OF MULTNOMAH,)

On this 27th day of June 1988, before me personally appeared Thomas J. Schuldt, to me personally known, who, being by me duly sworn, says that he is a Vice President of PACIFICORP CREDIT, INC. that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



Notary Public

[Notarial Seal]

My commission expires: 10/16/88

LESSEE'S CONSENT AND AGREEMENT

The undersigned, GRAND TRUNK WESTERN RAILROAD COMPANY, a corporation duly incorporated under the laws of the States of Michigan and Indiana, the Lessee ("Lessee") named in the Lease ("Lease") referred to in the foregoing Assignment of Lease and Agreement ("Assignment"), hereby (a) acknowledges receipt of a copy of the Assignment and (b) consents to all the terms and conditions of the Assignment and agrees that:

(1) it will pay all Payments as defined in the Assignment, due and to become due under the Lease or otherwise in respect of the Units leased thereunder, directly to Mercantile-Safe Deposit and Trust Company, not in its individual capacity but solely as Agent ("Vendor"), the assignee named in the Assignment, to be applied as provided in the RCSA (as defined in the Assignment), in immediately available funds by 11 a.m., Baltimore, Maryland, time on the date of payment, by wire transfer to Mercantile-Safe Deposit and Trust Company, Baltimore, Maryland, for credit to its Corporate Trust Department's Account No. 620081-8, with advice that the deposit is "RE: GTW 6/1/88" (or at such other address as may be furnished in writing to the undersigned by the Vendor);

(2) the Vendor shall be entitled to the benefits of, and to receive and enforce performance of, all the covenants to be performed by the undersigned under the Lease as though the Vendor were named therein as the Lessor and the Lessee will not assert against the Vendor any claim or defense the Lessee may have against the Lessor under the Lease;

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

(4) the Lease shall not, without the prior written consent of the Vendor, be amended, terminated or modified (other than as set forth in the proviso in Section 3 of the Assignment), nor shall any action be taken or omitted by the undersigned, the taking or omission of which might result in an alteration or impairment of the Lease or this Consent and Agreement or of any of the rights created by any thereof.

This Consent and Agreement when accepted by the Vendor by signing the acceptance at the foot hereof, shall be deemed a contract under, and shall be construed in accordance with, the laws of the State of Michigan. It is not necessary that the parties hereto all sign the same counterpart of this Agreement and Consent as long as each party shall sign a counterpart and such counterpart is delivered to the Vendor or its counsel, whereupon this Agreement and Consent shall become effective.

Dated as of June 1, 1988

GRAND TRUNK WESTERN RAILROAD
COMPANY,

by

Vice President

[Corporate Seal]

Attest:

The foregoing Consent and Agreement is hereby accepted, as of the 1st day of June 1988.

MERCANTILE-SAFE DEPOSIT AND
TRUST COMPANY, not in its
individual capacity but solely
as Agent,

by



Vice President

LEASE OF RAILROAD EQUIPMENT

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the date of offset at the rate of 12.23% per annum (such rate being hereinafter called "Penalty Rate").

If any of the rental payment dates referred to above is not a business day the rental payment otherwise payable on such date shall be payable on the next succeeding business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Detroit, Michigan, Baltimore, Maryland, or Portland, Oregon, are authorized or obligated to remain closed.

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

further effect that such filing, recordation and deposit will protect the Vendor's and the Lessor's interests in such Units and that no filing, recording, depositing or giving of notice with or to any other Federal, state or local government or agency thereof is necessary to protect the interests of the Vendor and the Lessor in such Units.

Except as above provided, the Lessee, so long as this Lease shall remain in effect, will not allow the name of any person, association or corporation to be placed on the Units as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Units to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on railroad equipment used by them of the same or a similar type for convenience of identification of their rights to use the Units as permitted under this Lease.

SECTION 5. Impositions. The Lessee assumes responsibility for and agrees to pay, protect, keep harmless and indemnify the Lessor on an after-tax basis (including, without limitation, its successors and permitted assigns) against all taxes, including, without limitation, all local, state, Federal or foreign taxes (other than any United States Federal income tax and, to the extent that the Lessor receives credit therefor against its United States Federal income tax liability, any foreign income tax payable by the Lessor in consequence of the receipt of payments provided herein and other than the aggregate of all state and city income taxes and franchise taxes measured by or based on net income except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided), assessments, Canadian withholding, value-added and documentary stamp taxes, or license or other fees and any charges, fines, interest or penalties in connection therewith ("impositions") now or hereafter levied or imposed upon or in connection with or measured by this Lease, the Participation Agreement, the Assignment of Lease and the RCSA or any sale, manufacture, lease, re-lease, maintenance, repair, return, use, payment, shipment, delivery or transfer of title under the terms hereof or the RCSA, all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all impositions which may be imposed upon any Unit or for the use or operation thereof or upon the rentals, receipts or earnings arising therefrom or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all impositions which might in any way affect the title of the

Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any impositions so long as it is contesting in good faith and by appropriate legal proceedings such impositions in accordance with the following paragraph of this Section, appropriate reserves have been made in respect thereof and the nonpayment thereof does not, in the reasonable opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or of the Vendor under the RCSA. Subject to the following paragraph of this Section, if any impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor; provided, however, that the Lessee shall not be obligated to reimburse the Lessor for any impositions so paid unless the Lessor shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for the Lessor reasonably acceptable to the Lessee) or unless the Lessee shall have approved the payment thereof.

Upon receipt by the Lessor of any notification from any taxing authority that such authority is asserting against the Lessor any liability for any imposition or is proposing an increase in the liability of the Lessor for such impositions (such assertion or proposed increase is called a "claim"), indemnification for which would be required under this Section, the Lessor will promptly notify the Lessee in writing. If promptly requested by the Lessee in writing, the Lessor shall, at the Lessee's expense, contest such claim in such forum as the Lessee shall select and, if permissible under applicable law, Lessee may at its sole option assume responsibility for contesting such claim in the name of the Lessor or in the name of the Lessee; provided, however, that the Lessor shall not be obligated to contest and that the Lessee shall not be permitted to contest such claim: (i) unless the Lessee shall have delivered to the Lessor a written opinion of independent tax counsel selected by the Lessee and reasonably acceptable to the Lessor to the effect that a reasonable basis exists to contest such imposition; (ii) unless and until the Lessee shall have agreed to reimburse the Lessor for all third party costs and expenses that the Lessor may reasonably incur in contesting such claim; and (iii) if an Event of Default under Section 9A of this Lease is continuing.

In the event that the Lessor shall become obligated to make any payment to the Vendor pursuant to Article 5 of the RCSA not covered by the foregoing paragraph of this Section, the Lessee shall pay such additional

amounts (which shall also be deemed impositions hereunder) to the Lessor as will enable the Lessor to fulfill completely its obligations pursuant to said Article 5.

In the event any reports with regard to impositions are required to be made on the basis of individual Units or otherwise, the Lessee will, where permitted to do so under applicable rules or regulations, make and timely file such reports in such manner as to show the interest of the Lessor and the Vendor in the Units as shall be reasonably satisfactory to the Lessor and the Vendor or, where not so permitted, will notify the Lessor and the Vendor of such requirement and will prepare and deliver such reports to the Lessor and the Vendor within a reasonable time prior to the time such reports are to be filed in such manner as shall be reasonably satisfactory to the Lessor and the Vendor.

In the event that the Lessee becomes liable for the payment or reimbursement of any impositions, pursuant to this Section, such liability shall continue, notwithstanding the expiration of this Lease, until all such impositions are paid or reimbursed by the Lessee.

The parties hereto acknowledge that the Units become a part of the mass of property used by the Lessee in its operations as a common carrier by rail. Consequently, the parties agree that the Lessee shall include the Units in the ad valorem tax returns to be filed by the Lessee in the applicable states or localities and that neither the Vendor nor the Lessor shall include the Units in any ad valorem tax returns filed by them in such states or localities unless required to do so.

SECTION 6. Maintenance; Payment for Casualty Occurrences; Insurance. The Lessee agrees that, at its own cost and expense, it will (i) maintain, service and repair each Unit which is subject to this Lease and comply with its own preventive maintenance program and schedule for its owned and leased equipment so that each Unit, and each component thereof, will remain (a) in good operating order and (b) in compliance with all Applicable Laws and (ii) maintain all records, logs and other materials required by the Association of American Railroads or any other governmental authority having jurisdiction over the Units or the Lessee, to be maintained in respect of each Unit.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed or, in the opinion of the

Lessee, irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise by the United States Government for a period which shall exceed the then remaining term of this Lease or by any other governmental entity resulting in loss of possession by the Lessee for the lesser of a period of 90 consecutive days or a period which shall exceed the then remaining term of this Lease (each such occurrence being hereinafter called a "Casualty Occurrence") prior to the return of such Unit in the manner set forth in Section 13, the Lessee shall, within 30 days after it shall have determined that such Unit has suffered a Casualty Occurrence, fully notify the Lessor and the Vendor in writing with respect thereto. Notwithstanding any such Casualty Occurrence, the Lessee shall continue making all payments provided for in this Lease in respect of such Unit until the Casualty Payment Date (as hereinafter defined) listed in Schedule C hereto next succeeding such notice. On January 2, 1989, or the next rental payment date, as the case may be ("Casualty Payment Date"), the Lessee shall pay to the Lessor the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with Schedule C hereto, plus the rental payment or payments in respect of such Unit then due and payable in arrears. Upon the making of all such payments by the Lessee in respect of any Unit, the rental for such Unit shall thereafter cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent, to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable under the circumstances on an "as is, where is, and with all faults" basis in accordance with the Lessee's normal procedures. 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 after deductions of any cost or expense incurred in disposing of such Unit to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

The Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be an amount equal to that percentage of the Purchase Price of such Unit as is set forth in Schedule C hereto opposite such date with respect to such Unit. In the event of a Casualty if the maximum corporate federal income tax rate has been changed from that in effect on the date hereof, the Casualty Value will be recalculated, upward or downward as the case

may be (but never below that amount necessary to redeem a pro rata portion of the CSA Indebtedness plus accrued interest) to reflect such changes in the maximum corporate federal income tax rate and with no other changes in assumptions to maintain the Lessor's after tax return and after tax cash flow using the multiple investment yield method with a zero sinking fund. In any such recalculation an assumed state income tax rate of 7.5% shall be used. Such recalculations may be verified by Lessee at its own expense. In the event of a dispute arbitration shall be used, with the arbitrator determining how the costs of arbitration shall be allocated.

Whenever any Unit shall suffer a Casualty Occurrence at the end of the term of this Lease or after termination of this Lease and before such Unit shall have been returned in the manner provided in Section 13, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit set forth in Schedule C hereto as of the rental payment date immediately preceding such Casualty Occurrence. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent, to dispose of any Unit suffering such Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is, and with all faults" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

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

The Lessee will, at all times while this Lease is in effect, at its own expense, cause to be carried and maintained types and amounts of insurance in respect of the Units at the time subject hereto and the use and operation thereof, including, without limitation, all risk property insurance and public liability insurance with respect to third-party personal injury, death and property damage (including, but not limited to, contractual liability insurance), in such amounts and for such risks and with such

insurance companies as are at least comparable to the more restrictive (broader coverage) of either (y) industry standards for Class I railroads, it being understood that the industry standard for Class 1 railroads at present allows for self-insurance for Casualty Occurrences, or (z) the insurance coverage carried by the Lessee in respect of similar equipment owned or leased by it. The Lessee hereby assigns and transfers to the Lessor and the Vendor, as their interests may appear, all right, title, and interest in and to any insurance proceeds paid under any policy of insurance to the extent such proceeds relate to the Units or the use and operation thereof as aforesaid. Any policies of insurance carried in accordance with this paragraph shall (i) require 30 days' prior notice of cancellation or material change in coverage to the Lessor and the Vendor and (ii) name the Lessor and the Vendor as additional insureds or loss payees, as their respective interests may appear, and, in the event such policies contain breach of warranty provisions, such policies shall provide that in respect of the interests of the Lessor and the Vendor in such policies the insurance shall not be invalidated by any action or inaction of the Lessee or any other person (other than the Lessor and the Vendor) and shall insure the Lessor and the Vendor regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Lessee or by any other person (other than the Lessor and the Vendor). On or prior to the First Delivery Date under the Participation Agreement and thereafter not less than 15 days prior to the expiration dates of the expiring policies, the Lessee shall deliver to the Lessor and the Vendor evidence satisfactory to them of the insurance required to be maintained pursuant to this Section.

In the event of failure on the part of the Lessee to provide and furnish any of the aforesaid insurance, the Lessor or the Vendor, upon notice to the Lessee, may, but shall not be obligated to, procure such insurance and the Lessee shall, upon demand, reimburse the Lessor and the Vendor for all expenditures made by the Lessor or the Vendor for such insurance, together with interest thereon computed at the Penalty Rate in respect of overdue rentals from the date of the Vendor's or the Lessor's payment until reimbursed by the Lessee.

If the Lessor shall receive any insurance proceeds from insurance maintained by the Lessee pursuant hereto or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, if no Event of

Default exists and no event has occurred which with the lapse of time or the giving of notice would be an Event of Default and subject to the Lessee having made payment of the Casualty Value in respect of such Unit, pay such proceeds or condemnation payments (up to the amount of the Casualty Value paid) to the Lessee. All insurance proceeds received by the Lessor in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor and the Vendor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired.

SECTION 7. Annual Reports. On or before March 31 in each year, commencing with the calendar year 1989, the Lessee will cause to be furnished to the Lessor and the Vendor (at the addresses shown in Section 16) an accurate statement, as of the preceding December 31, showing the amount, description and numbers of the Units (a) then leased hereunder and/or covered by the RCSA, (b) that have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Lease in the case of the first such statement), (c) then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs and setting forth such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request, and stating that, in the case of all Units repainted or repaired during the period covered by such statement, the markings required by Section 4 shall have been preserved or replaced and (d) then subleased for a term in excess of six months. The Lessor and the Vendor shall have the right, but not the obligation, at their sole cost, risk and expense, by their authorized representatives, to inspect the Units and the Lessee's records with respect thereto (including those relating to any use of the Units outside the United States) at such reasonable times as the Lessor or the Vendor may request during the continuance of this Lease.

SECTION 8. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE, OR OTHERWISE, it being agreed that

all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation, or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that all Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units ("Applicable Laws"), and in the event that, prior to the expiration of this Lease or any renewal thereof and the return of all Units as provided in Section 10 or 13, such laws or rules require any alteration, replacement, addition or modification of or to any part of any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any Applicable Law in any reasonable manner which does not, in the reasonable opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or the Vendor, respectively, under this Lease or the RCSA. So long as no Event of Default shall have occurred and be continuing the Lessee, at its own cost and expense, may furnish additions, modifications and improvements to any Unit during the term of this Lease provided that such additions, modifications and improvements (a) are readily removable without causing material damage to such Unit and

(b) do not diminish its utility, remaining useful life, residual value or fair market value. The additions, modifications and improvements made by the Lessee under the first sentence of this paragraph shall be owned by the Lessor free of any lien, charge, security interest or other encumbrance except those created or permitted by the RCSA, and the additions, modifications and improvements made by the Lessee under the second sentence of this paragraph shall (unless any such addition, modification or improvement is a replacement of or substitution for, any part originally incorporated or installed in or attached to a Unit or any part in replacement of or substitution for any such original part or unless such addition, modification or improvement is not removed by the Lessee at the time of delivery of possession by the Lessee pursuant to Section 10 or 13) be owned by the Lessee.

The Lessee agrees to indemnify, protect and hold harmless, on an after-tax basis, the Lessor, the Vendor and the Investors ("Indemnified Person") from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as a result of (i) the entering into or the performance of the RCSA, the Participation Agreement, or this Lease, or any of the instruments or agreements referred to therein or herein or contemplated thereby or hereby, (ii) the ownership of any Hulk or any Unit, (iii) the ordering, acquisition, use, operation, maintenance, condition, reconstruction, purchase, delivery, rejection, storage or return of any Hulk or any Unit, (iv) any accident in connection with the operation, use, condition, reconstruction, possession, storage or return of any Hulk or any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in Section 13 of this Lease, including without limitation any claim based upon the doctrines of product liability or strict or absolute liability in tort or by statute imposed, or (v) the transfer of title to the Equipment by the Vendor pursuant to any provision of the RCSA. Each Indemnified Person as a condition of being indemnified hereunder, shall give the Lessee, promptly upon obtaining knowledge thereof, written notice of any claim or liability to be indemnified against hereunder in respect of such Indemnified Person; provided, however, that any failure of any Indemnified Person to furnish such notice in a prompt manner shall relieve the Lessee from its obligation to indemnify pursuant to this paragraph only to the extent that such delay in notification shall be reasonably demonstrated by the Lessee to have prejudiced its ability to settle or

defend the loss or liability so indemnified against. The indemnities arising under this section shall continue in full force and effect notwithstanding the delivery of the Equipment or the full payment and performance of all obligations under this Lease or the expiration or termination of the term of this Lease; provided, however, that the foregoing indemnification shall not apply to any failure of payment of any of the principal of or interest on the CSA Indebtedness. Nothing in this Section shall constitute a guarantee by the Lessee of the CSA Indebtedness of the Lessor under the RCSA or a guarantee of the residual value of any Unit.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports of which the Lessee is aware (other than income tax returns) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units or the leasing thereof to the Lessee and Lessee agrees to provide information reasonably requested by the Lessor for the purpose of filing income tax returns other than the U.S. federal income tax return.

In case any action, suit or proceeding is brought against any Indemnified Person in connection with the indemnities arising under this Section, the Lessee may and, upon such Indemnified Person's request, will at the Lessee's expense, settle or defend such action, suit or proceeding, or cause the same to be defended by counsel selected by the Lessee and approved by such Indemnified Person, which approval shall not be unreasonably withheld, and, in the event of any failure by the Lessee to do so, the Lessee shall pay all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred by each Indemnified Person in connection with such action, suit or proceeding.

SECTION 9. Default. If, during the continuance of this Lease, one or more of the following events (an "Event of Default") shall occur:

A. default shall be made in the payment of any amount provided for in Section 2, 6 or 12 and such default shall continue for five days;

B. the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any

interest therein, or of the right to possession of the Units, or any thereof;

C. default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Participation Agreement, the RCSA or the Consent and such default shall continue for 30 days after written notice from the Lessor or the Vendor to the Lessee (and the Lessor, if such notice is given by the Vendor) specifying the default and demanding that the same be remedied;

D. a petition for reorganization under Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against the Lessee or the Guarantor and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee or the Guarantor under this Lease, the Participation Agreement, the RCSA and the Consent shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees and, in respect to the Lessee, otherwise in accordance with the provisions of 11 U.S.C. § 1168, or any successor provision, as the same may hereafter be amended; provided, however, if such petition was not filed by the Lessee or the Guarantor, as the case may be, the default hereinabove specified in this subdivision shall not become an event of default until 60 days after such petition has been filed; or

E. any other proceedings shall be commenced by or against the Lessee or the Guarantor for any relief which includes, or might result in, any modification of the obligations of the Lessee or the Guarantor hereunder or under the Participation Agreement, the RCSA or the Consent, under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of such obligations) and,

unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all such obligations shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or the Guarantor or for the property of the Lessee or the Guarantor in connection with any such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such a trustee or trustees or receiver or receivers; provided, however, if such proceedings were not commenced by the Lessee or the Guarantor, as the case may be, the default hereinabove specified in this subdivision shall not become an event of default until 60 days after such proceedings shall have been commenced; or

F. an event of default set forth in Article 14 of the RCSA shall have occurred arising out of any default by the Lessee in performing any of its obligations hereunder or under the Participation Agreement, the RCSA or the Consent and shall not have been cured as provided for therein; or

G. any of the Lessee's representations or warranties made herein, in the Participation Agreement or the RCSA or any statement or certificate at any time given in writing pursuant hereto or in connection herewith shall be breached or found to be false or misleading in any material respect;

then, in any such case, the Lessor, at its option, may:

(a) 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;

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of

such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit (as is, where is) at such time; provided, however, that in the event the Lessor shall have sold any Unit, in a commercially reasonable manner, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clause of this part (b) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the rental payment date on or next preceding the date of termination over the net proceeds of such sale.

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

Should the Lessee fail to make any payment or to do any act as provided by this Lease, then the Lessor shall have the right (but not the obligation), without notice to the Lessee of its intention to do so and without releasing

the Lessee from any obligation hereunder to make or to do the same, to make advances to preserve the Equipment or the Lessor's title thereto, and to pay, purchase, contest or compromise any insurance premium, encumbrance, charge, tax, lien or other sum which in the reasonable judgment of the Lessor appears to affect the Equipment, and in exercising any such rights, the Lessor may insure any liability and expend whatever amounts in its reasonable discretion it may deem necessary therefor. All sums so incurred or expended by the Lessor shall be due and payable by the Lessee within 10 days of notice thereof.

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

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

SECTION 10. Return of Units upon Default. If this Lease shall terminate pursuant to Section 9, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and shall have removed therefrom all additions, modifications and improvements which the Lessee owns pursuant to Section 8 hereof. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units of the Equipment have been interchanged to return the units so interchanged) place such Units upon such

storage tracks of the Lessee as the Lessee reasonably may designate;

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

(c) transport the same to any place on the lines of railroad operated by it or any of its affiliates or to any connecting carrier (or to Chicago, Illinois, in the event the Lessor no longer connects there) for shipment, all as directed by the Lessor.

Each Unit returned to the Lessor pursuant to this Section shall (i) be in the same operating order, repair and condition as when originally delivered by the Lessee, ordinary wear and tear excepted, (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads, if applicable, and/or the applicable rules of any governmental agency or other organization with jurisdiction, and (iii) have removed therefrom by the Lessee without cost or expense to the Lessor all additions, modifications and improvements which the Lessee owns pursuant to Section 8 hereof. The assembling, delivery, storage, insuring and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own cost and expense, insure, maintain and keep the Equipment in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence.

The Lessee hereby waives any and all claims against the Vendor or the Lessor and their agents for

damages of whatever nature in connection with any retaking of the Units in any reasonable manner.

All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to 0.035635% of the Purchase Price of such Unit. Nothing contemplated by this paragraph, including the payment by the Lessee of any amounts pursuant hereto shall be deemed to relieve the Lessee of its obligation to assemble, deliver and store the Units or affect the Lessor's rights and remedies with respect to such obligation.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 10, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney-in-fact of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

SECTION 11. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. The rights of the Lessor hereunder (including the rights to receive the rentals payable under this Lease) shall inure to the benefit of the Vendor as assignee under the Assignment in the manner and to the extent therein provided. So long as the Lessee shall not be in default under this Lease and no event of default exists under the RCSA, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease but, without the prior written consent of the Lessor and the Vendor, the Lessee shall not assign or transfer its leasehold interest under this Lease in any of the Units or sublease any of the Units, except to the extent permitted by the provisions of the next succeeding paragraph hereof; and any such assignment or transfer without said consent shall be void. The Lessee, at its own expense, will promptly discharge or cause to be duly discharged any and all sums claimed by any party which if unpaid, might become a lien, charge, security

interest or other encumbrance (other than an encumbrance which the Lessor is obligated to discharge pursuant to Paragraph 14 of the Participation Agreement), upon or with respect to any Unit or the interest of the Lessor, the Vendor or the Lessee therein, and will promptly discharge any such lien, charge, security interest or other encumbrance which arises. The Lessee shall not, without the prior written consent of the Lessor and the Vendor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the next succeeding paragraph hereof.

So long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments as defined in the Lease Assignment in accordance with the Lease Assignment, the Lessee shall be entitled to the possession of the Units and to the use of the Units by it or any affiliate upon lines of railroad owned or operated by it or any such affiliate or upon lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is regularly operated pursuant to contract and shall be entitled to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements and to sublease the Units to any of its affiliates or to any railroad company incorporated in the United States of America or any state thereof or the District of Columbia, but only upon and subject to all the terms and conditions of this Lease and the RCSA; provided, however, that any sublease or subleases of any Unit to the same non-affiliated railroad company shall not exceed in the aggregate a period of three years. The Lessee may receive and retain compensation for the use of any of the Units from other railroads so using such Units. Any sublease permitted by this paragraph shall be subject and subordinate to the rights and remedies of the Vendor under the RCSA and the Lessor under this Lease in respect of the Units covered by such sublease upon the occurrence of an event of default thereunder or an Event of Default hereunder and in no event shall the term of any such sublease extend beyond the term of this Lease.

Nothing in this Section shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any corporation incorporated under the laws of any state of the United States of America or the

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

In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 15 days after the end of the term of this Lease, or any extended term, then the Lessee shall pay the Lessor for each day thereafter an amount equal to 0.035635% of the Purchase Price of such Unit.

Lessee agrees upon request of Lessor, subject to the availability of shop space, to provide at Lessor's expense (based upon Lessee's then prevailing terms and conditions therefor), such other maintenance services, repairs or alterations to the Units as Lessor shall request as are not required to be performed by Lessee pursuant to this Lease.

SECTION 14. Recording; Expenses. The Lessee, at its own expense, will cause this Lease, the RCSA and any assignment hereof or thereof to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 and deposited with Registrar General of Canada (notice of such deposit to be forthwith given in The Canada Gazette) pursuant to Section 86 of the Railway Act of Canada. The Lessee will undertake the filing, recording and depositing and refile, reregister, rerecord or redeposit whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their reasonable satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease or the assignment hereof to the Vendor, or the RCSA; and the Lessee will promptly furnish to the Vendor and the Lessor evidences of all such filing, registering, recording or depositing, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease, the Assignment and the RCSA shall be filed with the Interstate Commerce Commission and deposited with the Registrar General of

Canada pursuant to Section 86 of the Railway Act of Canada and the provision will have been made for publication of notice of such deposit in The Canada Gazette prior to the delivery and acceptance hereunder of any Unit.

SECTION 15. Interest on Overdue Obligations and Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations when due hereunder shall result in the obligation on the part of the Lessee promptly to pay an amount equal to the Penalty Rate in respect of the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

SECTION 16. Notices. Any notice required or permitted to be given pursuant hereto shall be deemed to have been received by the addressee on the date of actual receipt (if such date is a Business Day, otherwise on the next Business Day), if transmitted by mail, telex, telecopy or similar transmission, or by hand, addressed as follows:

(a) if to the Lessor, at, Suite 2800, 111 S.W. 5th Avenue, Portland, Oregon 97204, Attention of: Senior Vice President - Asset Leasing and Financing Division, with a copy to Legal Department at the same address;

(b) if to the Lessee, at 1333 Brewery Park Boulevard, Detroit, Michigan 48207, Attention of: Contract Administration;

(c) if to the Vendor, at P.O. Box 2258 (Two Hopkins Plaza, if by hand), Baltimore, Maryland 21203, Attention of: Corporate Trust Department;

or addressed to any such party at such other address as such party shall hereafter furnish to the other party in writing.

SECTION 17. Effect and Modification of Lease. Except for the Participation Agreement, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized officers of the Lessor and the Lessee.

SECTION 18. Definitions. If and so long as this Lease is assigned to the Vendor (or any successor thereto)

for collateral purposes, wherever the term "Lessor" is used in this Lease it shall also apply and refer to the Vendor and any successors thereto unless the context shall otherwise require and except that the Vendor shall not be subject to any liabilities or obligations under this Lease; and the fact that the Vendor is specifically named in certain provisions shall not be construed to mean that the Vendor (and any successors thereto) is not entitled to the benefits of other provisions where only the Lessor is named or where only the Vendor, as the case may be, is named.

SECTION 19. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor pursuant to the Lease Assignment shall be deemed to be the original counterpart and all other counterparts shall be deemed duplicates thereof. It is not necessary that the parties hereto all sign the same counterpart as long as each party shall sign a counterpart and such counterpart is delivered to the Vendor or its counsel, whereupon this Lease shall become effective. Although this Lease is dated as of the date first set forth above for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

SECTION 20. Law Governing; Severability. The terms of this Lease and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of the State of Michigan; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Lease or any assignment hereof shall be filed, recorded or deposited.

Any provision of this Lease which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining

provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto, each pursuant to due corporate authority, have caused this instrument to be executed in their respective corporate names by duly authorized officers, and their respective corporate seals to be hereunto affixed and duly attested, all as of the date first above written.

PACIFICORP CREDIT, INC.,

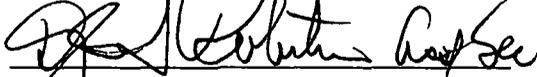
by



Vice President

[Corporate Seal]

Attest:



Secy

GRAND TRUNK WESTERN RAILROAD
COMPANY,

by

Senior Vice President Finance

[Corporate Seal]

Attest:

provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto, each pursuant to due corporate authority, have caused this instrument to be executed in their respective corporate names by duly authorized officers, and their respective corporate seals to be hereunto affixed and duly attested, all as of the date first above written.

PACIFICORP CREDIT, INC.,

by

[Corporate Seal]

Vice President

Attest:

GRAND TRUNK WESTERN RAILROAD
COMPANY,

by

[Corporate Seal]

W. H. Crona
Senior Vice President Finance

Marketing

Attest:

W. V. McKnight

STATE OF OREGON,)
) ss.:
COUNTY OF MULTNOMAH,)

On this _____ day of June 1988, before me personally appeared _____, to me personally known, who, being by me duly sworn, says that he is a Vice President of PACIFICORP CREDIT, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

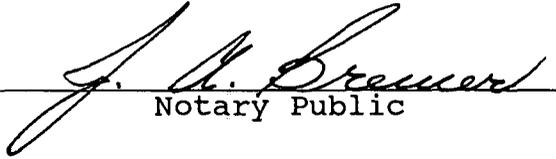
Notary Public

[Notarial Seal]

My Commission Expires _____

STATE OF MICHIGAN,)
) ss.:
COUNTY OF WAYNE,)

On this 27th day of June 1988, before me personally appeared W.H. Cramer to me personally known, who, being by me duly sworn, says that he is a Senior Vice President - Finance of GRAND TRUNK WESTERN RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that such instrument was this day signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



Notary Public

[Notarial Seal]

My Commission Expires _____

J. A. BREWER
Notary Public, Wayne County, Mich.
My Commission Expires Oct. 15, 1989

STATE OF OREGON,)
) ss.:
COUNTY OF MULTNOMAH,)

On this 28th day of June 1988, before me personally appeared Thomas J. Schuldt, to me personally known, who, being by me duly sworn, says that he is a Vice President of PACIFICORP CREDIT, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Karen E. Neuhouser
Notary Public

[Notarial Seal]

My Commission Expires 10/16/88

STATE OF MICHIGAN,)
) ss.:
COUNTY OF WAYNE,)

On this day of June 1988, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a Senior Vice President-Finance of GRAND TRUNK WESTERN RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that such instrument was this day signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission Expires

SCHEDULE A TO LEASE

<u>Quantity</u>	<u>AAR Mechanical Designation</u>	<u>Description</u>	<u>Lessee's Road Numbers (Inclusive)</u>
3	SD-40	Diesel Electric Locomotives	DWP 5907 GTW 5916 GTW 5922
1	GP-40-II	Diesel Electric Locomotive	GTW 6413
16	GP-38-II	Diesel Electric Locomotives	GTW 5709 - 5724

* Units subject to this Lease will include only those delivered, accepted and settled for under the RCSA on or before December 31, 1988, and will bear the Road Numbers listed above. Upon completion of all deliveries, if necessary, this Schedule A will be appropriately amended to delete the Equipment listed above which has not become subject to this Lease.