

MILBANK, TWEED, HADLEY & McCLOY

1 CHASE MANHATTAN PLAZA
NEW YORK, N Y 10005

NIPPON PRESS CENTER BUILDING
2-1 UCHISAIWAI CHO 2-CHOME
CHIYODA-KU, TOKYO 100

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212-530-5000

CABLE MILTWEED NEW YORK
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15973
RECORDATION NO. FILED 1425
ALEXANDRA HOUSE
16 CHATER ROAD
HONG KONG

AUG 22 1990 - 12:30 PM
COLLEGE HILL
LONDON EC4R 2RA, ENGLAND

DIRECT DIAL NUMBER

(212) 530-5068

15973
RECORDATION NO. FILED 1425
AUG 22 1990 - 12:30 PM
INTERSTATE COMMERCE COMMISSION

ICC TRANSMITTAL LETTER

August 21, 1990

INTERSTATE COMMERCE COMMISSION
NATIONAL SQUARE BUILDING
1825 EYE STREET, N W
WASHINGTON, D C 20006

1903/04 SHELL TOWER
50 RAFFLES PLACE
SINGAPORE 0104

515 SOUTH FIGUEROA STREET
LOS ANGELES, CA 90071

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

\$30.00 filing fees

- Re: 1) Lease Agreement - *New Rec. No.*
2) Trust Indenture and Security Agreement

12 22 PM '90

Dear Ms. McGee:

On behalf of Chicago and North Western Transportation Company, the above instruments, in ~~two~~ ^{two} (~~2~~) counterparts each, are hereby submitted for filing and recording pursuant to 49 U.S.C. Section 11303(a), along with the \$15 recordation fee per each document

Please record the Lease Agreement (the "Lease Agreement") dated as of August 1, 1990, not previously recorded, under a new recordation number.

The parties to the Lease Agreement are listed below:

Meridian Trust Company, in its individual capacity as expressly provided therein and otherwise as Owner Trustee under the Trust Agreement referred to therein (the "Lessor")
35 North Sixth Street
Reading, Pennsylvania 19601

Chicago and North Western Transportation Company (the "Lessee")
165 Canal Street
Chicago, Illinois 60606

The Lease Agreement sets forth the terms upon which the Lessor will lease to the Lessee certain railroad rolling stock identified in Schedule 3 thereto.

New Rec. No.
Consent by [Signature]
Wendy Hadley

Honorable Noreta R. McGee
August 21, 1990
Page 2

-A The Trust Indenture and Security Agreement (the "Trust Indenture and Security Agreement") dated as of August 1, 1990 should be recorded as -A of the same recordation number as the Lease Agreement.

The parties to the Trust Indenture and Security Agreement are as follows:

Meridian Trust Company, in its individual capacity as expressly provided therein and otherwise as Owner Trustee under the Trust Agreement referred to therein (the "Owner Trustee")
35 North Sixth Street
Reading, Pennsylvania 19601

The Chase Manhattan Bank (National Association)
as Indenture Trustee (the "Indenture Trustee")
1 Chase Manhattan Plaza
New York, New York 10081

The Trust Indenture and Security Agreement provides for a grant by the Owner Trustee to the Indenture Trustee of a security interest in the railroad rolling stock described in Schedule 1 to the Trust Indenture and Security Agreement, and for an assignment by the Owner Trustee to the Indenture Trustee of the rights of the Owner Trustee under the Lease Agreement.

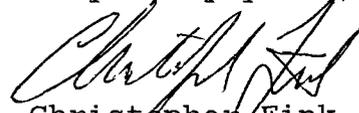
The railroad rolling stock covered by the documents, as listed above, is identified in Schedule 3 to the Lease Agreement, a copy of which schedule is attached to this letter.

A short summary of the documents to appear in the ICC Index is as follows:

"Covers 12 diesel electric locomotives."

Once the filings have been made, please return to the undersigned the stamped counterparts of the Lease Agreement and the Trust Indenture and Security Agreement not required for filing purposes, together with the ICC fee receipt and the letter from the ICC acknowledging the filings.

Very truly yours,


Christopher Fink

Interstate Commerce Commission
Washington, D.C. 20423

8/22/90

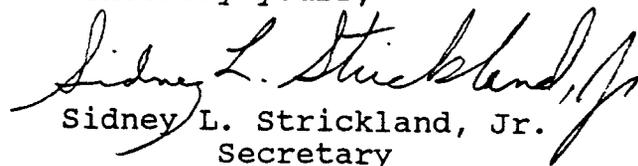
OFFICE OF THE SECRETARY

Christopher Fink
MilBank Tweed Hadley & McCloy
One Chase Manhattan Plaza
New York, N.Y. 10005

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 8/22/90 at 12:30pm, and assigned recordation number(s) 16973 & 16973-A

Sincerely yours,


Sidney L. Strickland, Jr.
Secretary

How Rec. No.

RECORDATION NO **16973** FILED DATE

AUG 22 1990 -12 00 PM

INTERSTATE COMMERCE COMMISSION

=====

LEASE AGREEMENT

Dated as of August 1, 1990

Between

MERIDIAN TRUST COMPANY,
in its individual capacity
as expressly provided herein and
otherwise solely as Owner Trustee

Lessor

and

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY,

Lessee

=====

The right, title and interest of the Lessor under this Lease and certain of the Rent due and to become due hereunder have been assigned as collateral security to and are subject to a security interest in favor of The Chase Manhattan Bank (National Association), as Indenture Trustee under an Indenture of Trust and Security Agreement dated as of August 1, 1990 among said Indenture Trustee as secured party, the Lessor as debtor. Information concerning such security interest may be obtained from the Indenture Trustee at its address set forth in Section 15 of this Lease.

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LEASE AGREEMENT

This LEASE AGREEMENT, dated as of August 1, 1990, between MERIDIAN TRUST COMPANY, a Pennsylvania trust company, in its individual capacity as expressly provided herein and otherwise solely as Owner Trustee ("Lessor"), and CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware corporation ("Lessee").

WITNESSETH:

WHEREAS, Lessor wishes to lease the Units (as defined below) to Lessee, and Lessee wishes to lease the Units from Lessor, all on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, Lessor and Lessee hereby agree as follows:

1. **DEFINITIONS.** Capitalized terms used in this Lease shall have the respective meanings assigned to such terms in Schedule 4 unless otherwise defined herein.

2. **PURCHASE, ACCEPTANCE AND LEASE OF UNITS.** The following provisions shall govern the purchase, acceptance and lease of the Units:

2.1. Intent to Lease and Hire. Subject to all the terms and conditions of this Lease (and subject to satisfaction of all conditions precedent set forth in Section 4 of the Participation Agreement), Lessor hereby agrees to purchase each Unit from the Manufacturer pursuant to the Purchase Agreement Assignment and to lease such Unit to Lessee hereunder, and Lessee hereby agrees to lease such unit from Lessor on the terms set forth herein. This Lease shall constitute a separate lease of each Unit subject hereto, in each case for the Interim Term and the Applicable Term with respect to the Unit in question.

2.2. Inspection and Acceptance. Lessee will inspect each Unit being tendered by the Manufacturer that Lessor desires to purchase from the Manufacturer and to lease to Lessee pursuant to this Lease, and, if such Unit is found to be in good order and in compliance with the Purchase Agreement, Lessee will accept delivery of such Unit on behalf of Lessor as Lessor's agent and will execute a Certificate of Acceptance (the "Certificate of Acceptance") on behalf of Lessor as Lessor's agent in the form attached as Exhibit A hereto with respect to such Unit. Promptly after the execution of a Certificate of Acceptance and in any event on or before the Closing Date, Lessee will deliver such Certificate of Acceptance to Lessor.

2.3. Certificate of Acceptance. Lessee's execution and delivery of a Certificate of Acceptance with respect to each Unit pursuant to Section 2.3 hereof shall conclusively establish that, as between Lessor and Lessee, but without limiting or otherwise affecting Lessee's or Lessor's rights, if any, against the Manufacturer, such Unit is acceptable to and accepted by Lessee under this Lease and is subject to the limitations of Section 4.1 hereof notwithstanding any defect with respect to design, manufacture, condition or in any other respect, and that such Unit is in good order and condition and appears to conform to the specifications applicable thereto and to all applicable governmental requirements and specifications.

2.4. Use by Lessee. If (i) no Lease Event of Default shall have occurred and be continuing and (ii) this Lease shall not have been previously terminated with respect thereto or have expired, Lessee shall, subject to all of the terms and conditions of this Lease, be entitled to the possession and use of each Unit accepted and delivered under this Lease.

3. RENT. Rent under this Lease shall be paid in accordance with the following provisions:

3.1. Interim Rent. No Rent shall be payable by Lessee for the Interim Term for each Unit.

3.2. Basic Rent. Lessee hereby agrees to pay to Lessor with respect to each Unit then subject to this Lease, in immediately available funds, Basic Rent during the Applicable Term in consecutive semi-annual installments, in arrears, on March 1, 1991 and on each Lease Payment Date thereafter (including any Lease Payment Date on which the Stipulated Loss Value is to be paid in accordance with the provisions of this Lease) to and including the Lease Payment Date that is the last day of the Applicable Term. Each such installment of Basic Rent payable during the Basic Term shall be in an amount equal to the Basic Lease Percentage for the semi-annual period of the Basic Term covered by such installment multiplied by the Purchase Price for such Unit and shall accrue ratably during such semiannual period. Each such installment of Basic Rent payable during any Renewal Term shall be in the amount determined pursuant to Section 16 hereof.

3.3. Supplemental Rent. Lessee hereby agrees to pay to Lessor, or to any other Person who shall be entitled thereto as provided herein, any and all Supplemental Rent promptly as the same shall become due and owing, and in the event of any failure on the part of Lessee so to pay any Supplemental Rent, Lessor shall have all rights, powers, privileges and remedies provided

for herein or by law or equity or otherwise in the case of nonpayment of other kinds of Rent. Lessee will pay to Lessor, upon demand, as Supplemental Rent, to the extent not prohibited by applicable law, interest at the Default Rate on any part or installment of Rent not paid when due for any period for which the same shall be overdue, and will pay upon demand, to the extent not prohibited by applicable law, interest at the Default Rate on any part of any payment of Supplemental Rent other than (i) such interest on delinquent payments, (ii) any payment of Supplemental Rent as to which interest to the date of payment is expressly provided for elsewhere in this Lease and (iii) any payment of Supplemental Rent required by this Lease to be made to any governmental authority (any interest on, or penalty in respect of, payments to any governmental authority required to be made by Lessee under this Lease being payable by Lessee to such governmental authority as Supplemental Rent) due hereunder and not paid when due for any period for which the same shall be overdue, such payment to be made to the Person to receive the overdue Supplemental Rent in respect of which such interest is to be paid.

3.4. Adjustments. If (i) the Closing Date, the Basic Term Commencement Date or the Purchase Price for each Unit are not in accordance with the assumptions set forth in Exhibit B hereto; (ii) the Transaction Expenses are not equal to 1% of the Purchase Price; or (iii) any of the Tax Assumptions set forth in Section 2 of the Indemnification Agreement are no longer valid with respect to any Unit as of the Closing Date due to a change in the Code, including a technical corrections act, or the Treasury Regulations (including proposed regulations), or any decisions by a court or any ruling or other announcement by the Internal Revenue Service, which are enacted, issued, proposed, decided or announced prior to the Closing Date, the amounts of Basic Rent and Stipulated Loss Values with respect to such Unit or Units shall be adjusted by such amounts as necessary to preserve Lessor's Net Economic Return while minimizing the net present value of the Basic Rent payments, determined in a manner consistent with, and utilizing the same methodology and assumptions as were utilized in the initial determination of the Basic Rent and Stipulated Loss Values. The Basic Rent and Stipulated Loss Values shall also be adjusted to the extent required by Section 5 or Section 8 of the Indemnification Agreement. The amount of all adjustments contemplated by this Section 3.4 shall be determined by the Owner Participant in good faith and specified by notice to Lessee. Lessee shall have the right, upon demand, to have a firm of any of the eight largest U.S. independent public accountants selected by Lessee and approved by the Owner Participant, which approval shall not be unreasonably withheld, review any calculations made by the Owner Participant to determine the consistency and reasonableness of

the methods and the assumptions used in such calculations with those used by the Owner Participant in originally evaluating this transaction and the accuracy of such computations based on such methods and assumptions; provided that such firm shall keep such methods and assumptions confidential. Lessee shall be responsible for the costs of such verification unless the verification results in a redetermination of the adjusted Basic Rent payments that reduces the net present value of the Basic Rent payments by 20 or more basis points below the net present value of the adjusted Basic Rent payments as determined by Lessor. Any adjustment of Basic Rent pursuant to this Section 3.4 shall satisfy the requirements of Sections 4.07(1) and (2) and Section 4.08(1) of Revenue Procedure 75-28 and shall be made in a manner that shall not result in an application of the "constant rental accrual method" of Section 467 of the Code or any Treasury Regulations thereunder (including proposed regulations) to the payments of Basic Rent, as so adjusted.

3.5. Place of Payment. All payments of Rent hereunder shall be paid to Lessor at 35 North Sixth Street, Reading, Pennsylvania, 19601, Attention: Corporate Trust Department or in accordance with such other instructions as Lessor may specify by written notice to Lessee (Attention: Vice President-Finance); provided, that until the Lessee shall have received notice from the Indenture Trustee that all Secured Indebtedness has been fully paid and satisfied, the Lessee shall make such payment by wire transfer to the office of the Indenture Trustee designated in Section 15 hereof or as otherwise designated in writing by the Indenture Trustee.

4. REPRESENTATIONS AND WARRANTIES; NET LEASE; NO OFFSET, ETC.

4.1. Lessor's Disclaimer of Warranties. LESSOR, SHALL NOT BE DEEMED TO HAVE MADE OR GIVEN, AND LESSOR HEREBY EXPRESSLY DISCLAIMS, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE VALUE, TITLE, MERCHANTABILITY, COMPLIANCE WITH SPECIFICATIONS, CONDITION, SAFETY, DESIGN, OPERATION OR FITNESS FOR ANY PARTICULAR OR GENERAL USE OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS OR ANY PORTION THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE UNITS OR ANY PORTION THEREOF (EITHER UPON THE DELIVERY THEREOF TO LESSEE, UPON THE TRANSFER OF TITLE THERETO TO LESSEE PURSUANT TO ANY PROVISION HEREOF, OR OTHERWISE), it being intended, understood and agreed that, the Units were selected by Lessee on the basis of its own judgment and that except as explicitly provided herein, all risks incident to the Units and the ownership and leasing of the Units as provided herein, as between Lessor and Lessee, are to be borne by Lessee. The provisions of this Section 4.1 have been

specifically negotiated as a basis of the bargain contained in this Lease, and, except to the extent otherwise explicitly stated, the foregoing provisions are intended, understood, acknowledged and agreed to be a complete exclusion and negation of any warranties by Lessor, express or implied, with respect to the Units, whether arising under the Uniform Commercial Code or any similar law now or hereafter in effect, or otherwise.

4.2. Net Lease. This Lease is a net lease, and it is intended, understood, acknowledged and agreed that Lessee will pay all costs, charges, fees, assessments, expenses and taxes of every character, whether foreseen or unforeseen, ordinary or extraordinary, in connection with the manufacture, construction, installation, delivery, ownership, lease, transportation, use, operation, maintenance, repair, service, insurance, replacement, restoration, renewal, improvement and return of the Units other than amounts specifically excluded by the provisions of Section 7 of the Participation Agreement.

4.3. No Offset, Etc.. The Rent which Lessee is or shall be obligated to pay shall be paid without notice or demand, and shall not be affected by any circumstances (except payment or as otherwise expressly provided in Section 11.1 hereof), including, without limitation, (i) any set-off, counterclaim, recoupment, abatement, suspension, deduction or defense or other right, power, privilege, remedy or immunity which Lessee may have against or in respect of Lessor, the Manufacturer or any other Person for any reason whatsoever, (ii) any defect in the title, merchantability, compliance with specifications, condition, design, operation or fitness for use of, or any damage to or loss of possession or use or destruction of, any or all of the Units or any portion thereof, from whatsoever cause, including, without limitation, confiscation, requisition or other taking by any governmental authority, any person acting under governmental authority, any Liens with respect to any of the Units or otherwise, (iii) any failure to commence, or interruption or cessation in, the use, possession or operation by Lessee of any or all of the Units or any portion thereof by reason of the action of any public or private Person, whether by eviction by paramount title or for any other reason whatsoever, (iv) any bankruptcy, insolvency, reorganization, arrangement, composition, readjustment, liquidation, dissolution or other proceeding by or against Lessor, (v) the prohibition of or other restriction against Lessee's use of all or any of the Units, the interference with such use by any Person or the invalidity, illegality or unenforceability of any provision of the Operative Documents or any other infirmity hereunder or thereunder, or any lack of power or authority of Lessor or any other Person to enter into, or perform in accordance with the terms of the Operative Documents, (vi) any sublease, or (vii) any other circumstances or happening

whatsoever, whether or not similar to any of the foregoing, it being the intention, understanding and agreement of the parties hereto, and the basis of the bargain, that the obligations of Lessee hereunder shall be absolute and unconditional, shall be separate and independent covenants and agreements and shall continue unaffected unless and until the requirement to pay or perform the same shall have been terminated pursuant to an express provision of this Lease; provided, however, that nothing in this Section 4.4 shall be construed to prevent Lessee from exercising any rights which Lessee may have against any Person in an independent proceeding.

5. LIENS.

Lessee will not, directly or indirectly, create, incur, assume or suffer to exist any Lien on or with respect to its interest under this Lease, any Unit, any part of any Unit, the title to any Unit or any interest in any Unit, or the subleases or any interest in any sublease, except (i) the Lien of the Indenture in favor of the Indenture Trustee, (ii) Lessor's Liens, (iii) the respective rights of Lessee and Lessor as provided in the Operative Documents, (iv) Liens consisting of subleases permitted by Section 7 hereof, (v) Liens on and consisting of Removable Voluntary Additions, (vi) Liens for taxes either not yet due or being contested in accordance with the provisions of Section 14 hereof so long as such contests shall not interfere with the payment or receipt and retention of Rent (other than Supplemental Rent consisting of taxes being contested), (vii) materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business, which shall not be delinquent, or which shall have been bonded, or the enforcement of which shall have been suspended (but then only for the duration of such suspension) and (viii) Liens arising out of judgments or awards against Lessee which shall have been bonded or which Lessee shall be contesting in accordance with the provisions of Section 14 hereof. Nothing in this Section 5 shall be deemed to prohibit any Lien attaching only to the leasehold interest of Lessee under this Lease by reason of any future mortgage under which Lessee is the mortgagor covering all or substantially all of Lessee's railroad properties or the existence of any after-acquired property clause in any existing mortgage to which Lessee is the mortgagor covering all or substantially all of Lessee's railroad properties. Lessee will promptly notify Lessor in writing of the existence of any Lien not excepted above, if the same shall arise at any time, and will promptly, at Lessee's expense, cause any such Lien to be duly discharged, dismissed and removed or fully bonded as soon as possible, but in any event within thirty (30) days after the existence of the same shall have first become known to Lessee unless Lessee shall in good faith and by appropriate legal

proceedings contest the validity thereof in any reasonable manner which will not affect or endanger title and interest of Lessor in the Units. Lessee shall not have any right, power, privilege or authority to create or incur any Lien upon Lessor's interest in the Units and notice is hereby given to all contractors, subcontractors, laborers, materialmen and other persons that Lessor will not be liable for any labor, services or materials furnished to Lessee and that no Liens for any such labor, services or materials shall attach to or affect Lessor's interest in the Units.

6. PROTECTION OF PARTICIPANT'S INTERESTS.

6.1. Recording. Lessee, at its own expense, will cause this Lease and the Indenture to be filed and recorded with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303(a). Lessee will, at its own expense, from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, re-register, deposit and re-deposit or re-record whenever required) any and all further instruments required by law or reasonably requested by either Lessor or the Indenture Trustee for the purpose of proper protection, to the satisfaction of the Lessor or the Indenture Trustee, as the case may be, of the interests of Lessor or the Indenture Trustee in the Units, or for the purpose of carrying out the intention of this Lease, the Indenture and the Purchase Agreement Assignment.

Lessee will promptly furnish to Lessor and the Indenture Trustee evidence of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for Lessee with respect thereto satisfactory to Lessor. This Lease shall be filed with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

6.2. Identification Marks. Lessee will cause each Unit to be kept numbered with the identifying number with respect to such Unit and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words, "Ownership subject to a security interest filed with the Interstate Commerce Commission", or other appropriate words designated by Lessor or the Indenture Trustee, with appropriate changes thereof and additions thereto as from time to time may be required by law or reasonably requested in order to protect Lessor's title to such unit and the rights of Lessor under this Lease and the rights of the Indenture Trustee in such Unit and under the Indenture. Lessee will not place or permit any such unit to be placed in operation or exercise any control or dominion over the same until such words shall have been so marked

on both sides thereof and will replace or cause to be replaced promptly any such name and words which may be removed, defaced, obliterated or destroyed. Lessee will not change or permit to be changed the identifying number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with Lessor and the Indenture Trustee and filed, recorded and deposited by lessee in all public offices where this Lease and the Indenture shall have been filed, recorded and deposited and (ii) Lessee shall have furnished Lessor and the Indenture Trustee an opinion of counsel to the effect that such statement has been so filed, recorded and deposited, such filing, recordation and deposit will protect the interests of Lessor or the Indenture Trustee in such Units and no filing, recording, deposit or giving of notice with or to any other Federal, state or local government or agency thereof is necessary to protect the interest of Lessor or the Indenture Trustee in such Units.

Except as above provided, Lessee will not allow the name of any Person to be placed on any Unit as a designation that might be interpreted as a claim of ownership; provided, however, that Lessee may permit the Units to be lettered with the names, trademarks, initials or other insignias customarily used by Lessee or its affiliates on railroad equipment used by it of the same or a similar type for convenience of identification of its rights to use the Units under this Lease, and the Units may be lettered in an appropriate manner for convenience of identification of the interest of Lessee therein.

6.3. Further Assurances. Lessee will, at Lessee's own expense, promptly and duly execute and deliver, or cause to be promptly and duly executed and delivered, to Lessor such agreements, instruments and other documents (including, without limitation, any assurances and any conveyances, assignments, bills of sale, financing statements and continuation statements) as may be necessary or as Lessor may from time to time reasonably request, in order to carry out more effectively the intent and purpose of this Lease, to establish, protect and preserve the rights, powers, privileges, remedies and immunities reserved or created, or intended to be reserved or created, by or in favor of Lessor hereunder to establish, protect and preserve Lessor's title to the Units, which is free of any Liens except for Liens permitted by Section 5 hereof, which action shall include, without limitation, if requested by Lessor, at Lessee's own expense, the recording or filing of counterparts hereof, or of such other agreements, instruments and documents with respect thereto (including financing statements and continuation statements) in accordance with the laws of such jurisdictions as Lessor may from time to time reasonably request.

6.4. Location of Business. Lessee agrees to give Lessor and the Indenture Trustee at least 30 days' prior written notice of the date on which it intends to locate in any city or State other than Chicago, Illinois.

7. PROVISIONS RELATING TO USAGE OF THE UNITS.

7.1. Uses. So long as no Lease Event of Default or event which with notice or laps of time or both would constitute a Lease Event of Default has occurred and is continuing and Lessee shall have fully complied with the provisions of this Section 7.1, Lessee shall be entitled to the possession and use and quiet enjoyment of the Units and to use the Units in the general operation of Lessee's freight rail business on Lessee's own system, on the lines over which Lessee has trackage rights, and on the lines of other railroads in and outside of the United States of America (provided that any use by Lessee outside of the United States of America shall be restricted to Canada and Mexico) in the usual interchange of traffic or in through or run-through service, subject to all the terms and conditions of this Lease. Lessee may also sublease the Units to a sublessee or user incorporated in the United States of America for use upon lines of railroad owned or operated by Lessee or a railroad company or companies incorporated in the United States of America or over which Lessee or such railroad company or companies have trackage rights or rights for operation of their trains, and upon the lines of connecting and other carriers in the usual interchange of traffic in the continental United States (and Mexico and Canada), only upon and subject to all the terms and conditions of this Lease. If Lessee subleases, uses or permits the use of any Unit (other than in normal interchange or run-through service), for maintenance or other purposes, in Mexico or Canada, Lessee shall, except as otherwise provided in Section 6.1 hereof, first have (a) taken all necessary action to protect the right, title and interest of Lessor and the Indenture Trustee in and to the Units to be so subleased and (b) furnish Lessor and the Indenture Trustee with an opinion of Mexican or Canadian counsel, as the case may be, satisfactory to Lessor and the Indenture Trustee to the effect that such action is all that is necessary to protect the right, title and interest of Lessor and the Indenture Trustee in and to such Units. No sublease, normal interchange or run-through service shall relieve Lessee of its obligations hereunder or extend beyond the Applicable Term, and the use of any Unit outside the United States by Lessee or any sublessee or other user will qualify under Section 861(e) of the Code thus enabling Lessor to treat all of its income and deductions in connection therewith as United States source in nature.

7.2. Subject to Lease. Each sublessee, if any, of any sublease referred to in Section 7.1 hereof shall expressly agree

that its rights in any Unit under such sublease are subject and subordinate to the rights of Lessor hereunder and that, if any Lease Event of Default hereunder or thereunder is continuing, Lessor shall have the right to take possession of any such Unit free and clear of any rights of such sublessee under such sublease, to cause any rent payable under any such sublease to be paid directly to Lessor or as Lessor may direct and to exercise any rights of Lessee (as lessor) under such sublease.

8. CERTAIN COVENANTS OF LESSEE.

8.1. Maintenance and Operation. Lessee, at its own expense, will maintain, service and repair each Unit (or cause the same to be maintained, serviced and repaired) to the same extent as Lessee would, in the prudent management of its properties, maintain, service and repair comparable equipment (if owned, leased or otherwise used by Lessee) and, in any event, to the extent necessary to maintain such Unit in as good repair, working order and operating condition as when delivered, ordinary wear and tear excepted, and in compliance with applicable industry standards (set by the Association of American Railroads or otherwise), and in compliance with any applicable requirements of law or of any governmental authority having jurisdiction, regardless of which Person such requirements shall, by their terms, be nominally imposed upon, and meeting standards sufficient to satisfy the Manufacturer's requirements for warranty. Lessee will not permit any Unit to be used or operated in violation of any law, or of any rule, regulation or order of any governmental authority having jurisdiction, unless Lessee, or other appropriate Person, shall be contesting the validity thereof in good faith and by appropriate proceedings, but only so long as such proceedings shall not involve any risk of the sale, forfeiture or loss of the Unit in question or any Part or interest therein, and shall not result in, or involve any substantial possibility of resulting in, the creation of any Lien on or with respect to such Unit, Part or interest therein, which is not permitted under the provisions of Section 5 hereof. Lessee will maintain or cause to be maintained any records, logs and other materials required by, and will prepare and file any reports required by, any governmental authority having jurisdiction to be maintained or filed in respect to any Unit regardless of which Person such requirements shall, by their terms, be nominally imposed upon. Lessee, at its own expense, will procure or cause to be procured and pay or cause to be paid for all permits, franchises, inspections and licenses necessary or appropriate in connection with each Unit, the use or operation thereof or any repair, restoration, replacement, renewal, addition or improvement with respect thereto.

8.1.1. No Obligation of Lessor. Lessor shall not be required to maintain, service or repair, or make any repair, restoration, replacement, renewal, addition or improvement of any nature or description with respect to, any of the Units, or, except to the extent specifically provided herein, to incur any cost or expense in connection with this Lease. Lessee expressly waives to the extent not prohibited by law any right, power, privilege or remedy, now or hereafter conferred by statute or otherwise, to make at the expense of Lessor, or to cause Lessor to make, any repairs, restorations, replacements, renewals, additions or improvements with respect to the Units.

8.2. Permitted Uses. Lessee shall at no time permit any Unit to be used in any activity (including, without limitation, any operation, use, maintenance or sublease) (i) outside the United States, Canada or Mexico, (ii) in Mexico or Canada on a basis more extensive than that contemplated under Section 861(e) of the Code such that Lessor would not be entitled to treat all of its income and deductions in connection therewith as United States source in nature or (iii) by a user that would cause the Units to be "tax-exempt use property" or "public utility property" under Sections 168(h)(i) and 168(i)(10), respectively, of the Code.

8.3. Return of the Units on Expiration of Lease. Within 30 days after the expiration of the Applicable Term of this Lease, Lessee will, at Lessee's own cost and expense, return and yield possession of the Units to Lessor unless Lessee is continuing to lease or purchasing such Units as provided in Section 16 or 17 hereof. At the time of its return, each Unit shall be free and clear of all Liens and rights of others (except Liens permitted by clauses (i), (ii) and (iii) of Section 5 hereof), shall be in the condition and repair required to be maintained under Section 8.1 hereof and shall be in the condition and repair then required under, and be in compliance with, applicable industry standards (including, without limitation, those set by the Association of American Railroads), laws and regulations then in effect. Lessee will, if so required by Lessor, and at Lessee's own expense and risk, provide free storage (at not more than five storage locations on Lessee's line selected by Lessee and acceptable to Lessor) of the Units for a number of days equal to the Applicable Storage Period following prior written notice to Lessor by Lessee that at least 50% of the Units have been assembled and delivered for storage (and for each Unit not so assembled and delivered for storage, for a number of days equal to the Applicable Storage Period following notification to Lessor by Lessee that such Unit has been delivered for storage), and upon at least 30 days' prior written notice transport the same, at any time within the Applicable Storage Period, to any connecting carrier for shipment, all as

directed by Lessor and the storage of such Units to be at the expense and risk of Lessee (including the insurance required by Section 10 hereof during the Applicable Storage Period); and in the event that any Unit shall suffer an Event of Loss during the Applicable Storage Period, Lessee shall pay Lessor the Stipulated Loss Value thereof. During the Applicable Storage Period, Lessee will permit Lessor or any Person designated by Lessor, including the authorized representatives or any prospective purchaser, lessee or user of such Unit, to inspect the same at the expense of Lessor, provided, however, that Lessee shall not be responsible for the cost of such inspection, nor shall Lessee bear any liability for any injury or liability incurred in the course of such inspection so long as such injury or liability is not the result of Lessee's negligence or wilful misconduct, and provided, further, that Lessee shall not be required to move any Unit pursuant to this Section 8.3 more than once at the request of Lessor. After the expiration of the Applicable Storage Period, Lessee agrees, if requested by Lessor, to store the Units for a reasonable duration (to be determined by Lessee) at the expense and risk of Lessor. The assembling and storage of the Units as hereinbefore provided are of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, Lessor shall be entitled to a decree against Lessee requiring specific performance thereof. With respect to any Unit not timely redelivered by Lessee pursuant to this Section 8.3, Lessee shall pay to Lessor for each day from the date 30 days after expiration of this Lease until such Unit is assembled and delivered to storage as above provided an amount equal to 1/182 of the semi-annual Basic Rent applicable to each Unit not so assembled and delivered to storage. Without in any way limiting Lessee's obligations under this Section 8.3, Lessee hereby irrevocably authorizes Lessor, at and after any time Lessee shall be obligated to return possession of any Unit to Lessor, to exercise, in the name and on behalf of Lessee, any rights which Lessee may have to demand and take possession of such Unit from whosoever shall at the time be in possession of such Unit, and, in connection therewith, Lessee will supply Lessor with such documents as Lessor may reasonably request.

8.4. Certain Records. Lessee will permit Lessor, the Owner Participant, the Indenture Trustee and the Note Holders and their respective agents, accountants, independent contractors, experts and attorneys, upon reasonable notice and at their own expense, to examine the records of Lessee relating to the Units (including any sublease) and to take abstracts therefrom and to discuss the same with Lessee's officers and employees at reasonable times during business hours and as often as may reasonably be requested. In addition, Lessee will permit such Persons to inspect the Units, provided that no such inspection shall interfere in any material way with the rights of Lessee

hereunder or with the rights of any sublessee under any sublease of the Units.

8.5. Report on Units. On or before May 1, in each year, commencing with the calendar year 1991, Lessee will furnish to Lessor and the Indenture Trustee an accurate statement setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder, the amount, description and numbers of all Units that have suffered an Event of Loss during the preceding calendar year or, in the case of the first such statement, since the date of this Lease (specifying the dates of such an Event of Loss) or to the knowledge of Lessee are then undergoing repairs (other than running repairs) or are then withdrawn from use pending repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as Lessor may reasonably request.

Lessee agrees at its expense to prepare and deliver to Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of Lessor) any and all reports (other than income tax returns) to be filed by Lessor with any Federal, state or other regulatory authority by reason of the ownership by Lessor of the Units or the leasing thereof to Lessee.

9. REPLACEMENT OF PARTS; ALTERATIONS, MODIFICATIONS AND ADDITIONS.

9.1. Replacement of Parts. Lessee, at its own expense, will promptly replace or cause to be replaced all parts, instruments, appurtenances, accessories, furnishings and other equipment of whatever nature (herein, collectively called "Parts") which, originally or from time to time, have been incorporated in or installed as part of any Unit and which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use for any reason whatsoever. In the ordinary course of maintenance, service, repair, overhaul or testing, Lessee may remove any Parts; provided, however, that Lessee will forthwith replace such Parts. Each replacement Part shall be free and clear of all Liens and rights of others (other than any Liens permitted by Section 5 hereof) and shall be in as good operating condition as, and shall have a value, economic life and utility at least equal to that of, the replaced Part (assuming that such replaced Part shall have been in the condition in which such Part was required to be maintained by the terms hereof).

Each Part at any time removed from any Unit shall remain the property of (and title thereto shall remain in)

Lessor, no matter where such Part shall be located at any particular time, until such time as such Part shall have been replaced by a Part incorporated in or installed as part of such Unit and meeting the requirements for a replacement Part specified in the preceding paragraph. At such time as any replacement Part shall become incorporated in or installed as part of such Unit as above provided, without further act or instrument, (i) title to such replacement Part shall thereupon vest in Lessor, (ii) such replacement Part shall become subject to this Lease and be deemed part of such Unit for all purposes hereof to the same extent as the removed Part, and (iii) title to the removed Part shall thereupon vest in Lessee or such other Person as shall be designated by Lessee, free and clear of all rights of Lessor.

9.2. Alterations Required by Law. Lessee, at its own expense, will make such alterations, modifications and additions of and to any Unit (collectively called "Required Alterations") as may be required from time to time to meet all material, valid and applicable requirements of law or of any governmental authority having jurisdiction (regardless of upon which Person such requirements shall, by their terms, be nominally imposed) other than such repairs as, in the reasonable judgment of Lessee, are determined to be not economically feasible (provided that in the event of such a determination Lessee shall promptly notify Lessor thereof and if within 20 days of receipt of such notice Lessor may opt to (i) waive the provisions of this Section 9.2 with respect to such requirement or (ii) commence making such repair at its own expense, in either of which events no Event of Loss with respect to such Unit shall be deemed to occur by reason of Lessor's decision that such repairs are not economically feasible), except where compliance therewith shall at the time be contested in good faith by appropriate proceedings which do not involve a risk of loss of use of the Unit in question. Title to all Parts consisting of Required Alterations shall, without further act or instrument, vest in Lessor.

9.3. Additions Owned by Others or Desired by Lessee. The term "Units" as used in this Lease shall not include any special devices or assemblies at any time attached to any Unit, the cost or purchase price of which is not included in the Purchase Price of the Units or the title to which is in a Person other than Lessor (all of which are hereinafter called "Property Owned by Others"). Lessor and Lessee recognize that such special devices and other assemblies may be attached to the Units and may be owned and financed by Persons other than Lessor or Lessee. Lessor expressly acknowledges, for the purpose of assurance of any such Persons and for the purpose of inducing attachment of such special devices and other assemblies to the Units, that Lessor has no rights therein and that such Persons may, at their

own cost and expense, remove such special devices and other assemblies from the Units. Lessee represents and warrants that it will, at the time of termination of this Lease (i) cause all Property Owned by Others to be removed from the Units, (ii) repair all damage, if any, caused by such removal, and (iii) after such removal, the value, economic life and utility of the Unit to which it was attached will not be determined or impaired from what such value, economic life and utility would have been if such Property Owned by Others had not been attached thereto. Lessee, at its own expense, may from time to time make such other alterations, modifications and additions of and to any Unit (collectively called "Voluntary Additions") as Lessee may deem desirable in the proper conduct of its business; provided, however, that no such Voluntary Addition shall either (i) cause the value, economic life, utility or condition of such Unit to be less or worse than the value, economic life, utility and condition thereof immediately prior to such Voluntary Addition, or (ii) reasonably be expected to cause the value, economic life, utility or condition of such Unit to be less or worse than the expected value, economic life, utility and condition thereof during or at the end of the Applicable Term, in each case assuming that such Unit shall at that time have been in the condition in which such Unit was required to be maintained by the terms of this Lease. Any such Voluntary Addition that is capable of being removed from such Unit without causing the value, economic life, utility or condition of such Unit to be less or worse than that of such Unit immediately prior to such Voluntary Addition (assuming that such Unit shall at that time have been in the condition in which such Unit was required to be maintained by the terms of this Lease) and, in any event, without causing material damage to such Unit, may be removed by Lessee prior to the expiration of the Applicable Term and is referred to herein as a "Removable Voluntary Addition". Lessee shall repair any damage to any Unit which is caused by the removal of a Removable Voluntary Addition. Any Removable Voluntary Addition shall, if not removed as provided in this Section 9.3 upon the expiration of the Applicable Term, become property of Lessor, but otherwise shall be property of Lessee. Any Voluntary Addition that is not a Removable Voluntary Addition shall become property of Lessor upon the installation thereof on the Unit.

9.4. General. Notwithstanding the foregoing, Lessee may not make any alterations, modifications or additions of or to any Unit if such alteration, modification or addition would impair the ability of Lessor to sell or lease such Unit at the end of the Applicable Term to a Person who is not an Affiliate of Lessee for use in such Person's trade or business.

10. INSURANCE. Lessee shall at all times while this Lease is in effect maintain or cause to be maintained, at its own

expense, property and casualty insurance with financially sound and reputable insurers in respect of the Units at the time subject hereto, at least in amounts and against risks customarily insured against by railroad companies on similar equipment owned, leased or otherwise used by them and in amounts and against risks customarily insured against by Lessee on similar equipment owned, leased or otherwise used by it.

Lessee will, at all times prior to the end of the Applicable Storage Period, at its own expense, cause to be carried and maintained public liability insurance with financially sound and reputable insurers in amounts and against risks customarily insured against by Lessee in respect of similar equipment owned, leased or otherwise used by it.

Lessee will, and every policy or certificate of insurance required to be maintained or furnished by Lessee under this Section 10 shall (i), in effect, name Lessee, Lessor, each Participant and the Indenture Trustee as additional insureds, as their interests may appear, (ii) provide for at least 30 days prior written notice by the insurer to Lessor and the Indenture Trustee in the event of any cancellation, expiration or amendment; and (iii) not provide that Lessor, any Participant or the Indenture Trustee shall have any liability for premiums provided, that with respect to the excess liability insurance maintained by Lessee with Transportation and Railroad Assurance Company and Railroad Association Insurance Ltd., no amendment shall be required with respect to clauses (i), (ii) and (iii) above. Lessee shall provide to Lessor and the Indenture Trustee such evidence of the insurance required by this Section 10 as Lessor or Indenture Trustee may reasonably request from time to time; provided, that such request shall occur no more frequently than on each Closing Date and once each calendar year thereafter. In the event that Lessee shall fail to maintain insurance as herein provided, either Lessor or the Indenture Trustee may, at its option, maintain such insurance, and, in such event, Lessee will reimburse such Person upon demand for the cost thereof as Supplemental Rent.

Lessee shall, at its own expense, make all proofs of loss and take all other steps necessary to collect the proceeds of any insurance. On or before the Closing Date, Lessee shall furnish to Lessor, each Participant and the Indenture Trustee a certificate of Lessee's independent insurance broker or the insurer evidencing the maintenance of the insurance required hereunder. If either Lessor or the Indenture Trustee shall receive any insurance proceeds or condemnation payments in respect of a Unit, suffering a casualty, such Person shall, subject to Lessee's having made payment of the Stipulated Loss Value in respect of such Unit, pay such insurance proceeds to .

Lessee. All insurance proceeds received by either Lessor or the Indenture Trustee in respect of any Unit not suffering an Event of Loss shall be paid to Lessee upon proof satisfactory to such Person that any damage to such Unit in respect of which such proceeds were paid has been fully repaired, provided that no Lease Event of Default shall have occurred and be continuing. Lessor or the Indenture Trustee shall have the right to carry insurance on the Units for their own benefit, provided that such insurance is carried at the expense of any Person other than Lessee and shall not impair Lessee's insurance program relating to the Units.

11. LOSS, DESTRUCTION OR DAMAGE.

11.1. Payment of Stipulated Loss Value Upon an Event of Loss. If an Event of Loss with respect to any Unit shall occur, Lessee will give Lessor and the Indenture Trustee written notice thereof within 60 days after Lessee obtains knowledge thereof and will pay the Stipulated Loss Value for such Unit in immediately available funds (computed as of the day such payment shall be made) to Lessor (or, so long as the Indenture is in effect, to the Indenture Trustee to be applied by it pursuant to Section 2.6 of the Indenture) on the Lease Payment Date immediately succeeding the date such notice is given (together with Rent due on such date with respect to such Unit). Upon the making of such Rent payment and such Stipulated Loss Value payment by Lessee in respect of any Unit, the Rent for such Unit shall cease to accrue and the term of this Lease as to such Unit shall terminate. Lessor hereby appoints Lessee its agent to dispose of any Unit suffering an Event of Loss or any component thereof, before or after the expiration or this Lease, at the best price obtainable on an "as is, where is" basis. Provided that Lessee has previously paid the Stipulated Loss Value to Lessor and a Lease Event of Default or an event which after notice or lapse of time or both would become a Lease Event of Default hereunder has not occurred and is continuing, Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Stipulated Loss Value of such Unit, and shall pay any excess to Lessor less the reasonable expenses of Lessee in carrying out such disposition.

11.2. Application of Insurance Proceeds and Other Payment Upon an Event of Loss. Any payments received at any time by Lessor, the Indenture Trustee or Lessee from any insurance carrier providing insurance on the Units required to be maintained by Section 10 hereof or other payment received from another Person as a result of or with respect to periods after the occurrence of an Event of Loss with respect to any Unit (other than payment referred to in Section 11.1 hereof) shall be applied as follows:

(i) all such payments received at any time by Lessee shall be promptly paid to Lessor for application pursuant to the following provisions of this Section 11.2; and

(ii) so much of such payments as shall not exceed the Stipulated Loss Value of such Unit plus the Rent (if any) with respect to such Unit applicable to the period from the date of such Event of Loss to but not including the date on which such Stipulated Loss Value was, or is required to be, paid by Lessee pursuant to Section 11.1 hereof shall be applied in reduction of Lessee's obligation to pay such amount, if not already paid by Lessee, or if already paid by Lessee, shall be applied to reimburse Lessee for its payment of such amount, unless an Lease Event of Default (or any event or condition which, after the giving of notice or passage of time, or both, would constitute a Lease Event or Default) shall have occurred and be continuing (in which event, such payments shall be applied against Lessee's obligations under this Lease);

(iii) the balance of any proceeds of insurance which was paid for by Lessee shall, unless an Lease Event of Default (or any event or condition which, after the giving of notice or passage of time, or both, would constitute an Lease Event of Default) shall have occurred and be continuing (in which event, such payments shall be applied against Lessee's obligations under this Lease), be paid to Lessee, and the balance of any proceeds of insurance which was paid for by Lessor shall be paid to Lessor;

provided, however, that so long as the Indenture is in effect, such insurance proceeds shall be applied by the Indenture Trustee (or, in the event that such insurance proceeds are held by the Lessor, paid to the Indenture Trustee to be applied by it) in accordance with Section 2.6 of the Indenture.

11.3. Other Payments. Any amount payable to Lessor hereunder which is not otherwise applied pursuant to the foregoing provisions of this Article 11 shall be applied by Lessor to Lessee's obligations under this Lease.

12. LEASE EVENTS OF DEFAULT. Each of the following events or conditions shall constitute a Lease Event of Default (whether or not any such event or condition shall be voluntary or involuntary, or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any governmental authority):

12.1. Lessee shall fail to make any payment of Basic Rent or Stipulated Loss Value when due and such failure shall continue for seven Business Days; or

12.2. Lessee shall fail to make any payment of Supplemental Rent (excluding any payment of Stipulated Loss Value) when due and such failure shall continue for 30 days after notice from Lessor; or

12.3. Lessee shall fail to make any payment required to be made by it pursuant to the Indemnification Agreement when due and such failure shall continue for 30 days after notice of such failure from Lessor; or

12.4. Lessee shall fail to maintain the insurance required to be maintained under Section 10 hereof and such failure shall be continuing for 20 days after Lessee shall have actual knowledge of such failure or shall have been notified thereof by Lessor, or Lessee shall fail to perform or observe any of the conditions and agreements in Section 5 to be performed or observed by Lessee and such failure shall be continuing for 30 days after Lessee shall have actual knowledge of such failure or shall have been notified thereof by Lessor; or

12.5. Lessee shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by it hereunder or under any of the other Operative Documents and such failure shall continue unremedied by Lessee for 30 days (or such further time as may be reasonably required to cure such default, provided such default is susceptible to cure within a reasonable time and Lessee is acting with reasonable diligence to cure such default as promptly as practicable) after notice from Lessor to Lessee demanding the same to be remedied; or

12.6. Any representation or warranty made by Lessee herein or in any other Operative Document or in any instrument, certificate or other document furnished Lessor in connection herewith or therewith, or pursuant hereto or thereto, shall have been incorrect or misleading in any material respect when made and, if remediable, not cured reasonably promptly after the earlier of receipt by Lessee of actual knowledge or notice thereof; or

12.7. Lessee shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (ii) be generally unable to pay its debts as such debts become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a

voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), (v) file a petition seeking to take advantage of any other law providing for the relief of debtors, (vi) fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against it in any involuntary case under such Bankruptcy Code or (vii) take any corporate action for the purpose of effecting any of the foregoing; or

12.8. A proceeding or case shall be commenced, without the application or consent of Lessee, in any court of competent jurisdiction, seeking (i) the liquidation, reorganization, dissolution, winding up, or composition or readjustment of debts of Lessee, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of Lessee or of all or any substantial part of its assets or (iii) similar relief in respect of Lessee under any law providing for the relief of debtors, and such proceeding or case shall continue undismissed, or unstayed and in effect for a period of 60 days; or an order for relief against Lessee shall be entered in an involuntary case under such Bankruptcy Code.

13. REMEDIES AFTER DEFAULT.

13.1. Remedies. Upon the occurrence of any Lease Event of Default and at any time thereafter so long as the same shall be continuing, Lessor, at Lessor's option, may declare this Lease to be in default, and at any time after such declaration, so long as all outstanding Events of Default shall not have been cured, Lessor, at Lessor's option, may exercise any one or more of the following rights, powers, privileges or remedies as Lessor in Lessor's sole discretion shall elect (or if any Lease Event of Default described in Section 12.7 or 12.8 hereof shall occur, this Lease shall automatically be deemed declared in default and Lessor need not make any such declaration to exercise any such rights, powers, privileges or remedies as Lessor shall elect), and to the extent not prohibited by, and subject to compliance with any mandatory requirements of, applicable law then in effect:

13.1.1. By notice in writing to Lessee terminate all rights of Lessee to the use and possession of the Units or, any part thereof under this Lease, including Lessee's rights under Sections 16 and 17 hereof (but Lessee shall remain liable for its obligations contained in this Lease) and Lessor, at Lessor's option may (and Lessor is hereby granted, or Lessee will cause to be granted to Lessor, an express right to) take immediate possession of the Units and remove all or any portion of the units by summary proceedings or

otherwise, all without incurring any liability to Lessee (or to any Person claiming by, through or under Lessee), for or by reason of such entry or taking of possession whether for the restoration of damage to property caused by such entry or taking of possession or otherwise (any and all such liability being waived, to the extent that Lessee may effectively do so);

13.1.2. By notice in writing to Lessee require Lessee to return possession of the Units promptly to Lessor in the manner and condition required by, and otherwise in accordance with, the provisions of Section 8.3 hereof, as if possession of the Units were being returned at the end of the Applicable Term (except that Lessor may reasonably designate the return location on Lessee's line which shall be a place where Units are then being sold or leased in reasonable commercial quantities) and upon the further demand of Lessor require Lessee to transport the Units to a connecting carrier for shipment in accordance with the provisions of Section 8.3 hereof;

13.1.3. Hold, keep idle or lease (but in the event of a lease, upon not less than 20 days' prior written notice by Lessor to Lessee) to others the Units or any portion thereof, as Lessor in Lessor's sole discretion may determine, free and clear of any rights of Lessee (or any Person claiming by, through or under Lessee) and without any duty to account to Lessee with respect to such action or inaction or for any proceeds with respect thereto, except Lessee's obligation to pay Basic Rent for the period commencing after Lessee shall have been deprived of possession pursuant to Section 13.1.2 hereof shall be reduced by the net proceeds, if any, received by Lessor from leasing the Units or any portion thereof, to any Person other than Lessee for such period or any portion thereof;

13.1.4. Exercise any other right, power, privilege or remedy which may be available to Lessor under applicable law, including rights under the Uniform Commercial Code (including the right to sell the Units) or proceed by appropriate court action to enforce the terms hereof or to recover damages for the breach hereof or to rescind this Lease.

13.2. Damages. After Lessor has declared this Lease to be in default as provided in Section 13.1 hereof (or after an Lease Event of Default described in Section 12.7 or 12.8 has occurred) and so long as all outstanding Lease Events of Default

shall not have been cured, Lessor, by notice to Lessee specifying a payment date which shall not be earlier than ten days after the date of such notice, may require Lessee to pay to Lessor on the payment date specified in such notice, as liquidated damages for loss of the benefit of the bargain, and not as a penalty (in lieu of Basic Rent due for periods after the payment date specified in such notice) any unpaid Basic Rent and Supplemental Rent due for periods up to and including the payment date specified in such notice plus an amount equal to the excess, if any, of the Stipulated Loss Value of the Units as of the payment date specified in such notice over the Fair Market Sales Value of the Units as of the payment date specified in such notice (together with interest on such amounts at the Default Rate from such payment date to the date of actual payment); provided, however, if Lessor shall sell the Units, the Fair Market Sales Value of the Units sold shall conclusively be deemed to be the net proceeds, after expenses, realized upon such sale. If the Units are not returned as required hereby the Fair Market Sales Value of the Units not so returned shall be deemed to be zero.

13.3. Other Amounts Payable. Lessee shall be liable, except as otherwise provided above, for any and all unpaid Rent due hereunder before or during the exercise of any of the rights, powers, privileges or remedies provided for hereunder and for all reasonable legal fees and other reasonable costs and expenses incurred by Lessor by reason of the occurrence of any Lease Event of Default or the exercise of any of Lessor's rights, powers, privileges or remedies with respect thereto, including the cost of any leasing of the Units pursuant to Section 13.1.3 hereof to the extent in excess of the rental therefrom, the cost of any sale made pursuant to the provisions of Section 13.1.4 hereof, and all costs and expenses incurred in connection with the surrender of the Units in accordance with Section 13.1.2 hereof or the placing of the Units in the condition required hereby, together, in each case, with interest thereon at the Default Rate.

13.4. Application of Proceeds. The proceeds of any sale made pursuant to the provisions of Section 13.1.4 hereunder shall be applied as follows:

FIRST, to the payment of any legal fees, costs and expenses provided for in Section 13.3 hereof;

SECOND, any proceeds then remaining shall be applied to the payment of any unpaid Basic Rent and Supplemental Rent due for periods up to and including the Lease Payment Date next succeeding the date of such sale, plus an amount equal to any unpaid portion of the Stipulated Loss Value of the Units as of such Lease Payment Date (together with interest

on such amounts at the Default Rate from such Lease Payment Date to the date of actual payment);

THIRD, any proceeds then remaining shall be applied to the payment of any other unpaid obligations of Lessee hereunder including, without limitation, any unpaid Supplemental Rent;

FOURTH, any proceeds then remaining shall be applied to the payment of damages provided for in Section 13.2 hereof;

FIFTH, any proceeds then remaining shall be paid to Lessor;

provided, however, that so long as the Indenture is in effect, such proceeds shall be applied by the Indenture Trustee (or, in the event that such proceeds are held by the Lessor, paid to the Indenture Trustee to be applied by it) in accordance with Section 3.03 of the Indenture.

13.5. Miscellaneous. The following additional provisions shall apply upon the exercise of remedies after an Lease Event of Default:

13.5.1. Determination of Value. Unless a sale by Lessor has previously occurred pursuant to the provisions of Section 13.1.4 hereof, in which case the net proceeds of such sale shall be conclusively deemed to be the Fair Market Sales Value, for the purposes of Section 13.2 hereof, the Fair Market Sales Value of the Units shall be determined by mutual written agreement of Lessor and Lessee or, upon request by Lessor at any time prior to such mutual agreement, by the Appraisal Procedure, the costs of which shall be borne by Lessee.

13.5.2. Purchase at Sale. Subject to the provisions of any applicable law, at any sale pursuant to this Section 13, Lessor or any affiliate or subsidiary of Lessor may bid for and purchase any or all of the Units.

13.5.3. No Waiver. No express waiver nor, without limiting the generality of Section 18.2 hereof, any implied waiver, by Lessor of any Lease Event of Default shall in any way be, or be construed to be, a waiver of any other Lease Event of Default. The failure of Lessor to insist upon the strict performance of any provision, or to exercise any right, power, privilege or remedy contained or referred to in this Lease, shall not be construed as a waiver or a relinquishment thereof for the future. Receipt by Lessor of any Rent payable hereunder with

knowledge of the breach of any provision contained in this Lease shall not constitute a waiver of such breach.

13.5.4. Remedies Cumulative. No right, power, privilege or remedy herein conferred upon or reserved to Lessor or otherwise referred to is intended to be exclusive of any other right, power, privilege or remedy, and every right, power, privilege and remedy shall be cumulative and concurrent and in addition to any other legal or equitable right, power, privilege and remedy conferred or reserved hereunder or now or hereafter existing in law or in equity, and the exercise or beginning of exercise by Lessor of any one or more of such rights, powers, privileges or remedies shall not preclude the simultaneous or later exercise by Lessor of any or all of such other rights, powers, privileges or remedies. To the extent that it may effectively do so, Lessee hereby waives and releases any rights, powers, privileges, immunities or remedies now or hereafter conferred by statute or otherwise which may require Lessor to sell, lease or otherwise use the Units in mitigation of Lessor's damages as set forth in this Section 13, or which may otherwise limit or modify any of Lessor's rights, powers, privileges or remedies under this Section 13, or delay or hinder the exercise thereof by Lessor.

13.5.5. Injunctive Relief. Lessor shall be entitled to injunctive relief in case of the violation, or attempted or threatened violation, of any provision of this Lease, and to a decree compelling observance or specific performance of each provision of this Lease, and to any other legal or equitable remedy.

14. PERMITTED CONTESTS. If no Lease Event of Default (or other event or condition which, after the giving of notice or the passage of time, or both, would constitute an Lease Event of Default) shall have occurred and be continuing, the Lessee need not pay, discharge or remove any tax, charge, levy, assessment or Lien or any other imposition on or against the Units or any portion thereof or interest therein, so long as the Lessee, or other appropriate Person, shall be contesting the existence, amount or validity thereof in good faith by appropriate legal or administrative proceedings timely instituted and diligently prosecuted which shall operate to prevent the collection or satisfaction of the tax, charge, levy, assessment, Lien or other imposition so contested, and the sale or forfeiture of the Unit or Units in question, or any part thereof or interest therein, to satisfy the same or otherwise resulting from such noncompliance, and which shall not, in the judgment of the Lessor, materially affect the interests or rights, powers, privileges, remedies or immunities of the Lessor; provided, however, that the Lessee shall have given such security as may be required in said

proceedings and such reasonable security as may be demanded by the Lessor to ensure such payment and to prevent any sale or forfeiture of any Unit or Units, or any part thereof or interest therein, by reason of such nonpayment; and provided, further, that the Lessor would not be in any danger of criminal liability, material civil liability or other liability or obligation for which no indemnification is provided hereunder, by reason of such nonpayment or noncompliance. The Lessor will, at the request and expense of the Lessee, cooperate with the Lessee in any such proceedings. Without limiting the generality of Section 7.2 of the Participation Agreement, the Lessee hereby assumes liability for, and agrees to hold the Lessor harmless against, any costs and expenses that it may incur related to any such contest, and the Lessee hereby agrees to pay promptly any final judgment enforcing any such tax, charge, levy, assessment, Lien or imposition, and cause the satisfaction of record of the same.

15. NOTICES. All notices required or permitted under the terms and provisions hereof shall be in writing, and any such notice shall, except to the extent otherwise provided in Section 18, be deemed to have been duly given when delivered personally or otherwise actually received or five Business Days after being deposited in the United States mail, with proper postage for certified mail (return receipt requested), prepaid, addressed as set forth below or at such other address as either party hereto shall notify to the other party hereto:

If to Lessee:

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY
165 North Canal Street
Chicago, Illinois 60606
Attention: Vice President - Finance

If to Lessor:

MERIDIAN TRUST COMPANY
35 North Sixth Street
Reading, Pennsylvania 19601
Attention: Corporate Trust Department

If to the Indenture Trustee:

THE CHASE MANHATTAN BANK
(NATIONAL ASSOCIATION)
1 New York Plaza
New York, New York 10081
Attention: Corporate Trust Department

16. RENEWAL OPTIONS. Provided that no Lease Event of Default (or any event or condition which, after the giving of notice or passage of time, or both, would constitute an Lease Event of Default) shall have occurred and be continuing, Lessee shall to the extent then permitted by applicable law, have the following renewal options.

16.1. Exercise.

A. At the end of the Basic Term for each Unit, Lessee shall have the right to reappraise the total useful life of such Unit. Lessee will have the option to extend this Lease for all Units or groups of not less than five Units for a period of not less than one year but not more than the number of years which, when added to the Interim Term and the Basic Term for each such Unit will not exceed 80% of the estimated useful life of such Unit under such reappraisal; provided that such reappraisal confirms that at the end of such Renewal Term the Fair Market Sales Value of such Unit can be expected to be at least 20% of the Purchase Price of such Unit without regard to inflation or deflation after the Closing Date for such Unit. During the Renewal Term, the rental shall be 50% of the average semi-annual Basic Rent for such Unit during the Basic Term therefor.

B. In addition, at the end of the Basic Term or the Renewal Term described in Section 16.1.A, Lessee may renew this Lease with respect to all Units (but not less than all Units then subject to the Lease) for a rental payment equal to their then Fair Market Rental Value for up to four consecutive two-year periods.

C. Each Renewal Term shall commence immediately upon the expiration of the Basic Term or the immediately preceding Renewal Term, as the case may be. Lessee shall give Lessor written notice of any such election at least 180 days prior to the commencement of the proposed Renewal Term.

16.2. Determination of Value. For purposes of this Section 16, the Fair Market Sales Value and the Fair Market Rental Value of the Units shall be determined by mutual written agreement of Lessor or Lessee, or upon the request of either Lessor or Lessee at any time prior to such mutual agreement by the Appraisal Procedure, the costs of which shall be borne equally by Lessor and Lessee.

17. PURCHASE OPTIONS.

17.1. Lessee's Right to Purchase.

A. As to those Units settlement for which was made on the same Closing Date, Lessee shall have the right to purchase such Units subject to this Lease at the end of the Applicable Term for each such Unit, such right to be exercised by Lessee giving notice to Lessor, prior to 180 days before expiration of the Applicable Term for each such Unit, that Lessee wishes to purchase such Units. If Lessee wishes to purchase the Units, the purchase price of each Unit shall be equal to the lesser of (i) the Fair Market Sales Value thereof or (ii) the Purchase Percentage of the Purchase Price of such Unit.

Lessee may purchase all Units (but not less than all Units) at the end of any Renewal Period for each such Unit for its then Fair Market Sales Value.

B. Lessee may purchase all Units or groups of not less than five Units on September 1, 2005 for a fixed purchase price amount of 65% of the Purchase Price for such Units.

C. Any purchase of Units made by Lessee pursuant to the foregoing provisions of this Section 17.1 shall occur only if no Lease Event of Default or event which with notice or lapse of time or both would constitute an Lease Event of Default shall have occurred and be continuing.

17.2. Transfer of Title to Lessee. In the event that, by reason of this Section 17, Lessee purchases any Unit, Lessor shall, upon receipt of the purchase price therefor, give to Lessee, a bill of sale conveying to Lessee such title to such Unit as was conveyed to Lessor and all of Lessor's right, title and interest (including warranties, if any) in and to such Unit free and clear of any Lessor's Liens and warranting as to such title and that there are no such Lessor's Liens but otherwise without representation or warranty of any type whatsoever. At Lessee's request, Lessor will deliver a legal opinion as to the due execution, delivery and validity and binding effect of such bill of sale.

17.3. Determination of Value. For purposes of this Section 17, the Fair Market Sales Value of any Unit shall be determined by mutual written agreement of Lessor or Lessee, or upon the request of either Lessor or Lessee at any time prior to such mutual agreement by the Appraisal Procedure, the costs of which shall be borne by Lessor.

18. MISCELLANEOUS.

18.1. Severability. Any provision of this Lease which shall be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such

prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent that Lessee may effectively do so, Lessee hereby waives any provision of law which shall render any provision hereof prohibited or unenforceable in any respect.

18.2. Written Changes Only. No term or provision of this Lease may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against whom the enforcement of the change, waiver, discharge or termination shall be sought.

18.3. Nature of This Lease. This Lease shall constitute an agreement of lease, and except as otherwise provided in Section 17 hereof, nothing herein shall be construed as conveying to Lessee any title to or ownership of the Units, the rights and interest of Lessee hereunder with respect to and in the Units being those of a lessee only.

18.4. Payments. All computations of interest and amounts equivalent to interest under this Lease shall be made on the basis of actual days elapsed and a year of 360 days, as the case may be. All payments of Rent, and all other payments to be made in respect hereof, shall be made in immediately available funds prior to noon on the due date at the place of payment. Notwithstanding any provision hereof to the contrary, any payment of Rent due on a day which is not a Business Day shall be made on the next succeeding Business Day.

18.5. Successors and Assigns; Assignment and Transfer. This Lease shall be assignable in whole or in part by Lessor without the consent of Lessee. Lessee shall be under no obligation to any assignee of Lessor except upon written notice of such assignment from Lessor.

Except for subleases permitted hereby, Lessee may not assign (except as permitted by Section 8.8 hereof) any of its rights hereunder. Lessee may not assign or delegate any of its obligations hereunder.

This Lease shall be binding upon, and shall inure to the benefit of and be enforceable by, Lessee and Lessor and their respective successors and assigns permitted hereunder (whether or not such successors and assigns shall be expressly referred to in any provisions hereof).

18.6. Headings. The captions and headings in this Lease are for convenience of reference only, and shall not define

or limit any of the terms or provisions hereof or affect the construction or interpretation thereof.

18.7. Governing Law. THE TERMS OF THIS LEASE AND ALL RIGHTS AND OBLIGATIONS HEREUNDER SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK; provided, however, that the parties shall be entitled to any additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Lease or any assignment or notice hereof shall be filed, recorded or deposited.

18.8. No Merger. There shall be no merger of this Lease or of the leasehold interest thereby created with the title to the Units or any portions thereof or interest therein by reason of the fact that the same Person may acquire or hold directly or indirectly this Lease or the leasehold interest created hereby or any interest in this Lease or in any such leasehold interest as well as the title to the Units.

18.9. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument.

18.10. Right to Perform. If Lessee shall fail to comply with any of its covenants herein contained, Lessor may, but shall not be obligated to, make advances to perform the same and to take all such action as may be necessary to obtain such performance. Any payment so made by Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred in connection therewith shall be payable by Lessee to Lessor upon demand as Supplemental Rent hereunder, with interest at the Default Rate. No such performance or compliance by Lessor shall be deemed a waiver of the rights and remedies of Lessor or any assignee of Lessor against Lessee hereunder or be deemed to cure the default of Lessee hereunder.

18.11. Limitation of Lessor's Liability. It is expressly agreed and understood that all representations, warranties and undertakings of Lessor hereunder (except as expressly provided herein) shall be binding upon Lessor only in its capacity as Owner Trustee under the Trust Agreement, and (except as expressly provided herein) the institution acting as Lessor shall not be liable in its individual capacity for any breach thereof, except for its gross negligence and willful misconduct or for breach of its covenants, representations and warranties contained herein to the extent covenanted or made in its individual capacity.

IN WITNESS WHEREOF, the parties hereto have caused this lease to be duly executed by their respective duly authorized officers as of the day and year first above written.

MERIDIAN TRUST COMPANY,
in its individual capacity
only as expressly provided herein
and otherwise solely as Owner
Trustee under the Trust Agreement
referred to herein

By _____
Title: Vice President

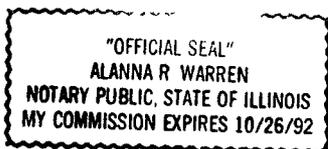
CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY

By _____ *J. B. McGill*
Title: Senior Vice President -
Finance and Accounting

29243/00100024.WPS
August 15, 1990

STATE OF ILLINOIS)
)
COUNTY OF C O O K) SS

On this 16th day of August, 1990, before me personally appeared Thomas A. Tingleff, to me personally known who signed the foregoing instrument on this day and, being by me duly sworn, says that he is a Senior Vice President of CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, that said instrument was signed 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.



Alanna R. Warren
Alanna R. Warren
Notary Public

[Notarial Seal]

My Commission Expires: October 26, 1992

COMMONWEALTH OF PENNSYLVANIA)
)
COUNTY OF BERKS) SS

On this _____ day of _____, 1990, before me personally appeared _____, to me personally known who signed the foregoing instrument on this day and, being by me duly sworn, says that he is a Vice President of MERIDIAN TRUST COMPANY, that said instrument was signed on behalf of said corporation by authority of its Board of Directors and She acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission expires:

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be duly executed by their respective duly authorized officers as of the day and year first above written.

MERIDIAN TRUST COMPANY,
in its individual capacity
only as expressly provided herein
and otherwise solely as Owner
Trustee under the Trust Agreement
referred to herein

By Stephen J. Salvo
Title: Vice President

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY

By _____
Title: Vice President-Finance

STATE OF ILLINOIS)
)
) SS
COUNTY OF C O O K)

Or this ____ day of _____, 1990, before me personally appeared _____, to me personally known who signed the foregoing instrument on this day and, being by me duly sworn, says that he is a Vice President of CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, that said instrument was signed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

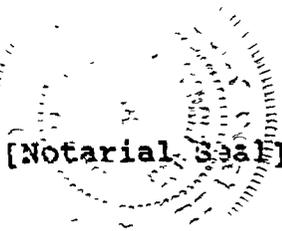
My Commission expires:

COMMONWEALTH OF PENNSYLVANIA)
)
) SS
COUNTY OF BERKS)

On this 20th day of August, 1990, before me personally appeared Stephen J. Kaba, to me personally known who signed the foregoing instrument on this day and, being by me duly sworn, says that he is a Vice President of MERIDIAN TRUST COMPANY, that said instrument was signed on behalf of said corporation by authority of its Board of Directors and she acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Lucy Cortez

Notary Public


[Notarial Seal]

My Commission expires:

NOTARIAL SEAL
LUCY CORTEZ, Notary Public
Reading, Berks County, PA
My Commission Expires 4 - 20 - 92

BASIC LEASE PERCENTAGEBasic Rent:

<u>Basic Term Payment Dates</u>	<u>Number of Payments</u>	<u>Basic Lease Percentage</u>
September 1, 1991 to and including March 1, 2000	(18)	5.02439%
September 1, 2000 to and including March 1, 2009	(18)	6.14092%

STIPULATED LOSS VALUES

	<u>SETTLEMENT DATE</u>	<u>TERMINATION VALUES</u>
1.	3/91	111.12430284
2.	9/91	112.72649661
3.	3/92	113.77618472
4.	9/92	114.33832548
5.	3/93	114.50721253
6.	9/93	114.35849368
7.	3/94	113.93579586
8.	9/94	113.26900098
9.	3/95	112.38936656
10.	9/95	111.32487871
11.	3/96	110.18425392
12.	9/96	108.98374633
13.	3/97	107.72021209
14.	9/97	106.39034230
15.	3/98	104.99065435
16.	9/98	103.51748277
17.	3/99	101.98557114
18.	9/99	100.39561585
19.	3/00	98.75145485
20.	9/00	95.92876738
21.	3/01	93.00502209
22.	9/01	89.96958818
23.	3/02	86.83226609
24.	9/02	83.67480261
25.	3/03	80.52237663
26.	9/03	77.26425824
27.	3/04	73.90609635
28.	9/04	70.45450849
29.	3/05	66.90640461
30.	9/05	63.26269372
31.	3/06	59.52056417
32.	9/06	55.68142415
33.	3/07	51.74255995
34.	9/07	47.70596061
35.	3/08	43.56905880
36.	9/08	39.33452653
37.	3/09	35.00000001

DESCRIPTION OF UNITS

12 New General Electric Model Dash 8-40C 4000 HP Diesel Electric Locomotives with the following respective Road Numbers:

Lessee's Road Number

CNW 8531
CNW 8532
CNW 8533
CNW 8534
CNW 8535
CNW 8536
CNW 8537
CNW 8538
CNW 8539
CNW 8540
CNW 8541
CNW 8542

DEFINITIONSGeneral Provisions

The following terms shall have the following meanings for all purposes of the Operative Documents referred to below, unless otherwise defined in an Operative Document or the context thereof shall otherwise require. In the case of any conflict between the provisions of this Schedule 4 and the provisions of the main body of any Operative Document, the provisions of the main body of such Operative Document shall control the construction of such Operative Document.

In this Schedule 4 the singular includes the plural and plural the singular; words importing any gender include the other gender; references to statutes or regulations are to be construed as including all statutory or regulatory provisions consolidating, amending or replacing the statute or regulation referred to; references to "writing" include printing, typing, lithography, facsimile reproduction and other means of reproducing words in a tangible visible form; the words "including," "includes" and "include" shall be deemed to be followed by the words "without limitation"; references to agreements and other contractual instruments shall be deemed to include all exhibits and appendices attached thereto and all subsequent amendments and other modifications to such instruments, unless otherwise indicated; and references to Persons include their respective permitted successors and assigns.

Defined Terms.

"Affiliate" shall mean, with respect to any Person, any other Person controlling, controlled by, or under common control with such Person.

"After-tax Basis" shall mean, with respect to any payment received or deemed to have been received by any Person, the amount of such payment supplemented by a further payment to that Person so that the sum of the two payments shall, after deduction of all taxes and other charges (taking into account any credits, to the extent Lessor determines in good faith such credits were used against a liability against tax, or deductions arising therefrom and the timing thereof) resulting from the receipt, actual or constructive, or accrual of such two payments imposed by any Taxing Authority, be equal to such payment received or deemed

to have been received. In determining whether credits were used, Lessor shall treat all leasing transactions that generate credits on a consistent basis.

"Applicable Storage Period" shall mean 90 days, except that if this Lease is terminated pursuant to Section 13.1 of the Lease, the Applicable Storage Period shall not be limited to 90 days but shall be for a period continuing until Lessor shall have leased, sold or otherwise disposed of the Units.

"Applicable Term" shall mean with respect to any Unit, the Basic Term with respect to such Unit and the Renewal Term, if applicable to such Unit, but excluding any period after the date on which the Lease is terminated with respect to such Unit.

"Appraisal Procedure" shall mean the following procedure for determining the Fair Market Rental Value or the Fair Market Sales Value of any property: If either party hereto shall have given written notice to the other requesting determination of such value by the Appraisal Procedure, the parties shall consult for the purpose of appointing one qualified independent appraiser by mutual agreement. If no such appraiser shall be so appointed within fifteen days after such notice shall have been given, each party shall appoint an independent appraiser (which shall not be a manufacturer of such property) within twenty-five days after such notice shall have been given, and the two appraisers so appointed shall, within thirty days after such notice shall have been given, either party may apply to the American Arbitration Association (or any successor thereto) for the appointment of an appraiser in the City of New York or such other city as shall be agreed upon by the parties, and both parties shall be bound by any appointment made by such Association. Each appraiser appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Rental Value or the Fair Market Sales Value (as the case may be) of the property in question within thirty days after his appointment. If the parties shall have appointed a single appraiser, his determination of value shall be final and binding. If three appraisers shall have been appointed as hereinabove set forth, the values determined by the three appraisers shall be averaged, the determination which shall differ most from such average shall be disregarded, the remaining two determinations shall be averaged and such average shall be final and binding.

"Basic Lease Percentage", as applied to any Unit, shall mean the applicable percentage with respect to each semi-annual period of the Basic Term, as set forth in Schedule 1 to the Lease.

"Basic Rent" shall mean the rent determined pursuant to Section 3.2 of the Lease.

"Basic Term" shall mean, with respect to any Unit, the period commencing with March 1, 1991 (the "Basic Term Commencement Date") and ending on the earlier of (i) March 1, 2009, or (ii) the date this Lease is terminated with respect to such Unit as provided in the Lease.

"Basic Term Commencement Date" shall have the meaning attributed thereto in the definition of "Basic Term".

"Beneficial Interest" shall mean the interest under the Trust Agreement of the Owner Participant.

"Business Day" shall mean any day other than (i) a Saturday or Sunday and (ii) a day on which banking institutions in the State of Illinois or New York or in Commonwealth of Pennsylvania shall be permitted or required by law or executive order to be closed.

"Certificate of Acceptance" shall have the meaning set forth in Section 2.2 of the Lease.

"Closing Date" shall have the meaning assigned to such term in Section 2.4(a) of the Participation Agreement.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Commitments" shall mean, collectively, the Debt Commitment and the Equity Commitment.

"Commitment Termination Date" shall mean September 30, 1990.

"Debt Commitment" shall mean the obligation of the Loan Participant to purchase a Note in an aggregate principal amount not to exceed \$12,828,565.44.

"Default Rate" shall mean a per annum rate equal to 2% in excess of the Prime Rate.

"Event of Loss" shall mean, with respect to any Unit, any of the following events or conditions: (i) an event that results in an insurance settlement on the basis of an actual, constructive or compromised total loss of such Unit; (ii) the loss of use of such Unit for a period of 60 days or more due to destruction of or damage to such Unit to an extent which shall render repair impracticable or uneconomical; (iii) the theft or disappearance of such Unit for a period in excess of 180 days; or (iv) the condemnation, confiscation, requisition or seizure of or taking of title to or use of, such Unit, by a foreign government for a period of more than 180 days or by the United States Government for a period extending beyond the Applicable Term of such Unit.

"Equity Commitment" shall mean the obligation of the Owner Participant to make an equity investment in the Units in an amount not to exceed \$3,207,141.36.

"Excepted Rights in Collateral" shall mean (i) all indemnity payments (including without limitation, payments under the Tax Indemnity Agreement) to which the Owner Trustee or the Owner Participant, or any of their assigns, agents, officers, directors or employees, is entitled, (ii) any amounts payable under any Operative Documents to reimburse the Owner Trustee or the Owner Participant, or any of their respective affiliates (including the reasonable expenses of the Owner Trustee or the Owner Participant incurred in connection with any such payment), for performing or complying with any of the obligations of the Lessee under and as permitted by any Operative Documents, (iii) any amount payable to the Owner Participant by any person as the purchase price of the Owner Participant's Beneficial Interest, (iv) any insurance proceeds (or payments with respect to risks self-insured) under liability policies to which the Owner Trustee or the Owner Participant or any of their respective affiliates (or the respective successors, assigns, agents, officers, directors or employees of the Owner Trustee or the Owner Participant), is entitled, (v) any interest or late charge on any amount payable under clauses (i) through (iv) hereof, and (vi) all rights with respect to the foregoing (subject to the provisions of Section 3.05(a)) of the Indenture and all rights and interests with respect to the Tax Indemnity Agreement.

"Expenses" shall have the meaning set forth in Section 7.2 of the Participation Agreement.

"Fair Market Rental Value" shall mean the rental for the number of Units in question that would be agreed to in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to sell or lease.

"Fair Market Sales Value" shall mean the purchase price for the number of Units in question that would be agreed to in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to sell or lease.

"Imposition" shall have the meaning set forth in Section 7.1 of the Participation Agreement.

"Indemnification Agreement" shall mean the Tax Indemnification Agreement dated as of August 1, 1990 between Lessor and Lessee providing for an indemnification with respect to certain tax matters.

"Indemnified Party" shall mean, collectively, each Trustee in its individual capacity and its trust capacity, the Owner Participant and each Note Holder.

"Indenture" shall mean the Trust Indenture and Security Agreement dated as of August 1, 1990 between the Indenture Trustee and the Owner Trustee.

"Indenture Default" shall mean an Indenture Event of Default or an event which, with the giving of notice or the passage of time, or both, would become an Indenture Event of Default.

"Indenture Estate" shall have the meaning assigned to such term in the Indenture.

"Indenture Event of Default" shall have the meaning assigned to such term in Section 4.02 of the Indenture.

"Indenture Trustee" shall mean The Chase Manhattan Bank (National Association).

"Interim Term" shall mean, with respect to any Unit, the period commencing on the Closing Date and ending on

the day immediately preceding the Basic Term Commencement Date.

"Lease" shall mean the Lease Agreement dated as of August 1, 1990 between Lessor and Lessee.

"Lease Event of Default" shall have the meaning set forth in Section 12 of the Lease.

"Lease Payment Date" shall mean March 1, 1991 and each March 1 and September 1 occurring thereafter during the Applicable Term.

"Lessee" shall have the meaning set forth in the preamble to the Lease.

"Lessor" shall have the meaning set forth in the preamble to the Lease.

"Lessor's Liens" shall mean any Liens which result from claims against Lessor not related or connected to the ownership, leasing, use or operation of any of the Units, its status as Lessor under the Lease, but including, however, all Liens in respect of income taxes payable by Lessor arising out of receipt of rentals and other payments under the Lease and other proceeds from the Units and all other taxes arising as aforesaid to the extent that Lessee is not obligated to discharge the same under the Lease.

"Lien" shall mean any interest in property securing an obligation owed to, or a claim by, any Person other than the owner of the property, whether such interest shall be based on the common law, statute, contract or conveyance, including, without limitation, the security interest or lien arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt, or from a lease, consignment or bailment for security purposes, and reservations, exceptions, easements, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting property.

"Loan Participant" shall mean the Person identified on Schedule 2 to the Participation Agreement as the Loan Participant.

"Loan Value" shall have the meaning assigned to such term in the Indenture.

"Manufacturer" shall mean General Electric Company.

"Manufacturer's Consent" shall mean the Consent dated as of August 1, 1990 between the Manufacturer and the Owner Trustee.

"Majority in Interest of Note Holders" shall have the meaning assigned to such term in the Indenture.

"Maximum Purchase Price" shall not exceed \$16,837,492.14.

"Meridian" shall mean Meridian Trust Company, a Pennsylvania trust company, in its individual capacity.

"Net Economic Return" shall mean Lessor's (a) net after-tax economic yield and (b) aggregate after-tax cash flows, each as computed in accordance with the assumptions set forth in Exhibit B, the Tax Assumptions in Section 2 of the Indemnification Agreement and using the multiple investment sinking fund method.

"Note" shall have the meaning assigned to such term in the Indenture.

"Note Holder" shall have the meaning assigned to such term in the Indenture.

"Officer's Certificate" shall mean a certificate signed (i) in the case of a corporation by the President, any Vice President, the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary of such corporation, (ii) in the case of a partnership by the Chairman of the Board, the President or any Vice President, the Treasurer or an Assistant Treasurer or a corporate general partner, and (iii) in the case of a commercial bank or trust company, the Chairman or Vice Chairman of the Executive Committee or the Treasurer, any Chairman of the Executive Committee or the Treasurer, any Trust Officer, any Vice President, any Executive or Senior or Second or Assistant Vice President, or any other officer or assistant officer customarily performing the functions similar to those performed by the persons who at the time shall be such officers, or to who any corporate trust matter is referred because of his knowledge of and familiarity with the particular subject.

"Operative Documents" shall mean, collectively, the Participation Agreement, Purchase Agreement Assignment,

this Lease, the Indenture, the Trust Agreement and the Indemnification Agreement.

"Owner Trustee" shall mean Meridian not in its individual capacity but solely as Owner Trustee under the Trust Agreement.

"Parent" shall mean Chicago and North Western Holdings Corp., a Delaware corporation.

"Part" shall have the meaning set forth in Section 9.1 of the Lease.

"Participants" shall mean, collectively, the Owner Participant and the Loan Participant.

"Participation Agreement" shall mean the Participation Agreement dated as of August 1, 1990 among the Lessee, each Participant and each Trustee.

"Person" shall mean and include an individual, a corporation, a partnership, an association, a joint-stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

"Prime Rate" shall mean, for any day, the prime commercial lending rate of interest from time to time announced by The Chase Manhattan Bank (National Association) at its principal office in New York, New York.

"Purchase Agreement" shall mean the purchase agreement dated January 27, 1989 between Lessee and the Manufacturer for the manufacture and sale by the Manufacturer to Lessee of 12 General Electric Model Dash 8-40C 4000 HP diesel electric locomotives.

"Purchase Agreement Assignment" shall mean the Purchase Agreement Assignment dated as of August 1, 1990 between Lessee, as Assignor, and Lessor, as Assignee, relating to the Purchase Agreement.

"Purchase Percentage", as applied to all Units, shall mean 58%.

"Purchase Price" shall mean the purchase price payable to the Manufacturer with respect to any Unit pursuant to the Purchase Agreement, and shall include transportation costs and any applicable excise tax or

sales tax and any other charges or carrying costs paid on or prior to the Closing Date for such Unit.

"Removable Voluntary Addition" shall have the meaning set forth in Section 9.3 of the Lease.

"Renewal Rent" shall have the meaning set forth in Schedule 1 to the Lease.

"Renewal Term" shall mean, with respect to all Units, the period for which this Lease is renewed with respect to such Unit pursuant to Section 16.1 of the Lease.

"Rent" shall mean and include all Basic Rent and Supplemental Rent.

"Required Alterations" shall have the meaning set forth in Section 9.2 of the Lease.

"Responsible Officer" shall mean any officer of Lessee who, with respect to the subject matter of any covenant, agreement or obligation contained in the Lease, in the normal performance of his operational responsibilities does or should have knowledge of such matter and the requirements of this Lease with respect thereto.

"Secured Indebtedness" shall mean the outstanding Notes and all principal thereof and interest thereon and all additional amounts and other sums at any time due and payable by Owner Trustee under the terms of the outstanding Notes or the Indenture.

"Stipulated Loss Value" for any Unit, as of the Basic Term Commencement Date and any Lease Payment Date, shall mean an amount equal to the percentage specified in Schedule 2 to the Lease applicable to the Basic Term Commencement Date or such Lease Payment Date of the Purchase Price of such Unit. During any Renewal Term, Stipulated Loss Value shall be determined as provided in Section 16.1 of the Lease.

"Supplemental Rent" shall mean all amounts other than Basic Rent payable by Lessee under the Lease or any other Operative Document, whether or not designated as Supplemental Rent in any particular provision thereof.

"Taxing Authority" shall mean any authority that assets power to impose tax, including any Federal, state or local government or other taxing authority in the

United States, any foreign government or taxing authority thereof or any taxing authority of any territory or possession of the United States or any such international authority.

"Transaction Expenses" shall mean (a) all costs and expenses of negotiating and preparing the Operative Documents and other documents or instruments relating thereto and of negotiating documenting and closing the transactions contemplated hereby and thereby, including without limitation printing and reproduction costs, accounting, appraisal or other fees and the legal fees and disbursements of counsel to each Trustee and each Participant as of the Closing Date and (b) the compensation and expenses (including disbursements) payable to the Indenture Trustee pursuant to Section 6.07 of the Indenture.

"Trust Estate" shall have the meaning assigned to such term in the Trust Agreement.

"Trustees" shall mean, collectively, the Indenture Trustee and the Owner Trustee.

"Unit" shall mean and include each of (and "Units" shall mean all of) the 12 new General Electric Model Dash 8-40C 4000 HP diesel electric locomotives purchased or to be purchased under the Purchase Agreement as set forth in Schedule 2 of the Lease.

"Voluntary Additions" shall have the meaning set forth in Section 9.3 of the Lease.

CERTIFICATE OF ACCEPTANCE

I, _____, _____, as
(Name) (Title)
the duly authorized representative of Chicago and North Western
Transportation Company, do hereby certify that I have inspected
and accepted delivery of the following units on behalf of
Meridian Trust Company:

TYPE OF EQUIPMENT:
DATE ACCEPTED:
NUMBER OF UNITS:
IDENTIFYING NUMBERS (LESSEE'S ROAD NUMBERS):

I do further certify that the foregoing Units are in
good order and condition and appear to conform to the
specifications, requirements and standards applicable thereto as
provided in Section 2 of the Lease dated as of August 1, 1990
between Chicago and North Western Transportation Company, as
Lessee, and Meridian Trust Company, as Lessor (the "Lease").

I do further certify that each of the foregoing Units
has been marked in the manner required by Section 6.2 of the
Lease.

The execution of this Certificate will in no way
relieve or decrease the responsibility of the Manufacturer named
below for any warranties it has made with respect to the Units.

Authorized Representative
Chicago and North Western
Transportation Company

Date: _____

Manufacturer: General Electric Company

Countersigned in order to identify this Certificate of Acceptance
as a Certificate of Acceptance pursuant to the above-identified
Lease:

MERIDIAN TRUST COMPANY,
not in its individual capacity
but solely as Owner Trustee

By _____
Authorized Representative

ASSUMPTIONS

It is assumed that the Units were funded in accordance with the following:

1. The Owner is an accrual tax payer on a calendar year basis.
2. All tax assumptions per Indemnification Agreement assumptions.
3. Closing Date and Asset Cost on Units Expected to Be Purchased:
4. Basic Rent: As set forth in Lease as originally executed.