DONELAN, CLEARY, WOOD & MASER, P. C.
ATTORNEYS AND COUNSELORS AT LAW
SUITE 850
1275 K STREET, N. W.
WASHINGTON, D. C. 20005-4006
TELEPHONE: (202) 371-9500
TELECOPIER: (202) 371-0900

INTERSTATE COMMERCE COMMISSION

DEC 19 1988 11:15 AM
RECORDATION NO 16093 Filed 1425

No. 8-354A031
Date DEC 19 1900
Fee $ 13.00
ICC Washington, D.C.

DEC 19 11 06 AM '88

December 19, 1988

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

Dear Secretary McGee:

Enclosed for recordation, under the provisions of 49 U.S.C. §11303(a) and the regulations thereunder, are an original and one counterpart of a Locomotive Lease Agreement, dated as of December 14, 1988, between General Electric Company ("Lessor") and Union Pacific Railroad Company ("Lessee"), a primary document.

The names and addresses of the parties to the enclosed Locomotive Lease Agreement are as follows:

LESSOR: General Electric Company
2901 East Lake Road
Erie, PA 16531

LESSEE: Union Pacific Railroad Company
1414 Dodge Street
Omaha, NE 68179

A general description of the railroad locomotives covered by the enclosed document is attached hereto as Schedule I.

The undersigned is the attorney-in-fact of General Electric Company. Please return the original of the enclosed document to John K. Maser III, Esquire, Donelan, Cleary, Wood & Maser, P.C., Suite 850, 1275 K Street, N.W., Washington, D.C. 20005-4006 or to the bearer hereto.

Counterpart - John Maser

Also enclosed is a remittance in the amount of $13.00 for the required recording fee.

A short summary of the document to appear in the index follows:

PRIMARY DOCUMENT

Locomotive Lease Agreement, dated as of December 14, 1988, between General Electric Company ("Lessor") and Union Pacific Railroad Company ("Lessee"), relating to three (3) General Electric Dash 8-40C, 4000 horsepower, 6-axle road freight locomotives, bearing identification marks "Union Pacific" and Road Nos. 9353 through and including 9355.

Respectfully submitted,

GENERAL ELECTRIC COMPANY

BY: _____
John K. Maser III
Attorney-In-Fact

004/207-B
Enclosure
286-8

Schedule I

Description of Locomotives

Type of Equipment	AAR Mechanical Designation	Number	Identifying Marks	Road Numbers
General Electric Dash 8-40C, 4000 horsepower, 6-axle road freight locomotive	C-C	3 locomotives	Marked "Union Pacific" in red on both sides of locomotive	9353 through and including 9355

Interstate Commerce Commission

Washington, D.C. 20423

12/19/88

OFFICE OF THE SECRETARY

John K. Maser III, Esq.
Donelan, Cleary, Wood & Maser
Suite 850
1275 K Street N.W.
Washington, D.C. 20005

Dear Sir

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 12/19/88 at 11:15AM , and assigned recordation number(s). 16093 Lead & 16094 Lead

Sincerely yours,

Noreta R. McGee

Secretary

Enclosure(s)

SE-30
(7/79)

INTERSTATE COMMERCE COMMISSION

DEC 19 1988 11-15 AM
16093

LOCOMOTIVE LEASE AGREEMENT

This Lease is made as of the 14th day of December, 1988, between General Electric Company, a corporation of the State of New York (hereinafter "Lessor") and Union Pacific Railroad Company, a corporation of the State of Utah, (hereinafter referred to as the "Lessee").

1.0 Equipment

1.1 Lessor agrees to furnish and lease to Lessee, and Lessee agrees to accept and use under the terms and conditions set forth herein, the locomotives described in Annex 1 hereto, and any substitute locomotive(s) as may be furnished from time to time under this Lease. For convenience the word "Locomotives", as used herein, shall include the locomotives described in Annex 1 and/or any substitute locomotives furnished hereunder.

1.2 It is understood and agreed that locomotives furnished as substitute locomotives hereunder shall be of a type mutually agreed upon by the parties. Locomotives furnished hereunder as substitute locomotives shall, at the time delivered to Lessee, be in good repair and operating condition and meet all applicable federal regulatory requirements. All substitute locomotives, once delivered and until their return to Lessor, shall be subject to the provisions of this Lease.

2.0 Delivery

2.1 Delivery of the Locomotives shall be made at Lessor's facility in Erie, Pennsylvania, or at such other point as may be agreed upon by the parties in writing. If delivery is to be made at a point other than Lessor's facility in Erie, Lessee shall pay all freight expenses in connection with the shipment of the Locomotives to said point. The estimated date of delivery for the Locomotives described in Annex 1 is early December, 1988.

2.2 The Lessor shall not be liable for delays in delivery or failure to deliver the Locomotives due to (a) causes beyond its reasonable control, or (b) to acts of God, acts of the Lessee, acts of civil or military authority, priorities, fires, strikes, floods, epidemics, war, riots, or delays in transportation, or (c) inability due to causes beyond its reasonable control to obtain necessary labor, materials, components or manufacturing facilities. In the event of any such delay, the date of delivery shall be extended for a period equal to the time lost by reason of the delay.

3.0 Receipt, Inspection and Acceptance

3.1 At the time the Locomotives are delivered, an authorized representative of Lessee shall execute a Certificate of Acceptance in the form attached as Annex 2 hereto.

3.2 The Locomotive will be subject to Lessee's inspection upon delivery. Failure to report any material defect in the Locomotives discoverable upon visual examination at the time of delivery will constitute acceptance of the Locomotives and be conclusive evidence of its fitness for service at the time of delivery.

3.3 The Locomotives will be available at all reasonable times for Lessor's inspection, but Lessor is under no obligation to inspect and Lessee's obligations to keep the Locomotives in good repair and operating condition will not be affected in any manner by any failure to inspect.

4.0 Rentals

4.1 Lessee agrees to pay to Lessor, as rent for each of the Locomotives the sum of $800.00 per day during the term of this Lease.

4.2 Payment of all rental charges will be made quarterly in arrears, within ten days of the end of each calendar quarter. All other payments due under the lease will be made within thirty days of invoicing.

4.3 The foregoing rental charges shall be subject to any and all credit(s) that the Lessee is entitled to receive pursuant to the terms of that certain purchase agreement between the parties dated July 8, 1988, ("the Agreement") for use of the Locomotives leased hereunder to make up horsepower hours guaranteed under "the Agreement".

4.4 Anything to the contrary notwithstanding, it is agreed that if any amounts remain unpaid after the same shall have become due and payable pursuant to the terms of this Lease, the Lessee shall pay interest at the rate of 8% per annum (or the lawful rate, whichever is less) on the overdue amounts for the period of time during which they are overdue, it being expressly understood that this provision shall be in addition to (and not in derogation of) any other rights which Lessor may have under this Lease in the event Lessee fails to make all payments when due and payable.

5.0 Alterations, Maintenance and Repair

5.1 Except for alterations or changes required by law or regulatory authorities, or as otherwise expressly permitted by Lessor hereunder, the Lessee shall not effect any change in the design, construction or specifications of the Locomotives, body or electrical equipment, or components thereof, without the prior authority and approval of the Lessor. Any such alteration or change if made shall be at Lessee's expense. Any parts installed or replacements made by Lessee upon any Locomotive shall be considered accessions to such Locomotive and title thereto shall be immediately vested in Lessor, without cost or expense to Lessor.

5.2 Lessee shall, during the term of the lease, at its expense (except to the extent specified in 5.3 below) keep the Locomotives in good repair and operating condition (reasonable wear and tear excepted), applying the manufacturer's recommended normal maintenance standards and procedures. Lessee shall also assume all costs of operating expense including lubricating oils, grease and other supplies necessary for the proper operation of the Locomotives, including supplies furnished by Lessor. These supplies must be specified and approved in advance by Lessor.

Lessee is responsible for repairing the Locomotives promptly when repairs are required, subject to availability of Lessee's shop space and material to be supplied by Lessor.

5.3 Lessor's Warranty

5.3.1 Lessor warrants that the Locomotives leased hereunder shall be free from defects in material and workmanship under normal use and service during the term of the warranty described in "the Agreement". If, during the term of such warranty, any part of the Locomotives fails to meet the foregoing warranty and Lessee so informs Lessor upon that failure, Lessor, after verification of the condition of the part and usage, shall make available to Lessee a replacement or repaired part. Lessee shall continue to provide at its expense the labor to remove defective parts and install repaired and replacement parts.

5.3.2 If the Lessor is required to make available any replacement or repaired parts for a Locomotive in accordance with this Paragraph 5.3, it is understood that this shall not in any way affect or abate Lessee's obligation to pay rent; provided, however, if Lessor fails to make any such parts available within 48 hours of Lessor's verification of the condition of the part, Lessee's obligation to pay rent on such Locomotive shall abate for the period of time following such 48 hour period until such parts are made available.

5.3.3 Notwithstanding the generality of 5.3.1 above, Lessor's responsibility shall not extend to any parts normally consumed in operation (such as but not limited to, filters and brake shoes), or defects or damage caused in whole or in part by failure to comply with its operating and maintenance recommendations, by reason of improper storage or application, by misuse, negligence, accident or improper maintenance, or by repairs or alterations not authorized or approved by Lessor.

5.3.4 This Paragraph 5.3 sets forth the exclusive remedies for claims based on defects in or failures of the Locomotives, whether claim is in contract, warranty, tort (including negligence) or otherwise and however instituted. Upon the expiration of the warranty period all such liability shall terminate. The foregoing warranties are exclusive and in lieu of all other warranties, whether written, oral, implied or statutory. NO IMPLIED STATUTORY WARRANTY OF MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE SHALL APPLY.

6.0 Patents

6.1 Except in cases of designs, articles and materials specified by the Lessee and not manufactured by the Lessor, or manufactured by the Lessor to Lessee's design, the Lessor shall defend any suit or proceeding brought against the Lessee so far as based on a claim that any Locomotive or any part thereof, furnished under this Lease constitutes an infringement of any patent of the United States, if notified promptly in writing and given authority, information and assistance (at the Lessor's expense) for the defense of same, and the Lessor shall pay all damages and costs awarded therein against the Lessee. In case said Locomotive, or any part thereof, in such suit is held to constitute infringement and the use of said Locomotive or part is enjoined, the Lessor shall, at its own expense, and at its option, either procure for the Lessee the right to continue using said Locomotive or part; or replace same with non-infringing items; or modify it so that it becomes non-infringing; or take possession of said Locomotive and cancel the Lease with respect to such Locomotive, effective as of the date on which the Locomotives or part is held to constitute infringement in such suit, the Lessor to pay the reasonable cost of returning said Locomotive to Lessor. The foregoing states the entire liability of the Lessor for patent infringement by said Locomotive, or any part thereof. It is understood that in the event the use of a Locomotive is enjoined based on a claim of infringement covered by the provisions of this Paragraph 6.1, Lessee's obligation to pay rent with respect to such Locomotive shall abate until the use of the Locomotive no longer is enjoined or this Lease is cancelled with respect to such Locomotive as provided above.

6.2 With respect to any designs, articles or materials specified by the Lessee, and not manufactured by the Lessor, or manufactured by the Lessor to Lessee's designs, the Lessee shall defend any suit or proceeding brought against the Lessor so far as based on a claim that any such designs, articles or materials, or any part thereof, furnished under this Lease constitutes an infringement of any patent of the United States, if notified promptly in writing and given authority, information and assistance (at the Lessee's expense) for the

defense of same, and the Lessee shall pay all damages and costs awarded therein against the Lessor. In case said designs, articles or materials, or any part thereof, is held to constitute infringement, and the use thereof is enjoined, the Lessee shall, in respect of the Locomotives, at its own expense, and at its option, procure for the Lessor the right to continue using or manufacturing said designs, articles and materials, or shall permit Lessor, at Lessee's expense, to modify such designs, articles and materials so as to become non-infringing. It is understood that, notwithstanding any suits or proceedings which may be brought against Lessor or Lessee based on a claim that any designs, articles or materials specified by Lessee constitute an infringement of any patent of the United States, Lessee's obligation to pay rent with respect to such Unit, as provided in Section 4 hereof, shall continue for the term of this Lease.

7.0 Use and Operation

7.1 The Lessee agrees to comply in all respects with all laws of the jurisdictions in which its operations involving the Locomotives may extend and with all lawful rules of the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Locomotives, to the extent that such laws and rules affect the operation or use of the Locomotives. In the event such laws or rules require the alteration of Locomotives, the Lessee will conform therewith, at its expense, and will maintain the same in proper condition for operation under such laws and rules, provided, however, that the Lessee may, in good faith, contest the validity and application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor, adversely affect the property or rights of the Lessor as owner hereunder.

7.2 Lessee will use and operate the Locomotives in conformance with all applicable manufacturer recommendations.

7.3 Lessee will maintain records as to the use, operation, movement and maintenance of the Locomotives, and such records will be available for Lessor's inspection at reasonable times and upon reasonable notice.

7.4 Lessee agrees to use the Locomotives exclusively within its own service and within the boundaries of the United States, except as specifically agreed to in writing by Lessor, which agreement will not be unreasonably withheld.

7.5 Charges levied by third parties for use of their rights of way, track, storage or hauling are the responsibility of the Lessee.

8.0 Taxes and Liens

8.1 The Lessee agrees that, during the continuance of this Lease, it will promptly pay, as additional rentals, all taxes, assessments and other governmental charges levied or assessed against the Lessor, or any predecessor or successor in title of the Lessor, as the case may be, on account of its ownership of the Locomotives, or on account of the use or operation thereof, or on account of the earnings arising therefrom (exclusive, however, of any tax in the nature of an income tax on the rentals herein provided), including any sales or similar taxes payable on account of the leasing of the Locomotives hereunder; but the Lessee shall not be required to pay the same so long as it shall in good faith and by appropriate legal or administrative proceedings contest the validity or amount thereof, unless thereby, in the judgment of the Lessor, the rights or interests of the Lessor will be materially endangered. In the event any tax reports are required to be made concerning said Locomotives, the Lessee will either make such reports in such manner as to show the ownership of such Locomotives by the Lessor or will notify the Lessor of such requirement and will make such report in such manner as shall be satisfactory to the Lessor.

8.2 The Lessee will pay and discharge, or cause to be paid and discharged, or make adequate provision for the satisfaction or discharge of, any debt, tax, charge, assessment, obligation or claim against the Lessee which, if unpaid, might become a lien or charge upon or against the title of the Lessor to the Locomotives or which might have the effect of altering in any way the rights of the Lessor in such Locomotives under this Lease; but the Lessee shall not be required to pay or discharge any such debt, tax, charge, assessment, or obligation or claim so long as the validity or amount thereof shall be contested in good faith and by appropriate legal or administrative proceedings, unless such contest will, in the judgment of the Lessor, materially endanger the rights or interests of the Lessor.

9.0 Loss and Damage

9.1 Lessee shall bear the entire risk of loss (including theft) or damage to any Locomotive from the date of delivery through return to the Lessor in the condition specified in this Lease, regardless of the cause of such loss or damage, except to the extent such loss or damage is caused directly by the negligence of Lessor.

9.2 Lessee shall notify Lessor immediately of any accident, collision, loss, theft or damage involving the locomotive, to be followed promptly by a detailed written report to Lessor. Lessee shall provide all assistance reasonably requested by

Lessor in the investigation of, defense or prosecution of any resulting claims or suits.

9.3 In the event a locomotive is lost or damaged beyond repair, Lessee shall so notify Lessor. Within thirty days of such notification, Lessee shall pay to the Lessor the daily rental charges through the date of notification and the casualty value of the Locomotives as of the date of notification, such casualty value to be determined in accordance with the table attached to this Lease as Annex 3. Upon payment of the foregoing amounts, title to the Locomotives shall vest with Lessee and this Lease will terminate. The provisions of Section 16 shall not apply upon such termination.

9.4 In the event a locomotive is partly damaged or destroyed, the Lessee shall promptly elect, after consultation with Lessor, whether to repair the locomotive or consider it damaged beyond repair. If the Lessee elects to repair the locomotive, it shall do so (or have the repairs done) at its own expense. It is understood that the locomotive so repaired must be restored to good operating condition, reasonable wear and tear excepted. Moreover, during the period such repairs are being made, Lessee's obligation to pay rent shall continue.

9.5 Lessee shall, at all times, at its own expense, cause to be carried and maintained (and shall furnish to Lessor, upon request therefor, a certificate evidencing) with respect to liabilities assumed by Lessee under this Lease (i) all risk insurance on locomotive and (ii) public liability insurance with respect to third party personal injury and property damage, in such amounts (subject to customary and prudent deductibles) and against such risks and with such insurance companies as is consistent with prudent railroad industry practices; provided, however, that, if Lessee customarily self-insures against such risks, Lessee may self-insure to the extent that such self-insurance is consistent with prudent railroad industry practices. Any policies of insurance carried in accordance with the provisions of the lease will name Lessor as an additional insured, provide that they will not be cancelled or materially altered without thirty days prior written notice to the Lessor, and will contain such other appropriate provisions as are agreed upon by the parties.

10. Indemnity

The Lessee hereby agrees to indemnify, reimburse, and hold the Lessor, and any assignee or successor in title of Lessor, harmless from any and all losses, damages, costs (including attorney's fees), injuries, claims, demands, suits, judgments or causes of action whatsoever (hereinafter referred to as the "Liabilities") arising on account of, or caused in any way by, the Locomotives or the use or operation thereof, except to the extent directly caused by the

negligence of Lessor. Lessee will notify Lessor immediately of any liability, as defined above, and permit Lessor to appear in any proceeding to defend its interests as they may be.

11. Liability of Lessor

11.1 Lessor's liability arising out of the furnishing of any Locomotive under this lease (or any subsequent sale), or its use, whether the liability is based on contract, warranty, tort (including negligence) or otherwise, will in no case exceed the cost of correcting defects to the Locomotives.

11.2 In no case, whether liability arises under breach of contract, warranty, tort (including negligence) or otherwise, will Lessor's liability include any special, incidental, indirect or consequential damages including, but not limited to, loss of revenue or profits, damage to freight, loss of use of any equipment, cost of capital, downtime costs, or claims of Lessee's customers for such damages.

11.3 The provisions of 11.1 and 11.2 above shall not apply to claims of third parties (except Lessee's customers) for personal injury (including death) or property damage to the extent such injury or damage are directly caused by Lessor's negligence.

12. Title, Identification, Recording

12.1 At all times during the continuance of this Lease title to the Locomotives shall remain in Lessor and delivery of the Locomotives to Lessee, its assigns or successors and Lessee's possession of the Locomotives shall constitute a lending or bailment for hire.

12.2 No right, title or interest in the Locomotives will vest in Lessee by reason of this Lease or by reason of the delivery to or use by Lessee of the Locomotives, except the right to use the Locomotives in accordance with the terms of this Lease.

12.3 Lessee will take all actions necessary to protect Lessor's rights, interest and title in the Locomotives, and will take no action inconsistent with that obligation.

12.4 Prior to delivery of the Locomotives by Lessor to Lessee, the Lessor shall cause to be plainly, distinctly and conspicuously marked on each side of the Locomotives, at Lessor's expense, the following legend:

GENERAL ELECTRIC COMPANY
OWNER, LESSOR
LEASE FILED WITH ICC

Lessee shall not permit such legend to be removed or altered and in the event such words are removed, defaced or destroyed, Lessee shall immediately replace or cause such legend to be replaced at its expense. Lessee will not allow the name of any persons, association or corporation to be placed on the Locomotives as a designation that might be interpreted as a claim of ownership; but the Locomotives may be lettered with the names or initials or other insignia customarily used by the Lessee on its equipment of the same or a similar type for convenience of identification of the rights to use and operate the Locomotives under this Lease.

12.5 Prior to delivery of any Locomotive hereunder, Lessee, at its own expense and without expense to Lessor, shall cause this Lease and any supplements hereto and any assignment and reassignment hereof to be filed with the Interstate Commerce Commission. Lessee shall deliver to Lessor one copy of certificates or other evidence satisfactory to counsel for Lessor of such filing and of the payment of filing of fees and taxes, if any, in connection therewith. In addition, Lessee shall do such other acts as may be required by Federal or state law, or reasonably requested by Lessor, for the proper protection of Lessor's title and interest in the Locomotives.

13. Assignment

13.1 Lessee shall not assign, transfer or encumber this Lease or any interest therein or any right granted hereunder without the prior written consent of Lessor, and it is agreed that any such transfer, assignment or encumbrance, whether voluntary, by operation of law, or otherwise, without such prior written consent, shall be void and shall, at the option of Lessor, terminate this Lease.

13.2 Lessor, upon prior written notice to Lessee, may assign this Lease and all or any of the rights, benefits and advantages hereunder (including, but not limited to, title to any Locomotive) to any of Lessor's subsidiaries (of any tier) or affiliates as Lessor may select in its sole discretion.

14. Representations and Warranties

14.1 The Lessor represents and warrants that it will be the true and lawful owner of any Locomotive delivered to the Lessee in accordance with the provisions of this Lease and that any such Locomotive will be free and clear of all liens and encumbrances of any nature whatsoever, it being understood that this provision shall not restrict the right of Lessor to assign title to any such Locomotive, as provided in Section 13.

14.2 The Lessee represents and warrants that:

14.2.1 The Lessee is a duly organized and validly existing corporation in good standing under the laws of the State of Utah; is duly qualified to do business in such jurisdictions as are necessary to carry out the transactions contemplated by this Lease; and has power and authority to own its properties and carry on its business as now conducted;

14.2.2 The execution and delivery of this Lease is within its corporate authority, has been authorized by proper corporate proceedings and will not contravene any provision of law or of its charter or by-laws nor contravene or constitute a default under the provisions of any agreement or other instrument binding upon it, and the Lease is a valid and binding obligation of the Lessee enforceable, subject to applicable insolvency, bankruptcy or moratorium laws, against the Lessee in accordance with its terms;

14.2.3 The rights of Lessor as herein set forth and the title of Lessor to the Locomotives are senior to the lien of any mortgage, security agreement or other instrument binding upon Lessee;

14.2.4 No governmental authorizations, approvals or exemptions are required for the execution and delivery of this Lease or for the validity and enforceability thereof or the leasing of the Locomotives hereunder for the rentals and on the other terms and conditions provided for herein; or, if any such authorizations are required, they have been obtained, and if any such shall hereafter be required, they will promptly be obtained;

14.2.5 No litigation or administrative proceedings are pending or to the knowledge of the Lessee, threatened against the Lessee, the adverse determination of which would affect the validity of this Lease or the rights of the Lessor hereunder.

15. Opinions of Counsel

Promptly after the recording of this Lease as provided for in Section 12 hereof and before delivery of any Locomotive hereunder, the Lessee will deliver to the Lessor an opinion of counsel for Lessee, in five copies and in form and substance satisfactory to counsel for Lessor, to the effect that (i) the Lessee is a duly organized and validly existing corporation in good standing under the laws of the State of Utah; is duly qualified to do business in such jurisdictions as are necessary to carry out the transactions contemplated by this Lease; and has the power and authority to own its properties and carry on its business as now conducted; (ii) this Lease had been duly authorized, executed and delivered by the Lessee and does not contravene any provision of law or of its

charter or by-laws nor contravene or constitute a default under the provisions of any agreement or other instrument binding upon Lessee; this Lease has been filed and recorded in such public offices as may be necessary for the full protection of the rights of the Lessor and assignees of the Lessor; and this Lease is valid, binding and legally enforceable against the Lessee in accordance with its terms, subject to any applicable insolvency, bankruptcy or moratorium laws; and (iii) the rights of Lessor as herein set forth and the title of Lessor to the Locomotives furnished under this Lease are and will be senior to the lien of any mortgage, security agreement, or other instrument binding upon Lessee; (iv) no governmental authorizations, approvals or exemptions (including, without limitation, approvals of the Interstate Commerce Commission, of public service commissions, or other regulatory authorities in states in which Lessee operates) are required for the execution and delivery of this Lease or for the validity or enforceability thereof or for the leasing of the Locomotives hereunder for the rentals and on the other terms and conditions herein provided, or if any such authorizations, approvals or exemptions are required, that they have been obtained; and (v) no litigation or administrative proceedings are pending or to the knowledge of the Lessee, threatened against the Lessee, the adverse determination of which would affect the validity of this Lease or the rights of the Lessor hereunder.

16. Return of Locomotives

16.1 Upon the expiration of the term of this Lease pursuant to Section 18 hereof, or upon the earlier termination of this Lease pursuant to the provisions of Sections 9 or 17 hereof, the Lessee shall forthwith deliver to the Lessor, or to such person or persons whom Lessor may designate, possession of the Locomotives in the same good repair and operating condition with unencumbered title as initially delivered by Lessor, ordinary wear and tear excepted. If Lessee returns the Locomotives in other than the condition described above, Lessor may, at Lessee's cost and expense, repair the Locomotives to return it to such condition and invoice Lessee for the cost of such repair, which invoice shall be payable immediately by Lessee as additional rent, except as otherwise provided in Paragraph 16.4 below. For the purpose of delivering possession of any Locomotive to the Lessor as above required, the Lessee shall, at its own cost and expense, forthwith return and redeliver such Locomotive to the Lessor at such point on the tracks owned or controlled by Lessee as Lessor may designate. In addition, Lessee shall, if requested to do so by Lessor, at its own expense, (a) forthwith place such Locomotive upon such storage tracks of the Lessee as the Lessor may designate, or, in the absence of such designation, as the Lessee may elect, (b) permit the Lessor to store such Locomotive on such tracks for a period not exceeding 100 days at the risk of the Lessor, and (c) transport the same, at any time within such 100-day period, to any place on the lines of railroad owned or controlled by Lessee or to any connecting

carrier for shipment, all as directed by the Lessor. The delivery, storage and transporting of the Locomotives, as hereinbefore provided, are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to deliver, store and transport the Locomotives.

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

16.3 If Lessee returns a Locomotive in other than the condition described in the first sentence of Paragraph 16.1, Lessor shall so notify Lessee within a reasonable period of time following such return, and such notification shall set forth with reasonable specificity the repairs Lessor deems appropriate to return the Locomotive to such condition. If Lessee desires to dispute any such repairs, Lessee shall so notify Lessor within one (1) week following receipt of Lessor's notification of the repairs Lessor deems appropriate. During such one week period, Lessee shall have the opportunity to inspect the Locomotive in question upon reasonable notice and at reasonable times. Following such one week period, Lessor may proceed to make any such repairs, whether or not Lessee disputes same, and the making of any such repairs shall not operate to prejudice Lessor's position in the resolution of any dispute pertaining to such repairs.

16.4 With respect to those repairs to which Lessee has assented or failed to dispute within the one-week period referenced in Paragraph 16.3 above, Lessee shall promptly reimburse Lessor for the cost and expense of making same upon submission of Lessor's invoices therefor. With respect to those repairs Lessee has disputed within the required period of time, the parties shall first attempt to resolve the matter through negotiation. In the event such negotiations have failed to resolve the dispute within thirty (30) days of the date Lessee first notified Lessor of the dispute, Lessor and Lessee shall submit the matter to a mutually agreed upon dispute resolution procedure. In the absence of any such agreement upon a procedure, the matter shall be settled by arbitration in accordance with the then current Commercial Arbitration Rules of the American Arbitration Association.

17. Default

17.1 If Lessee breaches or is in default of any material provision of this Lease and such breach or default is not cured within fourteen (14) calendar days after written notice specifying such breach or default has been given pursuant to the provisions of this Lease, then Lessor, at its option, may, without prejudice to any other rights or remedies it may have under this Lease, at law or in equity, do any one or more of the following:

17.1.1 proceed by appropriate court action or actions either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof;

17.1.2 terminate this Lease immediately, whereupon Lessee shall return and deliver possession of the Locomotives to Lessor in accordance with Section 16 hereof, and the Lessor may by its agents enter upon the premises of the Lessee or other premises where any Locomotive may be and take possession of all or any such Locomotive and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Locomotives for any purposes whatever; but the Lessor shall, nevertheless, have the right to recover from the Lessee any and all amounts which under the terms of this Lease may then be due and owing or which may become due and unpaid for the use of the Locomotives (including, but not limited to, rentals accruing on the Locomotives after the date of termination); and also to recover forthwith from Lessee (to the extent not recovered pursuant to the foregoing) amounts due pursuant to subparagraph 17.1.3 below;

17.1.3 subsequent to termination and the return and delivery of possession of the Locomotives to Lessor, deliver the Locomotives to others upon such terms as Lessor may see fit in its sole discretion, it being understood and agreed that if Lessor, during the period of time running from the date of termination through the normal expiration of this Lease as provided in Paragraph 18.1 or the date of sale of the Locomotives, whichever first occurs, fails to collect for the use of the Locomotives a sum at least equal to the amount of rentals that would have been paid during that period pursuant to Section 4 without abatement or credit, plus an amount equal to the expenses of withdrawing the Locomotives from the service of Lessee, then Lessee shall pay from time to time upon demand by Lessor the amount of any such deficiency.

17.2 The remedies and powers in this Lease provided in favor of Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies and powers in its favor existing at law or in equity and each and every remedy and power may be exercised from time to time and simultaneously and as often and in such order as may be deemed expedient by Lessor. Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. No delay or omission of Lessor in the exercise of any remedy or power, no granting of an extension of time for the making of any payment due hereunder or other indulgence and no exercise of any remedy or power shall impair any such remedy or power or the rights under this Lease or shall constitute a waiver of any breach or default or an acquiescence therein. In the event that Lessor shall bring suit and be entitled to judgment hereunder, then Lessor shall be entitled to recover reasonable expenses, including attorneys' fees and the amount thereof shall be included in such judgment.

17.3 As used in this Section, a breach or default of a material provision of this Lease shall include, but not be limited to, the following:

17.3.1 failure to pay any amounts hereunder when due;

17.3.2 Lessee's making or suffering, voluntarily, by operation of law or otherwise, any unauthorized assignment, encumbrance or transfer of this Lease or any interest thereon or any right granted thereunder, and shall fail or refuse to cause such assignment, encumbrance or transfer to be cancelled by agreement of all parties having any interest therein.

17.3.3 any proceedings shall be commenced by or against Lessee for any relief under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions.

18. Term

18.1 The term of this Lease shall commence upon delivery of the Locomotives described in Annex 1 and shall continue until the expiration of seven (7) years following such delivery, unless sooner terminated for default or event of loss as described in Sections 17 and 9 respectively.

18.2 Upon termination, Lessee, at its expense, shall return the Locomotives to Lessor as provided in Section 16, except as specifically provided in Sections 9 or 19.

18.3 It is understood and agreed that any termination will not relieve either party of any obligation arising prior to or upon such termination, including but not limited to the obligations of Lessee under Section 10 and 12, and any obligation to pay any rent or other sums due and owing to Lessor at the time of any such termination or as a result of any such termination.

19. Option of Purchase of Locomotive

19.1 Upon the expiration of the seven year term of this Lease, Lessee may, at its option, purchase the Locomotives upon mutually agreeable terms and conditions. Such terms and conditions will be generally comparable to the terms and conditions of sale then prevailing between the parties, taking into account the age, use and condition of the Locomotives. This option may be exercised by Lessee by giving notice of its intention to Lessor no later than one hundred eighty (180) days prior to the aforementioned date of expiration of this Lease.

19.2 The purchase price of the Locomotives, if the option to purchase is exercised, shall be the fair market value of the Locomotives as determined by an appraisal. The appraisal shall be conducted by an appraiser agreed upon by the parties or, if no agreement can be reached, by two appraisers, one selected by each party. In the case where two appraisers are used, the fair market value shall be determined by the average of the appraisals.

19.3 The Locomotives shall be provided to the appraiser(s) for appraisal in the same good repair and operating condition as if said Locomotives were being returned pursuant to Section 16. Such appraisal(s) shall be conducted no later than thirty (30) days prior to the expiration of the seven (7) year term of this Lease.

19.4 It is understood that the appraisal of fair market value does not include sales, use, excise or similar taxes. Consequently, in addition to the price, the amount of any federal or state sales, use, excise or other similar taxes applicable to the sale or use of the Locomotives shall be paid by Lessee, or in lieu thereof, Lessee shall provide Lessor with a Tax Exemption Certificate acceptable to the tax authorities.

19.5 Upon receipt of payment by Lessor for the Locomotives from Lessee, or from such other party as may be designated by Lessee, title to such Locomotives shall pass to Lessee, or to such other party as may be designated by Lessee, at such place or places as such Locomotive may then be, and this Lease shall thereupon terminate and extinguish any obligation of Lessee to

return the Locomotives. Lessor shall deliver to Lessee or such third party appropriate Bills of Sale evidencing such passage of title, and such other documents as may reasonably be requested in connection with the sale and/or termination of this Lease.

20. General

20.1 Subject Headings

The subject headings on this Lease have been placed thereon for the mere convenience of the parties and shall not be considered in any question of interpretation or construction of this Lease.

20.2 Waiver

The failure of either party to enforce at any time or for any period of time any provision of this Lease shall not be construed as a waiver of such provision or of the rights of such party thereafter to enforce such provision.

20.3 Notice

All notices required or permitted hereunder shall be in writing and shall be deemed duly given when personally delivered or sent by registered or certified mail, return receipt requested, postage prepaid, or by cable confirmed by letter as aforesaid, as follows:

To Lessee: Union Pacific Railroad Company
1414 Dodge Street
Omaha, Nebraska 68179
ATTN: M. L. Legg
Director-Purchasing

To Lessor: General Electric Company
2901 East Lake Road
Erie, PA 16531
ATTN: W. A. Bailey
Manager-Customer Service Design

or to such other address as either party may hereafter designate in writing by like notice.

20.4 Execution in Counterparts

This Lease may be executed simultaneously in several counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument.

20.5 Applicable Law

Except insofar as Federal law may be applicable, the terms and conditions of this instrument and all rights and obligations hereunder shall be governed by the laws of the Commonwealth of Pennsylvania, but Lessor and any assignee thereof shall be entitled to such additional rights arising out of the filing or recording hereof, or of any assignment hereof, as shall be conferred by the laws of any jurisdiction in which the Lease or any such assignment shall be filed or recorded.

20.6 Entire Agreement

Except as otherwise specified herein, this Lease contains the entire and only agreement between the parties concerning the subject matter hereof, and there are merged herein all prior and collateral representations, promises or conditions in connection with the subject matter hereof, and any representation, promise or condition not incorporated herein and made a part hereof shall not be binding upon either party. No modification, renewal, extension, termination or waiver of this Lease or any of the provisions herein contained shall be binding upon either party unless made in writing by a duly authorized representative of each party.

WHEREFORE, the parties hereto, intending to be legally bound hereby, have executed this Lease as of the date first written above.

UNION PACIFIC RAILROAD COMPANY	GENERAL ELECTRIC COMPANY
By _____	By _____
	W. S. Butler
Title Chairman and CEO	Title General Manager - Transportation Systems Marketing and Sales Department
Date 12/15/88	Date 12/14/88

Annex 1 - Locomotive Description

Annex 2 - Certificate of Acceptance

Annex 3 - Casualty Loss Table

STATE OF NEBRASKA)
: ss.:
COUNTY OF Douglas)

On this 15th day of December, 1988, before me personally appeared M. H. Walsh, to me personally known, who, being by me duly sworn, says that he is the Chairman and Chief Executive Officer of Union Pacific Railroad Company, that the seal 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.

Katherine D. Petersen
Notary Public

(Notarial Seal)

My Commission expires

GENERAL NOTARY-State of Nebraska
KATHERINE D. PETERSEN
My Comm. Exp. Aug. 22, 1992

STATE OF PENNSYLVANIA)
: ss.:
COUNTY OF ERIE)

On this 14 day of December, 1988, before me personally appeared W. S. Butler, to me personally known, who, being by me duly sworn, says that he is the General Manager-Transportation Systems Marketing and Sales Department of GENERAL ELECTRIC COMPANY, that the seal 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.

Betty A. Manucci
Notary Public

(Notarial Seal)

My Commission expires

NOTARIAL SEAL
BETTY A. MANUCCI, NOTARY PUBLIC
LAWRENCE PARK TWP., ERIE COUNTY
MY COMMISSION EXPIRES JAN 14, 1991
Member, Pennsylvania Association of Notaries

ANNEX 1

Type: Dash 8-40C 6-axle Diesel Electric Locomotive

Builder's Specification: 41A313788

Delivery Point: Erie, PA

Quantity: 3

Lessee's Identification Nos.: 9353-9355

CERTIFICATE OF ACCEPTANCE

I, the duly authorized representative for the Union Pacific Railroad (the "Lessee") under the Lease of Locomotive Equipment, dated December ____, 1988, do certify that I inspected and accepted delivery thereunder of the following Units of Equipment:

TYPE OF LOCOMOTIVE: Dash 8-40C Diesel Electric
PLACE ACCEPTED: Erie, Pennsylvania
DATE ACCEPTED:
NUMBER OF UNITS:
MARKED: UP
ROAD NUMBER(S):

I do further certify that the foregoing Units are in good order and condition, and conform to the specifications, requirements and standards applicable therefore as provided in the Lease.

I do further certify that each of the foregoing Units has been marked upon each side of each such Unit in letters not less than one inch in height as follows:

"General Electric Company, Owner, Lessor, Lease
filed with the Interstate Commerce Commission"

_____
Authorized Representative of Lessee

ANNEX 3

SCHEDULE OF CASUALTY VALUES

CASUALITY VALUE (100%) = $1,385,000

PAYMENT IN CALENDAR QUARTER ENDING	CASUALTY VALUE PERCENTAGE
12/31/88	100.000
3/31/89	98.438
6/30/89	96.876
9/30/89	95.314
12/31/89	93.752
3/31/90	92.190
6/30/90	90.628
9/30/90	89.068
12/31/90	87.504
3/31/91	85.942
6/30/91	84.380
9/30/91	82.818
12/31/91	81.256
3/31/92	79.694
6/30/92	78.132
9/30/92	76.579
12/31/92	75.008
3/31/93	73.446
6/30/93	71.884
9/30/93	70.332
12/31/93	68.760
3/31/94	67.198
6/30/94	65.636
9/30/94	64.074
12/31/94	62.512
3/31/95	60.950
6/30/95	59.388
9/30/95	57.826
12/31/95	56.264