

THE OXFORD GROUP, INC.

NEW NUMBER

\$ 15

May 2, 1990

16859
RECORDATION NO _____ FILED 1425

6 W HUBBARD STREET
SUITE 500
CHICAGO, ILLINOIS 60610
312-222-1953
FAX 312-527-2023

MAY 2 1990 -11 40 AM

INTERSTATE COMMERCE COMMISSION

0-122A010

Ms. Noretta R. McGee
Secretary
Interstate Commerce Commission
12th & Constitution Avenue, N.W.
Washington, D.C. 20423

Dear Ms. McGee:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. §11303(a) are two (2) copies of the Locomotive Lease Agreement dated December 15, 1988 (as amended) by and between The Oxford Group, Inc., an Illinois corporation, Union Pacific Railroad Company, a Utah corporation, and Missouri Pacific Railroad Company, a Delaware corporation, a primary document as defined in the Commission's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed documents are:

Lessor: The Oxford Group, Inc.
6 W. Hubbard Street
Suite 500
Chicago, Illinois 60610

Lessee: Union Pacific Railroad Company
Missouri Pacific Railroad Company
1416 Dodge Street
Omaha, Nebraska 68179

A description of the railroad equipment covered by the enclosed document is set forth in Schedule 1 attached to and made a part of this letter.

Enclosed is a check in the amount of \$15.00 in payment of the required recordation fee.

Please return a filed-stamped copy of the enclosed document to Patrick K. Cameron, Esq., Ober, Kaler, Grimes & Shriver, 120 East Baltimore, Baltimore, Maryland 21202.

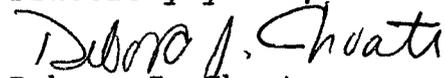
Proceed under 16860

C. Cameron

A short summary of the enclosed primary document to appear
in the Commission's Index is:

Locomotive Lease Agreement dated December 15, 1988 (as
amended) by and among The Oxford Group, Inc. (Lessor),
Union Pacific Railroad Company and Missouri Pacific
Railroad Company (together, Lessee), covering 14 SD40
locomotives.

Sincerely yours,


Debora J. Choate

DJC:lw

Attachment

Interstate Commerce Commission
Washington, D.C. 20423

5/2/90

OFFICE OF THE SECRETARY

Patrick K. Cameron, Esq.
OberKaler Grimes & Shriver
120 East Baltimore
Baltimore, Maryland 21202

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 5/2/90 at 11:40^{am} and assigned recordation number(s). 16859

Sincerely yours,



Noreta R. McGee
Secretary

Enclosure(s)

SCHEDULE 1

| <u>Less Road Unit No.</u> | <u>Description</u> | <u>Prior Road No.</u> | <u>Builder's Serial No.</u> | <u>Year Built</u> |
|-------------------------------|--------------------------------|---------------------------|---------------------------------|-----------------------|
| WC 4001 | EMD SD40 3000 HP Locomotive | MP 3001 ✓ | 7962-2 | 03/67 |
| WC 4003 | EMD SD40 3000 HP Locomotive | MP 3003 ✓ | 7962-4 | 04/66 |
| WC 3016 | EMD SD40 3000 HP Locomotive | UP 3016 ✓ | 7865-17 | 04/66 |
| WC 4025 | EMD SD40 3000 HP Locomotive | MP 3025 ✓ | 7995-6 | 01/68 |
| WC 3034 | EMD SD40 3000 HP Locomotive | UP 3034 ✓ | 7868-10 | 04/66 |
| WC 3046 | EMD SD40 3000 HP Locomotive | UP 3046 ✓ | 5673-7 | 03/66 |
| WC 3048 | EMD SD40 3000 HP Locomotive | UP 3048 ✓ | 7932-1 | 10/66 |
| WC 3049 | EMD SD40 3000 HP Locomotive | UP 3049 ✓ | 7932-2 | 10/66 |
| WC 3067 | EMD SD40 3000 HP locomotive | UP 3067 ✓ | 7932-20 | 11/66 |
| WC 3068 | EMD SD40 3000 HP Locomotive | UP 3068 ✓ | 7932-21 | 11/66 |
| WC 3073 | EMD SD40 3000 HP Locomotive | UP 3073 ✓ | 7932-28 | 12/66 |
| WC 4016 | EMD SD40 3000 HP Locomotive | UP 4016 ✓ | 7962-1 | 10/67 |
| WC 3102 | EMD SD40 3000 HP Locomotive | UP 3102 ✓ | 7324-20 | 09/71 |
| WC 4013 | EMD SD40 3000 HP Locomotive | MP 3013 | 7962-1 | 03/67 |

16859

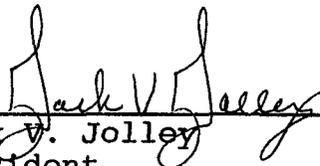
RECORDATION NO _____ FILED 1425

MAY 2 1990 -11 40 AM

INTERSTATE COMMERCE COMMISSION

CERTIFICATE

I, Jack V. Jolley, certify that I am the duly elected and qualified President of The Oxford Group, Inc., an Illinois corporation ("Oxford"). I further certify that attached to this Certificate is a certified true, complete and correct copy of the SD40 Locomotive Lease Agreement dated December 15, 1988, as amended, by and between Oxford, the Union Pacific Railroad Company and the Missouri Pacific Railroad Company.



Jack V. Jolley
President

Dated: May 2, 1990

RECORDATION NO 16859 FILED 1435

SD 40

LOCOMOTIVE LEASE AGREEMENT

MAY 2 1990 -11 40 AM
INTERSTATE COMMERCE COMMISSION

The Oxford Group, Inc., an Illinois corporation ("Lessor"), and Union Pacific Railroad Company, an Utah corporation, and Missouri Pacific Railroad Company, a Delaware corporation (collectively "Lessee"), agree as follows:

1. Under the terms and subject to the conditions contained in this Agreement, Lessor leases to Lessee the 14 EMD SD40 Locomotives identified in Exhibit A attached to this Agreement ("Locomotives").

2. (a) Each Locomotive will be delivered by Lessor in good repair, equipped in accordance with applicable federal safety regulations and conforming to the mechanical description and specifications set forth in Exhibit B attached to this Agreement.

(b) The Locomotives will be delivered to Lessee substantially in accordance with the schedule specified in Exhibit C. If Lessor is unable to deliver any Locomotive due to a cause or the occurrence of an event which is beyond its reasonable control, including the failure of Wilson Railway Corporation ("Wilson") to complete refurbishment of any Locomotives under an agreement between Wilson and Lessor dated December 1, 1988, the delivery date for the Locomotive affected shall be extended by the period of time necessary to overcome the

effect of the cause or occurrence; provided that Lessee shall not be obligated to accept any Locomotive whose delivery is delayed for any reason beyond March 15, 1989. Lessee shall have no obligation or liability to any third party, including Wilson, for expectations, costs incurred or work performed at the request or direction of Lessor in anticipation of this Agreement.

(c) Each Locomotive shall be delivered to Lessee's interchange track at Council Bluffs, Iowa. The cost of transporting the Locomotives from Des Moines, Iowa to Council Bluffs shall be paid (or reimbursed) by Lessee. Lessor shall give Lessee 72 hours prior written notice of shipment of a Locomotive. Prior to shipment of a Locomotive to Lessee, Lessor and Lessee shall perform a joint inspection of the Locomotive not later than the close of business on the first business day following the date of delivery of notice that the Locomotive is ready for shipment. If a Locomotive does not comply with the conditions contained in subparagraph 2(a) above, Lessee may either reject the Locomotive or accept the Locomotive as tendered; provided that Lessee shall define in writing any noted deficiencies in the Locomotive at the time of joint inspection. If Lessee elects not to inspect a Locomotive within the time period specified above, that Locomotive shall be considered accepted for the purposes of this Agreement. As soon as is practical following the inspection and acceptance of a Locomotive, Lessee shall execute and deliver to Lessor a Certificate of Acceptance substantially in the form attached to

this Agreement as Exhibit D, dated as of the date of acceptance. The delivery of a Certificate of Acceptance shall conclusively establish Lessee's acceptance of the Locomotive for purposes of this Agreement. If Lessee rejects a Locomotive, Lessor shall correct any deficiencies within a reasonable time, not to exceed 30 days.

(d) The fuel tanks and sand boxes of each Locomotive will be filled to normal capacity as of delivery to Lessee. Lessee agrees to return each Locomotive to Lessor with fuel tanks and sand boxes filled to normal capacity. Any shortages will be invoiced to Lessor based, in the case of fuel, on fuel gauge readings, or if available, metered fuel, at the average daily rate paid by Wisconsin Central Ltd. (an affiliate of Lessor having an office at One O'Hare Plaza, Rosemont, Illinois 60017) on the date of return.

(e) Prior to delivery, the Locomotives will be refurbished in accordance with the agreement between Wilson and Lessor referred to in subparagraph (b) above. Lessor agrees to deliver each Locomotive to Lessee immediately on completion of the refurbishment work for that Locomotive, even if the delivery is in advance of the schedule set forth in Exhibit C.

3. (a) The initial term of this Agreement ("Initial Term") shall, with respect to each Locomotive, commence with the date of delivery to Council Bluffs, Iowa, following acceptance of a Locomotive, and shall terminate on December 15, 1989.

(b) Lessee may on written notice given to Lessor not

later than October 15, 1989 extend the term of this Lease for an additional period of 12 months (expiring December 15, 1990) or 24 months (expiring December 15, 1991) with respect to a number of the Locomotives not less than 7, all as specified by the Lessor in its notice to extend the Lease ("Extended Term"). If Lessee initially extends the term of this Lease with respect to a specific number or all of the Locomotives for less than 24 months, it may on written notice given to Lessor not less than 90 days prior to the expiration of the first Extended Term further extend the Lease with respect to those Locomotives for an additional 12 month period which expires December 15, 1991.

4. (a) During the Initial Term of this Agreement, Lessee shall pay Lessor rent for the lease of each Locomotive at the rate of \$400.00 per day per Locomotive ("Rent" or "Rental Payments"). Rental Payments shall be payable monthly in advance as of the first day of each month beginning January 1, 1989. If a Locomotive is delivered prior to January 1, 1989, the Rent due for the month of December, 1988 shall be paid on January 1, 1989. If a Locomotive is delivered on a day other than the first day of a month, the rent for that month shall be paid for the remaining days in the month as of the date of delivery.

(b) The Rental Payment for each Locomotive applicable to the first 12 months of an Extended Term shall be equal to the Rental Payments. The Rental Payments applicable to the second 12 months of an Extended Term or a subsequent Extended Term shall be an amount equal to the Rental Payments multiplied by the ratio of

the Consumers Price Index, All Cities-Urban, as published by the United States Department of Labor, Bureau of Labor Statistics ("CPI-U") for the month of November, 1990 to the CIP-U for the month of November, 1988.

(c) All payments due under this Agreement shall be preceded by an invoice issued by Lessor and shall be paid not later than the earlier of (i) the due date of the invoice or (ii) 10 days following receipt of the invoice. Copies of invoices may be transmitted to a facsimile number specified by Lessee and shall be considered received on receipt of the facsimile transmission. Facsimile transmissions shall be confirmed by the mailing of the original invoice to Lessee.

(d) If any amount due under this Agreement is not paid within 10 calendar days of its due date, Lessee shall pay Lessor interest on the overdue amount from the date due until paid at the lesser of (i) the annual base corporate interest rate posted by the First National Bank of Chicago, Chicago, Illinois, plus 4 points or (ii) the maximum permissible legal rate of interest, in each case computed on a daily basis.

(e) This agreement is a net lease, and except as otherwise provided in this Agreement, Lessee's obligation to pay all Rental Payments and other amounts as they become due is unconditional. Lessee is not entitled to abate or reduce any Rental Payment or other amounts due under this Agreement, or to set off any charges against those amounts for any reason. Lessee is not entitled to recoupments, crossclaims, counterclaims or any

other defenses to the payment of Rent or other amounts due under this Agreement. If Lessee is deprived of the full use of any of the Locomotives as a result of any acts or omissions of Lessor or others acting by, through or under Lessor, or by any impairment of Lessor's title or authority to enter into this Agreement, Lessee shall be relieved, effective as of the date of the deprivation, of its obligations to pay Rental Payments and this Agreement shall terminate with respect to each Locomotive affected.

(f) Amounts due Lessor under this Agreement shall be paid by check and shall be mailed on a basis designed to be received by Lessee on the due date of the payment. At Lessor's request, Lessee shall consider the feasibility of effecting payments by wire transfer of immediately available funds to bank accounts specified by Lessor.

5. (a) During the term of this Agreement, Lessee shall bear the entire risk of loss, damage, theft or destruction to the Locomotives, except when caused or contributed to by the willful misconduct or gross negligence of the Lessor. Lessee shall promptly notify Lessor of any material loss or damage to a Locomotive.

(b) Except as provided in subparagraph (d) below, during the term of this Agreement, Lessee shall at its expense maintain each Locomotive in good repair and operating condition and shall service the Locomotive in accordance with the manufacturer's recommendations. Lessee shall promptly replace

any components or parts of a Locomotive that become worn-out, lost, destroyed, stolen or damaged beyond repair. While any of the Locomotives are in its possession, Lessee shall maintain records adequate to reflect maintenance and repairs made by Lessee during the term of the Lease, including major parts changed out and replaced and their respective serial numbers. Copies of these records shall be made available to Lessee at its request. Lessee shall not modify a Locomotive or install equipment other than wheel/rail lubrication devices and communication equipment, antennas and related equipment ("Devices") on a Locomotive (other than for purposes of replacement) except with prior written consent of Lessor. The Locomotives shall be used only for the purpose for which they were intended.

(c) All replacement parts installed or attached to the Locomotives and any additions made to the Locomotives (other than Devices) shall be considered accessions to the Locomotives, and title to such replacement parts or additions shall immediately vest in Lessor.

(d) If a crankshaft or main generator of a Locomotive fails during the Initial Term or if a main generator fails during any Extended Term and Lessee gives Lessor notice of the failure not later than 10 days after the discovery of the failure, Lessor shall at its expense provide the parts required to repair or replace the failed crankshaft or main generator. The replacement parts may be rebuilt or used parts which are suitable for the

repair or replacement. Lessee shall be responsible for effecting the repair or replacement and for the repair and replacement of any incidental damage resulting from or incidental to the failure.

6. (a) On termination of this Agreement with respect to a Locomotive (other than a termination in accordance with Paragraph 15 below), return of the Locomotive shall be made to Wisconsin Central Ltd. at Lessee's interchange track, Canalport, Chicago, Illinois. Devices furnished by Lessee may be removed by Lessee prior to return if removal will not damage the Locomotive. Locomotives shall be returned in the condition delivered to Lessee, ordinary wear and tear excepted. At the time of return, Lessor and Lessee shall perform a joint inspection of the Locomotive.

(b) If at the termination of this Agreement a Locomotive does not comply with the condition specified in subparagraph 6(a) above, Lessee shall either correct the deficiencies at its expense within 30 days of the inspection or notify Lessor that it elects to have Lessor correct the deficiencies at Lessee's expense. In the latter case, Lessor will assume responsibility for correcting the deficiencies and invoice the cost of correction to Lessee on completion.

(c) Lessee will permit Lessor to store any of the Locomotives on its tracks for a period of not longer than 90 days following termination of this Agreement with respect to the Locomotives affected. Following storage, Lessee shall return the

Locomotives to Lessor in accordance with the Paragraph 6. During the 90 day storage period, Lessee at its expense shall maintain the Locomotives in accordance with this Agreement. The risk of loss and damage to the Locomotives during the 90 day storage and the return shipment shall remain with Lessee in accordance with the provisions of this Agreement. While in storage, Lessee shall permit representatives of Lessor and any entity to whom Lessor has granted a security interest in the Locomotives to enter upon Lessee's property, at their sole risk, and inspect the Locomotives.

7. (a) During the term of this Agreement, Lessee shall perform all inspections of the Locomotives required by any applicable federal or state laws or regulations relevant to Lessee's use of the Locomotives, including 46-day and 92-day inspections.

(b) During the term of this Agreement, representatives of Lessor and each entity to whom Lessor has granted a security interest in the Locomotives may on reasonable advance notice to Lessee and at their sole risk and expense, during regular business hours, inspect any of the Locomotives and records maintained by Lessee relating to the Locomotives for the purpose of determining the condition of and maintenance of the Locomotives in accordance with the provisions of this Agreement.

8. Lessee agrees to indemnify and hold harmless Lessor, any bank or commercial lending institution holding a security interest in the Locomotives ("Bank") and any successor or assign

of Lessor or Bank (individually or collectively "Indemnatee") and, if requested by an Indemnatee, defend that Indemnatee from and against "Claims" (as defined below in this Paragraph 8) arising out of or connected with the possession, use, maintenance, condition or operation of Locomotives. "Claims" refers to all damages, losses, liabilities, costs, expenses (including legal fees and costs), penalties, judgments, suits, actions or claims, whether in contract or in tort, whether caused by an Indemnatee's negligence or based on a theory of strict liability or otherwise, except as hereinafter provided. "Claims" expressly excludes liabilities arising from acts, events or conditions occurring or arising after the Locomotives have been returned to Lessor or caused or contributed to by the willful misconduct or gross negligence of an Indemnatee.

9. (a) LESSOR MAKES NO WARRANTY OR REPRESENTATION, EXPRESSED OR IMPLIED, AS TO THE LOCOMOTIVES, INCLUDING, ANY WARRANTY OR REPRESENTATION AS TO THE DESIGN, QUALITY, OR CONDITION OF THE LOCOMOTIVES, OR (ii) THE MERCHANTABILITY OR FITNESS OF THE LOCOMOTIVES FOR ANY PARTICULAR PURPOSE. ALL LOCOMOTIVES LEASED TO AND ACCEPTED BY LESSEE UNDER THIS AGREEMENT ARE LEASED ON AN "AS IS" BASIS.

(b) Lessor shall not be responsible to Lessee in contract or in tort (including negligence), under any theory of strict liability, or otherwise, for loss of profits or revenues or for any special, incidental, consequential or punitive loss or damage of any nature arising at any time out of this Agreement,

including Lessor's failure to deliver to Lessee any of the Locomotives in accordance with the provisions of this Agreement. The provisions of this subparagraph 9(b) shall not be construed to and shall not apply to modify or negate any specific remedy afforded Lessee under the express terms of this Agreement.

(c) Lessee confirms that it has selected the Locomotives on the basis of its own judgment, and expressly disclaims reliance upon any statements, representations, or warranties made by Lessor, except as expressly stated in this Agreement. Lessee acknowledges that Lessor is not a manufacturer or vendor of the Locomotives or any part of the Locomotives.

10. As of the date of delivery, Lessor assigns to Lessee, for the term of this Agreement, any rights Lessor has (to the extent Lessor may validly assign those rights) under all manufacturers' and suppliers' warranties and servicing obligations with respect to the Locomotives and their respective components including, but not limited to, the warranties and obligations set forth in Exhibit E to this Agreement. Lessor appoints Lessee its attorney-in-fact to assert during the term of this Lease any claims which Lessor from time to time may have against any seller or manufacturer of the Locomotives under the warranties or servicing obligations assigned to Lessee. Lessee agrees to settle all claims with respect to the Locomotives directly with the manufacturers or suppliers, as the case may be, and to give Lessor prompt notice of any settlement and the details of a settlement. Lessor shall cooperate in the

enforcement by Lessee of any warranties or servicing obligations or the prosecution of any claim to the extent necessary or appropriate at Lessee's request and expense, including, if necessary, consent to the prosecution of a claim in Lessor's name.

11. During the term of this Agreement, Lessee, at its expense, shall self-insure or procure and maintain in effect (i) public liability and third party property damage insurance covering the operation and use of the Locomotives in amounts and form commonly maintained by it and (ii) insurance against risks of direct physical loss or damage to the Locomotives in the amounts and form normally maintained by it with respect to comparable equipment. The Lessor and the Bank shall be named as additional insured parties with respect to insurance referred to in clause (i). Evidence of the insurance coverage required by this Paragraph 11 shall be delivered to Lessor and Bank as of the date of delivery of the first Locomotive under this Agreement; evidence of continued compliance with this Paragraph 11 shall be delivered to Lessor and Bank on each January 1 during the term of this Agreement.

12. Lessee agrees to pay prior to the penalty date all local, state, federal or foreign taxes (other than federal, state or local income taxes) and other fees or assessments that may be imposed upon or with respect to the ownership, delivery possession, use, rental or return to Lessor of the Locomotives (collectively "Taxes"), together with any applicable penalties,

finer or interest. Lessee is liable for these Taxes whether they are imposed on an Indemnitee, Lessee, the Locomotives, this Agreement or any applicable schedule. Taxes which are applicable or levied with respect to a period which includes a period prior to delivery of a Locomotive to Lessee shall be prorated between the Lessor and Lessee. If Lessee is required by law or administrative practice to make any report or return with respect to any Taxes, Lessee shall promptly advise Lessor in writing and shall cooperate with Lessor to ensure that the reports are properly filed and accurately reflect Lessor's interest in the Locomotive. Although Lessee has no obligation to contest any Taxes, Lessee may do so provided that: (a) Lessee does so in its own name and at its own expense unless it is necessary to join Lessor in the contest or bring the contest in Lessor's name; (b) the contest does not and will not result in any lien attaching to any Locomotive or otherwise jeopardize Lessor's rights to any Locomotive; and (c) Lessee indemnifies Lessor for all expenses (including legal fees and costs), liabilities and losses that Lessor incurs as a result of any contest.

13. (a) Except as otherwise provided in this Agreement, the Locomotives shall for the purpose of this Agreement, be considered to be in the sole possession, custody, and control of Lessee from the time of delivery to Lessee until returned to Lessor; provided that Lessee shall not acquire any title or property interest or right to any Locomotive except as lessee under this Agreement. Lessee shall keep the Locomotives free and

clear of all liens, encumbrances and charges except for the interest of Lessor and Bank and liens, claims and encumbrances permitted by the loan agreement between Lessor and Bank. Lessee shall execute and file any document reasonably requested by Lessor during the term of this Agreement as may be necessary or appropriate to protect Lessor's title in and to the Locomotives.

(b) Each Locomotive delivered to Lessee may be stenciled with the following information:

"Owner and Lessor: The Oxford Group, Inc. Ownership subject to a Security Agreement filed under the Interstate Commerce Act."

Lessee shall replace any such stenciling that is defaced or removed during the term of this Agreement.

(c) During the term of this Agreement, Lessee will not permit a designation to be placed on a Locomotive which might be interpreted as indicating a claim of ownership adverse to that of the Lessor or its assignee; provided the Locomotive may be lettered with names, initials or other insignia customarily used by Lessee on equipment of the same or a similar type for convenience of identification of the rights to use and operate the Locomotive. This lettering shall be removed or painted over on Termination of the Lease for that Locomotive.

(d) Lessee shall not during the term of this Agreement change the road number of a Locomotive, except upon the filing of a statement of new numbers with the Lessor.

14. (a) Lessee acknowledges and consents to the grant of a security interest in the Locomotives (subject to Lessee's rights

under this Agreement) and the assignment of this Agreement, together with all Rent and certain other sums that shall become due and payable by Lessee to Lessor under this Agreement, by Lessor to the Bank.

(b) Lessee acknowledges (i) that the Bank shall not be obligated to perform any obligation required by Lessor under this Agreement, (ii) that all obligations of Lessor shall survive the grant and assignment and remain the sole responsibility of Lessor or its successor and (iii) the right of the Bank in and to the Locomotives and the Rent and other sums.

15. (a) If during the term of this Agreement any material loss or damage occurs to a Locomotive, Lessee shall notify Lessor of the extent of the loss or damage and the circumstances resulting in the loss or damage. If the loss or damage (based on the Lessee's estimated cost of repairs) is less than the Casualty Value of the Locomotive at the time of the loss or damage determined in accordance with Exhibit F attached to this Agreement, Lessee shall effect repairs required to return the Locomotive to good operating condition consistent with the requirements of this Agreement. If the loss or damage exceeds the Casualty Value for the Locomotive as of the date of the loss or damage, Lessee may elect to terminate this Agreement as to said Locomotive ("Termination Election") and pay Lessor the Casualty Value for the Locomotive in accordance with subparagraph (b) below.

(b) A Termination Election made pursuant to

subparagraph (a) above is effective on the date Lessor notifies Lessee of the Termination Election. The obligation of Lessee as to the Locomotive for which the election is made shall cease as of the first Rental Payment due date after the effective date of the Termination Election ("Termination Date"). On the Termination Date, Lessee shall pay to Lessor an amount equal to the Casualty Value determined in accordance with Exhibit F attached to this Agreement (together with any unpaid Rent due and payable as of the Termination Date), less the proceeds of any applicable insurance received by Lessor for that Locomotive. Upon making a Casualty Value payment, (i) all future rental obligations of Lessee with respect to the affected Locomotive shall cease and terminate and (ii) Lessee shall be entitled to Lessor's interest in the Locomotive without any warranty, express or implied from Lessor, except that the Locomotive shall be free and clear of all liens by, through and under Lessor.

16. Lessee agrees that during the term of this Agreement, its use of the Locomotives shall comply with all applicable state and federal laws, rules, and regulations and, to the extent any of the Locomotives are used in interchange, with the applicable Interchange Rules of the Association of American Railroads. Lessee shall not be subject to compliance with respect to any applicable law, rule or regulation which it is contesting in good faith by appropriate proceedings unless the failure of compliance, in the reasonable opinion of Lessor, will result in the sale or forfeiture of any Locomotive, adversely affect

Lessor's title in any Locomotive or interfere with the due payment by Lessee of Rent payable under this Agreement. Lessee agrees that none of the Locomotives shall be removed from the United States and Canada.

17. (a) If during the term of this Agreement an Event of Default (as defined in subparagraph 17(b) below) occurs and continues, Lessor may, (i) terminate this Agreement and repossess the Locomotives, (ii) proceed by appropriate court action or actions to enforce performance by Lessee of its obligations under this Agreement or (iii) avail itself of any other remedy available to it including, but not limited to, (1) selling the Locomotives and recovering from Lessee the difference between the sales price of the Locomotives and the Casualty Value for the Locomotives or (2) subleasing the Locomotives and recovering from Lessee the difference between the rents received for the Locomotives under that sublease and the Rents due under this Agreement. These remedies are cumulative of every other right or remedy given under this Agreement or by operation of law.

(b) "Event of Default" means the occurrence of one more of the following events:

(i) a failure by Lessee to make payments owing under this Agreement within 10 days after such payments are due and payable;

(ii) a default in the performance of any other material obligation of Lessee under this Agreement that continues for 10 days after written notice specifying the default and a

demand for its remedy from Lessor;

(iii) any representation or warranty made by Lessee in this Agreement which is untrue in any material respect, or any statement, report, schedule, notice, or other writing furnished by Lessee pursuant to this Agreement which is untrue in any material respect on the date as of which the facts are set forth and certified;

(iv) Lessee becomes insolvent or fails generally to pay its debts as they become due, or makes an assignment for the benefit of creditors, or applies for or consents to the appointment of a custodian, trustee, or receiver for Lessee for the major part of its property;

(v) a custodian, trustee, or receiver is appointed for Lessee or for the major part of its property and is not discharged within 60 days after the appointment;

(vi) Lessee voluntarily or involuntarily dissolves or is dissolved, or terminates or is terminated.

18. The failure or delay of Lessor to require Lessee's full compliance with the terms of this Agreement shall not be interpreted as a waiver of those terms or of Lessor's right subsequently to insist on full compliance with those terms. If Lessee fails to perform any of its obligations under this Agreement, Lessor may perform any act or make any payment which Lessor considers reasonably necessary to the maintenance and preservation of the Locomotives and Lessor's interests in the Locomotives; provided that the performance of any act or payment

by Lessor shall not be considered a waiver of, or release of Lessee from, the obligation at issue. Lessor shall be reimbursed by Lessee for any such payments or demands.

19. Lessor represents and warrants to Lessee as follows:

(a) Lessor is a validly organized and existing Illinois corporation, in good standing.

(b) All necessary corporate action of Lessor required in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement has been authorized or obtained, and this Agreement constitutes the valid and binding obligation of Lessor.

(c) Lessor owns or as of the date of delivery will own the Locomotives, free and clear of any security interest, lien, encumbrance or charge which could materially and adversely affect Lessee's rights to the use and possession of the Locomotives during the term of this Agreement.

20. Lessee represents and warrants to Lessor as follows:

(a) Lessee is a validly organized and existing Utah and Delaware corporation, respectively, in good standing.

(b) All necessary corporate action of Lessee required in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement has been authorized or obtained, and this Agreement constitutes the valid and binding obligation of Lessee.

21. All representations, warranties and agreements made by the parties in this Agreement shall survive the execution,

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delivery and consummation of this Agreement and any investigation made at any time by or on behalf of either party.

22. Except as otherwise expressly provided in this Agreement, each party shall pay for its own expenses in connection with this Agreement.

23. (a) This Agreement shall be construed under and in accordance with the laws of the State of Illinois, including for the purpose of choice of law, as though all acts of performance or omission occurred in that state.

(b) The provisions of this Agreement shall, where possible, be interpreted in a manner necessary to sustain their legality and enforceability, and for that purpose the provisions of this Agreement shall read as if they cover only the specific situation to which they are being applied. The unenforceability of any provision of this Agreement in a specific situation shall not affect the enforceability of that provision in other situations or of other provisions of this Agreement.

24. Lessee shall promptly execute and deliver to Lessor such documents or instruments and take such further action as Lessor may from time to time reasonably request in order to carry out the intent and purpose of this Agreement and to protect the rights and remedies of Lessor under this Agreement.

25. Any notice or other communication required or permitted by this Agreement shall be delivered personally or sent by United States registered or certified mail, postage prepaid, or by certified messenger service or facsimile, receipt of which is

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acknowledged by the receiving party, addressed as follows or another address specified by a party on notice to the other:

To Lessee: Union Pacific Railroad Company
1416 Dodge Street
Omaha, Nebraska 68179
Attn: Asst. Vice President -
Purchasing
Facsimile: (402) 271-3245

To Lessor: The Oxford Group, Inc.
54 West Hubbard Street
Suite 204
Chicago, Illinois 60610
Attn: Donald J. McLachlan
President
Facsimile: (312) 527-2023

Copies To: Thomas W. Rissman, Esq.
McLachlan and Rissman
54 West Hubbard Street
Suite 204
Chicago, Illinois 60610
Facsimile: (312) 527-2023

26. (a) Lessee shall be entitled to the possession of the Locomotives and their use on the lines of railroad owned or operated by it (either alone or jointly) or by any corporation, a majority of whose voting stock is owned directly or indirectly by Lessee or Lessee's parent, or on line of railroad over which the Lessee or the subsidiary has trackage or other operating rights or over which equipment operated by the Lessee is regularly operated pursuant to contract. Lessee may also allow the use of any Locomotive on connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, subject to the terms and conditions of this Agreement. All compensation for these uses shall be retained by Lessee.

(b) Except as provided in subparagraph 26(a) above, Lessee shall not assign, sublet or transfer any interest in the Locomotives or this Agreement without the written consent of Lessor, which shall not be unreasonably withheld. No assignment, subletting or transfer of any interest in the Locomotives or this Agreement shall relieve Lessee of any of its obligations under this Agreement.

27. Lessor shall have the unqualified right to assign, pledge, transfer, mortgage or otherwise convey any of its interests under this Agreement without notice to or consent of Lessee; provided, however, that the Lessee shall be under no obligation to make Rental Payments or other payments to any assignee until it receives proof of such assignment. No assignment will relieve Lessor of its obligations under this Agreement.

28. Subject to the provisions of Paragraph 26(b) above, this Agreement shall be binding upon and inure to the benefit of Lessor and Lessee and their respective successors and assigns.

29. This Agreement sets forth the entire agreement and understanding of Lessor and Lessee with respect to the Locomotives and supersedes all other written or oral agreements relating to the subject matter of this Agreement. This Agreement may be amended, modified or terminated only by a written instrument signed by Lessor and Lessee.

IN WITNESS WHEREOF the parties hereto have caused this

Agreement to be executed in duplicate as of the 15th day of
December, 1988.

THE OXFORD GROUP, INC.

By Donald S. Funnell
President

UNION PACIFIC RAILROAD COMPANY/
MISSOURI PACIFIC RAILROAD COMPANY

By J. R. Lavin
Vice President

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EXHIBIT A

| <u>Lessee Road Unit No.</u> | <u>Description</u> | <u>Prior Road No.</u> | <u>Builder's Serial No.</u> | <u>Year Built</u> |
|---------------------------------|--------------------------------|---------------------------|---------------------------------|-----------------------|
| | EMD SD40 3000 HP Locomotive | MP 3001 | 7962-2 | 03/67 |
| | EMD SD40 3000 HP Locomotive | MP 3003 | 7962-4 | 04/66 |
| | EMD SD40 3000 HP Locomotive | UP 3016 | 7865-17 | 04/66 |
| | EMD SD40 3000 HP Locomotive | MP 3025 | 7995-6 | 01/68 |
| | EMD SD40 3000 HP Locomotive | UP 3034 | 7868-10 | 04/66 |
| | EMD SD40 3000 HP Locomotive | UP 3046 | 5673-7 | 03/66 |
| | EMD SD40 3000 HP Locomotive | UP 3048 | 7932-1 | 10/66 |
| | EMD SD40 3000 HP Locomotive | UP 3049 | 7932-2 | 10/66 |
| | EMD SD40 3000 HP Locomotive | UP 3067 | 7932-20 | 11/66 |
| | EMD SD40 3000 HP Locomotive | UP 3068 | 7932-21 | 11/66 |
| | EMD SD40 3000 HP Locomotive | UP 3073 | 7932-28 | 12/66 |
| | EMD SD40 3000 HP Locomotive | UP 4016 | 7962-1 | 10/67 |
| | EMD SD40 3000 HP Locomotive | UP 3102 | 7324-20 | 09/71 |
| | EMD SD40 3000 HP Locomotive | MP 3013 | 7962-1 | 03/67 |

THE DEPT. OF
TRANSPORTATION
WASHINGTON

EXHIBIT B

I. DESCRIPTIONS

SD-40, 3000 HP, 195 Ton, EMD LOCOMOTIVE

| | |
|-----------------------|--------------------|
| Color: | Oxford Red & White |
| Engine: | 16-645E3 |
| Main Generator: | AR-10 |
| Gear Ratio: | 62-15 |
| Brake Schedule: | 26L |
| Air Compressor: | WBO |
| Auxiliary Generator: | 18KW |
| Traction Motors: | D57 or Better |
| Wheel Report: | New |
| Cab Heat: | Electric |
| 36 Month Air: | Rebuilt |
| Two Jumper Cables: | New |
| Auto Drain Valves: | New |
| Speedometer/Recorder: | New |
| Toilet: | New |

Major Modifications

1. Equipped with rebuilt turbo
2. Equipped with rebuilt heads, cylinder liners and pistons
3. Equipped with rebuilt fuel injectors
4. Equipped with new gear cases/plastic seals
5. Equipped with new traction motor support bearings
6. Equipped with new traction motor support bearing wicks
7. Equipped with new batteries
8. Equipped with a new EBCO water cooler
9. FRA glazing
10. Cut Levers have been modified to FRA Standards
11. Equipped with engine protector device
12. Equipped with spin on fuel filters

DEPT OF
TRANSPORT
WASHINGTON

II.

NEW AND REBUILT SD-40 COMPONENT PARTS

| | | |
|--------------------------|----------------|------|
| Power Assemblies | 224 Rebuilt | 100% |
| Turbochargers | 14 Rebuilt | 100% |
| Wheel sets | 84 New | 100% |
| Traction Motors | *D57 or Better | 100% |
| 36 Month Air | 14 Rebuilt | 100% |
| Batteries | 14 Sets New | 100% |
| Traction Motor Brushes | 84 Sets New | 100% |
| Injectors | 224 Rebuilt | 100% |
| Valve Bridges | 448 Rebuilt | 100% |
| TM Support Bearings | 84 Sets New | 100% |
| Gear Cases | 84 Sets New | 100% |
| Jumper Cables | 28 New | 100% |
| EBCO Water Cooler | 14 New | 100% |
| Automatic Air Blow Down | 28 New | 100% |
| Prime Toilets | 14 New | 100% |
| Fire Extinguishers | 28 Recharged | 100% |
| Speedometer and Recorder | 14 New | 100% |
| Fuel Fillers | 28 New | 100% |

* Traction motors will be used, run-tested, megged and highpotted.

III.

SPECIFICATIONS

TRUCKS

1. Wheels to have 2" rim or thicker with full flange.
2. Journal bearings full of oil with drain plugs safety wired.
3. Equipped with Pulse or Aeroquip speed Indicator and recorders.
4. Truck side bearings will be in tolerance.
5. Pedestal liners will be in good condition.
6. Bolster and coil springs in good condition.
7. Truck center bearing in good condition with guard in place.
8. No damage to truck frame.
9. Pins and bushings to be tight.
10. Sand pipes in good condition.
11. If equipped, lateral and verticle shock absorbers in good condition.
12. Slack adjustors to be pin or screw type.
13. Brake straps to be in good condition.
14. Brake straps to have pedestal mounted safety hangers with guide blocks.
15. Brake shoes to be 1" or thicker and be 14" brake shoe.
16. Brake cylinders to be cleaned with new diaphragms applied.
17. Hand brake in good working condition.
18. All gear cases to be equipped with new style EMD seal arrangement.
19. All traction motors to be in good condition. Check commutator, brush rigging and brushes. Brushes to be new. Check condition of cable leads.
20. Traction motor air ducts to be in good condition.
21. Traction motor nose suspension to be in good condition.
22. Traction motor support bearings and wick lubricators to be new.
23. Traction motor gear cases to be new. Add gear lubricant, if needed.

UNDER FRAME

1. Equipped with M380 OR M390 draft gears in good condition.
2. Equipped with E or F type alignment control coupler in good operating condition.
3. MU hose arrangement to be equipped with dummy couplings.
4. Equipped with EMD standard snow plow in good condition.
5. Uncoupling lever to be in good operating condition.
6. Horn to be a three chime in good operating condition.
7. Bell to be in good operating condition.
8. Fuel tank to be in good condition with all mounting bolts secure.
9. All fuel tank sight or dial gauges in good operating condition.
10. Equipped with Buckeye fueling system.
11. Batteries to be new.
12. Battery compartment to be free of corrosion and painted with an anti-corrosion paint.
13. Battery blocking, cables and trays in good condition.
14. MU air hose to consist of main reservoir, application and release, actuating, lines, and brake pipe. All MU hoses and vales free from leaks and in good operating condition.
15. Electrical MU receptacles in good condition including covers, pins, and jumper cable on each end.
16. All air reservoirs and piping free from leaks, properly clamped and in good condition.
17. Be equipped with rebuilt automatic drain valves on each reservoir with two new filters.
18. Under frame free of any damage.
19. End frames and pilot sheets straight and free of any damage.

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CAB & HATCH ARRANGEMENT

1. All lights in operating condition.
2. All handrails, stair wells, grab irons, and ladders in good condition.
3. All exterior doors including air brake compartment, battery box, cab and engine room must be free of any defective latches or hinges.
4. Sand boxes in good operating condition.
5. Emergency fuel shut off to be in good working condition.
6. All cab glass, front side and rear to be equipped with approved FRA glazing.
7. Sand traps and piping in good condition.
8. Windshield wipers in good condition.
9. Cab side windows will operate freely.
10. Cab will be equipped with sun visors.
11. Cab will be equipped with a EBCO AC water cooler.
12. Cab will be equipped with a INCA or PRIME toilet in good working condition.
13. Cab will be equipped with three cab seats in good condition.
14. Cab floor will be in good condition free of any damage.
15. Cab will be equipped with electric heat.
16. Electric cabinet will be clean with all power contractors, relays, braking switch, reverser, engine panel, excitation panel, wheel slip panel, battery switch, voltage regulator, control wire, power cable, bus bars and terminal boards in good condition.
17. Control stand equipment will be in good working condition.
18. Locomotive will be equipped with 26L air brake equipment with a fresh 1104 day change of air.
19. Locomotive will be equipped with amber warning light located at top of cab, over head light.

INTERIOR ENGINE ROOM

1. Equipped with two fire extinguishers, one in cab, one in engine room.
2. All hatch mounting bolts in place.
3. All cracks or damage repaired.
4. Radiator screens in place with no damage and shutters working properly.
5. All conduit and piping clamped properly and in good condition.
6. Engine equipment rack, lube oil cooler, water expansion tank, lube oil filter, fuel filter to be in good condition.
7. Air compressor in good condition, pumping no oil, clean and free from oil and air leaks.
8. All guards to be in place over rotating equipment.
9. DIESEL ENGINE
 - A. Diesel engine to be clean and free of oil leaks.
 - B. Diesel engine top ring clearance to be no more than .017 or less,
 - C. Diesel engine air box to be water tight when tested by filling with water.
 - D. Diesel engine will be free of any oil in exhaust manifold.
 - E. Diesel engine exhaust system will be free of all exhaust leaks.
 - F. Turbochargers and stack to be clean (eductor tube) and free from exhaust or oil leaks.
 - G. After coolers will be clean and in good condition.
 - H. Engine base will be free of any cracks.
 - I. Engine load regulators will operate proper and free of any oil leaks.

U.S. COAST GUARD
MARINE CORPS
NAVY

EXHIBIT C
DELIVERY SCHEDULE

| <u>Place Delivered</u> | <u>No. Units</u> | <u>Date</u> |
|------------------------|------------------|-------------|
| Council Bluffs, Iowa | 4 | 1/1/89 |
| | 4 | 1/31/89 |
| | 4 | 2/28/89 |
| | 2 | 3/15/89 |

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EXHIBIT D

CERTIFICATE OF ACCEPTANCE

To: The Oxford Group, Inc.
54 West Hubbard
Suite 204
Chicago, Illinois 60610

I, _____, a duly appointed and authorized representative of Union Pacific Railroad Company ("Lessee") under the Locomotive Lease Agreement dated as of December _____, 1988 (the "Lease"), certify that I have on this date inspected, received and accepted delivery under the Lease of the Locomotives identified in the attached Schedule.

I further certify that the above Locomotives are in good order and condition and appear to conform to the specifications to those Locomotives under the Lease.

Dated: _____, 198_

Inspector and Authorized
Representative of

EXHIBIT E

PASS THROUGH WARRANTIES

1. Turbochargers 1 year or 100,000 miles (parts only)
2. Power Assemblies 1 year or 100,000 miles (parts only)
3. Batteries 2 years-full warranty; 8 years-prorated (parts only)
4. Speed Recorders 1 year (parts only)
5. Injectors 1 year (parts only)
6. Valve Bridges 1 year (parts only)
7. Water Coolers 1 year (parts only)
8. Wheels 1 year (parts only/defects only)

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EXHIBIT F
CASUALTY VALUES

| Casualty Value* Month 1 <u>April , 1989</u> | Casualty Value** Month 30 <u>December , 1991</u> |
|--|---|
| \$375,000 | \$271,875 |

* If a Casualty Payment is required prior to April 1, 1989, the Casualty Value shall be the value applicable to Month 1.

** Use linear interpolation between dates.

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AMENDMENT NUMBER 1
TO
SD 40 LOCOMOTIVE LEASE AGREEMENT

The Oxford Group, Inc., an Illinois corporation, and Union Pacific Railroad Company, an Utah corporation, and Missouri Pacific Railroad Company, a Delaware corporation, agree to amend the SD 40 Locomotive Lease Agreement among them dated December 15, 1988 (C.D. No. 54792-25) (the "Lease") pertaining to 10 SD40 locomotives (4 of the 14 locomotives intended to be covered under the lease not having been accepted due to late delivery) as follows:

1. Section 3(b) of the Lease is amended to read as follows:

(b) An extended term of this Lease ("Extended Term") shall, with respect to each Locomotive, commence immediately following the termination of the Initial Term and shall terminate on October 31, 1990.

2. Section 4(b) of the Lease is amended to read as follows:

(b) The Rental Payment for each Locomotive applicable during the Extended Term shall be \$300.00 per day per Locomotive.

IN WITNESS WHEREOF the parties have caused this Amendment to be executed in duplicate as of the 16th day of December, 1989.

THE OXFORD GROUP, INC.

By


President

UNION PACIFIC RAILROAD COMPANY/
MISSOURI PACIFIC RAILROAD COMPANY

By


Asst. Vice President