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REGISTRATION NO. FILED 1425

JUL 19 1991 -3 05 PM

INTERSTATE COMMERCE COMMISSION

July 19, 1991

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Mr. Sidney L. Strickland, Jr.
Secretary
Interstate Commerce Commission
Washington, DC 20423

Dear Secretary:

Enclosed are ten counterparts of the documents described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code:

Lease of Railroad Equipment, dated as of July 1, 1991, a primary document.

Lease Assignment, dated as of July 1, 1991, a secondary document relating to the above primary document.

We request that the Lease Assignment be cross-indexed with the Lease.

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

Lease

Lessor: The Connecticut National Bank, as trustee
777 Main Street
Hartford, Connecticut 06115

Lessee: Chicago and North Western Transportation Company
One North Western Center
165 North Canal Street
Chicago, Illinois 60606

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Lease Assignment

Assignor: The Connecticut National Bank, as trustee
777 Main Street
Hartford, Connecticut 06115

Assignee: The Chase Manhattan Bank, National Association,
as trustee
One New York Plaza
New York, New York 10081

The equipment covered by the documents consists of 35 General Electric Corporation model Dash 8-40C diesel electric locomotives, bearing the road numbers of Chicago and North Western Transportation Company 8543 through 8577.

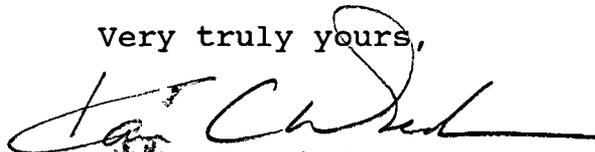
A short summary of the documents to appear in the index is as follows:

Railroad Equipment Lease, dated as of July 1, 1991, between The Connecticut National Bank, as trustee, lessor, and Chicago and North Western Transportation Company, lessee, covering 35 General Electric Company model Dash 8-40C 4000 horsepower diesel-electric locomotives, manufacturers serial numbers 46771 through 46805, bearing the road numbers of Chicago and North Western Transportation Company 8543 through 8577.

Lease Assignment, dated as of July 1, 1991, between The Connecticut National Bank, as trustee, assignor, and The Chase Manhattan Bank, as trustee, assignee, assigning the leasehold interest of The Connecticut National Bank under the Railroad Equipment Lease, dated as of July 1, 1991, between The Connecticut National Bank, as trustee, lessor, and Chicago and North Western Transportation Company.

A fee of \$15.00 is enclosed. Please return any extra copies not needed by the Commission for recordation to James E. Magee of this firm at 1111 19th Street, N.W., Washington, D.C. 20036.

Very truly yours,



Karen C. Wiedemann

Enclosures

Chicago and North Western
Transportation Company
XXXXXXXXXXXX
Railway



August 30, 1994

File: A-13202-C
EOC: 0-087

One North Western Center
Chicago, Illinois 60606

Office of the Secretary
312 559 6156

Mr. Sidney Strickland, Jr.
Secretary
Interstate Commerce Commission
Washington, DC 20423

RE: Lease of Railroad Equipment dated as of July 1, 1991 between Chicago and North Western Transportation Company (Lessee) and The Connecticut National Bank, as Trustee under a Trust Agreement (Lessor)

ICC Recordation No.: 17445

Dear Mr. Strickland:

In connection with the above agreements, please be advised that the name of Chicago and North Western Transportation Company was changed to Chicago and North Western Railway Company effective May 6, 1994, pursuant to the Certificate of Amendment of Restated Certificate of Incorporation of Chicago and North Western Transportation Company filed with the State of Delaware on May 5, 1994.

Sincerely,

K. A. Dombrowski
Assistant Secretary

STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

On this 30th day of August, 1994, before me personally appeared K. A. Dombrowski, to me personally known, who, by me being duly sworn, says that she is Assistant Secretary of Chicago and North Western Railway Company and that the foregoing 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.

My commission expires: April 12, 1995

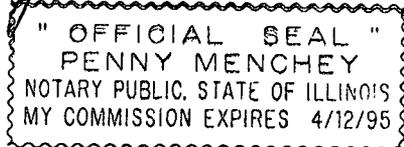


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* This Table of Contents has been included in this document for convenience only and does not form a part of or affect any construction or interpretation of this document.

LEASE OF RAILROAD EQUIPMENT dated as of July 1, 1991, between CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware corporation (the "Lessee"), and THE CONNECTICUT NATIONAL BANK, a national banking association, not individually but solely as trustee (the "Lessor") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with GENERAL ELECTRIC CAPITAL CORPORATION, a New York corporation (the "Owner").

The Lessee has entered into a locomotive purchase agreement dated as of January 27, 1989, ("Purchase Agreement") with General Electric Company ("Builder") pursuant to which the Builder has agreed to manufacture and sell to the Lessee the units of Railroad Equipment described in Schedule A hereto (each a "Unit" and collectively the "Equipment").

The Lessee is assigning its interest in the Purchase Agreement in respect of the Equipment to the Lessor, and the Lessor has agreed to purchase the Equipment from the Builder, under a Participation Agreement dated as of the date hereof ("Participation Agreement") among the Lessee, the Lessor, the Owner and the parties named in Annex A thereto (said parties, together with their successors and assigns, being hereinafter called the "Debt Participants").

The Lessor and The Chase Manhattan Bank, N.A. ("Security Trustee") are entering into an Equipment Trust Agreement ("Equipment Trust Agreement"), pursuant to which the Debt Participants will finance approximately 65% of the cost of the Equipment to the Lessor by investing in Certificates (as defined in the Equipment Trust Agreement) and the Owner will finance the balance of such cost by making funds available to the Lessor.

The Lessor will, pursuant to the Equipment Trust Agreement and the Lease Assignment dated as of the date hereof ("Lease Assignment") between the Lessor and the Security Trustee, for security purposes, assign certain of its rights under this Lease to the Security Trustee for the benefit of the holders of Certificates.

The Lessee will indemnify the Owner against certain liabilities pursuant to the terms and conditions of an Indemnity Agreement dated as of the date hereof ("Indemnity Agreement").

The Lessee desires to lease such number of Units of Equipment as are delivered to and accepted under the Participation Agreement upon the terms and conditions hereinafter provided.

Accordingly, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

Section 1. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent or additional rent, or setoff against or recoupment or reduction of rent or additional rent, including, but not limited to, abatements, setoffs, reductions or recoupments due or alleged to be due by reason of any past, present or future claims or counterclaims of the Lessee against the Lessor, the Owner, the Security Trustee or any Debt Participant under this Lease or the Participation Agreement or otherwise. The Lessee's obligations hereunder, including its obligations to pay all rentals, additional rentals and other amounts hereunder, shall be absolute and unconditional under any and all circumstances, and, except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect, whether latent or patent, in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any corporation, association, individual, unit of government or other entity (each a "Person"), the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon

it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor or the Security Trustee for any reason whatsoever.

Section 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the Participation Agreement. Each delivery of a Unit to the Lessor under the Participation Agreement shall be deemed to be a delivery to the Lessee under this Lease at the point or points within the United States of America at which such Unit is so delivered to the Lessor. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same and, if such Unit is found to be acceptable, to accept delivery of such Unit and execute and deliver to the Lessor a certificate of inspection and acceptance (the "Certificate of Inspection and Acceptance") whereupon, except as provided in the next sentence, such Unit shall be deemed to have been delivered to and accepted by the Lessee hereunder and shall be subject thereafter to all the terms and conditions of this Lease. The delivery, inspection and acceptance hereunder of any Unit of Equipment excluded from the Participation Agreement pursuant to Section 3.3 thereof shall be null and void and ineffective to subject such Unit to this Lease or to constitute acceptance thereof on behalf of the Lessor for any purpose whatsoever.

Section 3. Rentals. The Lessee agrees to pay to the Lessor, as rental for each Unit, rental payments payable on the dates set forth in Schedule B hereto (each such date being hereinafter called a "Rental Payment Date"). The rental payments for each Unit shall each be in an amount equal to the percentage set forth in Schedule B hereto for the applicable Rental Payment Date multiplied by the Purchase Price (as defined in the Participation Agreement) of such Unit. Such rental payments and the related Casualty Values set forth in Schedule C hereto have been calculated on the assumptions that (i) all the Units are delivered, accepted and paid for under the Participation Agreement on August 31, 1991, (ii) the fees and expenses payable by the Owner pursuant to Section 4.9 of the Participation Agreement are equal to 1% of the aggregate Purchase Price of the Units, (iii) the average yield on the 7-3/4% Treasury Notes due February 2001 (as reported in a major national daily business publication selected by the Owner for the five trading days

ending two days prior to any Closing Date which occurs after September 30, 1991) will be 8.102% and (iv) no Change in Tax Law (as defined in Section 8 of the Indemnity Agreement) occurs prior to the first Closing Date. If any of the foregoing assumptions prove at any time to be incorrect, the rental payments and the related Casualty Values will be adjusted upward or downward by the minimum amount necessary so that the Owner's after-tax economic yields, aggregate net after-tax cash flows and return on investment (computed on the same assumptions, including tax rates, as were utilized by the Owner in originally evaluating this transaction except for any corrected assumptions giving rise to the adjustment) shall at least equal the after-tax economic yields, aggregate net after-tax cash flows and return on investment (such after-tax economic yields, aggregate net after-tax cash flows and return on investment being herein-after called the "Net Economic Return") that would have been realized by the Owner in accordance with the assumptions stated above, it being understood that such adjustment may require that one or more of such economic standards exceed the amount or percentage derived in the original calculation of such economic standard in order to preserve all such economic standards; provided, however, that in no event shall any such rental payment or the related Casualty Values be or be reduced below the amounts thereof necessary to satisfy the obligations of the Lessor under the Equipment Trust Agreement on the corresponding date for the payment thereof. The Lessor shall provide a schedule of such rentals and Casualty Values to the Lessee and the Security Trustee promptly after the facts have been determined and the calculations have been made.

If any of the Rental Payment Dates referred to above is not a business day, the rental payment otherwise payable on such date shall be payable on the preceding business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Chicago, Illinois, Hartford, Connecticut, or New York, New York, are authorized or obligated to be closed.

The Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease to be made by the Lessee, including, but not limited to, the payments provided for in this Section 3 and in Section 7 hereof, but excluding all payments with respect to Excluded Interests (as defined in the Equipment Trust Agreement), at the principal office of the Security Trustee, for the account of

the Lessor in care of the Security Trustee. The Lessee agrees to make each payment provided for in this Lease in Federal or other funds immediately available by 11:00 a.m., New York time, on the date such payment is due.

Section 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of Sections 7, 10 and 13 hereof, shall terminate on January 1, 2010. The obligations of the Lessee hereunder (including, but not limited to, the obligations under Sections 3, 6, 7, 9 and 14 hereof) and under the Indemnity Agreement shall survive the expiration or termination of the term of this Lease and the full payment of all amounts payable under this Lease.

Notwithstanding anything to the contrary contained herein, all rights of the Lessee under this Lease and in and to the Units are subject to the rights of the Security Trustee under the Equipment Trust Agreement. If an event of default should occur under the Equipment Trust Agreement, the Security Trustee may terminate this Lease (or rescind its termination), all as provided therein; provided however, that so long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the last paragraph of Section 3 hereof and (iii) the Security Trustee is entitled to apply the payments required to be made by the Lessee hereunder in accordance with the Equipment Trust Agreement, this Lease may not be terminated and the Lessee shall be entitled to the rights of possession and use provided under Section 12 hereof.

Section 5. Identification Marks. The Lessee will cause each Unit to be kept numbered with the identification number set forth in Schedule A hereto, 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 Agreement Filed with the Interstate Commerce Commission", with appropriate changes thereof as from time to time may be required by law, in the opinion of the Lessor and the Security Trustee, in order to protect the Lessor's and the Owner's rights to and interests in such Unit and the rights of the Security Trustee under the Equipment Trust Agreement. The Lessee will replace promptly any such markings which may be removed, defaced, obliterated or destroyed. The Lessee will not change the identification number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been

filed with the Lessor and the Security Trustee and duly filed and deposited by the Lessee in all public offices where this Lease and the Equipment Trust Agreement shall have been filed and deposited and (ii) the Lessee shall have furnished the Lessor and the Security Trustee an opinion of counsel to the effect that such statement has been so filed and deposited, that such filing and deposit will protect the Lessor's, the Owner's and the Security Trustee's rights in such Units and that no other filing, deposit or giving of notice with or to any Federal, state or local government or agency thereof is necessary to protect the rights of the Lessor, the Owner and the Security Trustee in such Units.

Except as provided in the preceding paragraph, the 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 the Units may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates.

Section 6. Taxes. Whether or not any of the transactions contemplated hereby are consummated, the Lessee agrees to pay, or cause to be paid, and to indemnify and hold the Lessor (in both its individual and its trust capacities), the Owner, the Security Trustee, the Debt Participants and the Trust Estate (as defined in the Trust Agreement) and their respective successors, affiliates, assigns, agents and servants (collectively "Indemnified Persons") harmless from, all taxes (including without limitation taxes on income, gross receipts, franchise, sales, use, property [real or personal, tangible or intangible], and stamp taxes), assessments, fees and charges of any nature whatsoever, together with any penalties, fines, additions to tax or interest thereon, howsoever imposed, whether levied or imposed upon the Equipment, the Lessor, the Owner, the Security Trustee, the Lessee, a Debt Participant or the Trust Estate or otherwise, by any Federal, state or local government or governmental subdivision in the United States of America or by any foreign country or subdivision thereof, upon or with respect to: any Unit or any part thereof; the manufacture, purchase, ownership, delivery, nondelivery, rejection, leasing, possession, sale, use, operation, rebuilding, replacement, transfer of title, return or other disposition thereof; the rentals, receipts or earnings arising therefrom; or this Lease, the Lease Assignment, the Participation Agreement, the Equipment Trust Agreement, the Certificates, the Indemnity Agreement or the Trust Agreement, any payment made pursuant to any such agreement, or the property, the income or other proceeds

received with respect to any Unit (all such taxes, assessments, fees, charges, penalties, fines, additions to tax and interest imposed as aforesaid being hereinafter called "Taxes"); excluding, however: (i) Taxes of the United States of America or any state or political subdivision thereof imposed on or measured solely by the net income or excess profits of the Lessor, the Owner, the Security Trustee or any Debt Participant or value-added taxes in lieu of any such net income or excess profits taxes, other than Taxes arising out of or imposed in respect of the receipt of indemnification payments pursuant to this Lease; (ii) any Taxes imposed on or measured by any fees or compensation received by the Lessor or the Security Trustee; (iii) franchise taxes based on the corporate characteristics of the Lessor, the Owner, the Security Trustee or the Debt Participants; (iv) any tax or similar charge included in the Purchase Price of the Units; and (v) Taxes imposed by a foreign government or taxing authority or governmental subdivision of a foreign country to the extent such Taxes are utilized by the Owner as a credit against United States Federal income taxes otherwise payable by the Owner; provided, however, that the Lessee shall not be required to pay any Taxes during the period it may be contesting the same in the manner provided below in this Section 6.

In the event any returns, statements or reports with respect to any Taxes are required to be made, the Lessee will make such returns, statements and reports in such manner as to show the interest of the Lessor, the Owner and the Security Trustee in such Units, as shall be satisfactory to the Lessor and the Owner (and the Security Trustee, if affected thereby) or, where not so permitted, will notify the Lessor, the Owner and the Security Trustee of such requirement and will prepare and deliver such reports to the Lessor, the Owner and the Security Trustee within a reasonable period of time prior to the time such reports are to be filed in such manner as shall be satisfactory to the Lessor, the Owner and the Security Trustee.

In the event that, with respect to any period during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any Taxes, pursuant to this Section 6, such liability shall continue, notwithstanding the expiration or termination of this Lease, until all such Taxes are paid or reimbursed by the Lessee.

If claim is made against any Indemnified Person for any Taxes indemnified against under this Section 6, such party shall promptly notify the Lessee in writing. If

reasonably requested by the Lessee in writing and so long as the Lessee is prohibited or impaired from doing so in its own name, such Indemnified Person shall, upon receipt of indemnity reasonably satisfactory to it for all costs, expenses, losses, legal and accountants' fees and disbursements, penalties, fines, additions to tax and interest, and at the expense of the Lessee, contest in good faith the validity, applicability or amount of such Taxes by (a) resisting payment thereof if legally permissible (provided that the nonpayment thereof does not, in the opinion of such Indemnified Person, adversely affect the interests of such Indemnified Person in and to the Units) and/or (b) not paying the same except under protest, if protest is necessary and proper and/or (c) if payment is made, filing for and making reasonable efforts to obtain a refund thereof by appropriate administrative or judicial proceedings, or both. At the request of the Lessee, such Indemnified Person shall keep the Lessee informed of the status of such contest and, at the Lessee's expense, supply copies of briefs and other pleadings with respect to such contest to the extent they do not relate to claims not indemnified by the Lessee hereunder. The Lessee may also contest, at its own expense, the applicability or amount of such Taxes in the name of such Indemnified Person; provided, however, that no proceeding or action relating to such contest shall be commenced (nor shall any pleading, motion, brief or other paper be submitted or filed in the name of such Indemnified Person in any such proceeding or action) without the prior written consent of such Indemnified Person. If such Indemnified Person shall obtain a refund of all or any part of such Taxes previously reimbursed by the Lessee in connection with any such contest or an amount representing interest thereon, such Indemnified Person shall, within 30 days, pay the Lessee the amount of such refund or interest net of expenses; provided, however, that no Event of Default (as defined in Section 10), or event which with notice or lapse of time or both would become an Event of Default (a "Default"), shall have occurred and be continuing.

The Lessee shall, whenever reasonably requested by an Indemnified Person, the Lessor or the Owner, submit to such party copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to such party of the Lessee's performance of its duties under this Section 6. The Lessee shall also furnish promptly upon request such data as such party reasonably may require to permit such party's compliance with the requirements of taxing jurisdictions, including data available to the Lessee relating to use of any Unit outside the United States.

The amount which the Lessee shall be required to pay with respect to any Taxes which are subject to indemnification under this Section 6 shall be an amount sufficient to restore the Indemnified Person to the same net after-tax rate of return and after-tax cash position, after considering the effect of such payment on its United States Federal income taxes and state and city income taxes or franchise taxes based on net income and foreign taxes, that such Indemnified Person would have been in had such Taxes not been imposed.

The indemnities shall be available hereunder to any Indemnified Person irrespective of the negligence or misconduct of any other Indemnified Person.

Neither the foregoing indemnities nor any other indemnities by the Lessee in this or any other document contemplated hereby shall constitute a guarantee by the Lessee of the payment of any installments of principal or interest payable under the Certificates or a guarantee of any residual value of the Units following the expiration of the term hereof as such term may or may not be renewed.

Section 7. Maintenance; Casualty Occurrences; Insurance; Termination. The Lessee at its own expense will maintain, service, test, repair and overhaul each Unit (including any parts installed or replacements made to any Unit and considered an Addition (as defined in Section 9 hereof) hereunder) so that it will remain (a) in good operating order, repair and condition, reasonable wear and tear excepted, (b) in compliance with all Applicable Laws (as defined in Section 9 hereof), (c) eligible for railroad interchange in the hands of the Lessee or the Lessor in accordance with the interchange rules of the Association of American Railroads, to the extent such rules are applicable and (d) at a level of maintenance and repair comparable to that provided by the Lessee with respect to all similar equipment owned or leased by the Lessee.

In the event that any Unit shall (i) become, in the reasonable opinion of the Lessee, worn out from any cause whatsoever (except by reason of a breach of the obligations of the Lessee under the preceding paragraph), (ii) suffer an event which involves an actual, constructive or compromised total loss as a result of an insurance settlement or be returned permanently to the builder thereof in connection with a warranty or patent indemnity settlement; (iii) be destroyed or damaged beyond economic repair such that the Lessee will lose the use thereof for a period equal to the lesser of 60 consecutive days and the number of days then remaining in the term of this Lease for such Unit; (iv) be stolen or disappear so that the Lessee will lose the

use thereof for a period equal to the lesser of 60 consecutive days and the number of days remaining in the term of this Lease for such Unit; (v) be condemned, confiscated, seized or title taken for use by a foreign government for a period equal to the lesser of 180 consecutive days and the number of days remaining in the term of this Lease for such Unit or by a government of or in the United States (the "Government") for a stated period which shall exceed the then remaining term of this Lease for such Unit or for an indefinite period (or, if such taking, requisition or condemnation shall occur during a renewal term, for a stated period which shall exceed such then remaining renewal term or for an indefinite period) (such occurrences being hereinafter called "Casualty Occurrences"), prior to the return of such Unit in the manner set forth in Section 14 hereof, the Lessee shall promptly and fully notify the Lessor, the Owner and the Security Trustee with respect thereto. On the Rental Payment Date next succeeding such Casualty Occurrence (or on the following Rental Payment Date, if such next Rental Payment Date is less than fifteen days after such Casualty Occurrence), the Lessee (subject to the next paragraph) shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable through and including such date of payment plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of such date. The "Casualty Value" of any Unit as of any Rental Payment Date shall be an amount equal to that percentage of the Purchase Price of such Unit set forth opposite such Rental Payment Date in Schedule C hereto. Upon the making of such payment, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate, and, except in the case of the loss, theft, or complete destruction of such Unit, the Lessor shall be entitled to recover possession of such Unit. The Lessee shall prepare and deliver to the Lessor and the Owner new schedules of rent, and shall cause to be prepared and delivered to the Security Trustee, the Lessor and the Owner new amortization schedules for the Certificates.

Unless an Event of Default or an event that, with the passage of time or the giving of notice, would become an Event of Default ("Default") shall have occurred and be continuing, by notice to the Lessor not less than 15 days prior to the date such Casualty Value is required to be paid, the Lessee may elect to substitute for the Unit having suffered such Casualty Occurrence another locomotive (other than a passenger or work locomotive) with fair market value, useful life and utility equal to or exceeding that of the Unit having suffered such Casualty Occurrence, provided that such substitution does not result in any adverse tax or other adverse consequences to the Lessor or the Owner.

If such substitution is effected (as set forth below) prior to the date the Casualty Value is required to be paid, the Lessee shall be relieved of its obligation to pay such Casualty Value. If such substitution cannot be so effected prior to the date that the Casualty Value is required to be paid, the Lessee shall deposit with the Lessor on or prior to such date an amount equal to the Casualty Value, with instructions to the Lessor to hold such amount pending delivery of a locomotive for substitution. If and so long as no Event of Default or event that, with the passage of time or the giving of notice, would become an Event of Default shall have occurred and shall be continuing, the Lessor shall invest such amounts in "Permitted Investments," as defined below, at the expense and risk and for the account of the Lessee, and shall disburse such amounts and any earnings and gain from such investments to the Lessee upon effectiveness of such substitution. If such an Event of Default or Default shall occur, any amounts so held will be applied to the payment of the Casualty Value of the Unit for which substitution was contemplated and any surplus shall be applied to damages pursuant to Section 10. If such substitution shall not be effected prior to the Rental Payment Date next succeeding such deposit, the Casualty Value (of the Unit for which substitution was contemplated) shall be due on such Rental Payment Date, and any amounts so held by the Lessor shall be applied to the payment thereof with any excess being paid to the Lessee.

Any such substitution shall be effected by

(a) preparation, execution and delivery of suitable amendments or supplements including such substituted unit as a Unit hereunder and as Collateral under the Equipment Trust Agreement and recording or depositing the same in all public offices where this Lease, the Lease Assignment and the Equipment Trust Agreement shall have been recorded or deposited hereunder;

(b) delivery to the Lessor of a certificate of an officer of the Lessee certifying that no Event of Default or Default has occurred and is continuing and that such substitute unit is a locomotive (other than a passenger or work locomotive) with a fair market value, useful life and utility equal to or exceeding the Unit for which substitution is being made, accompanied by a bill of sale and opinion of counsel with respect thereto of the same scope and tenor as that delivered in connection with the original delivery of the Unit for which substitution is being made.

Upon completion of such steps, the substitute unit shall be regarded as a Unit hereunder having the same Purchase Price as the Unit having suffered the Casualty Occurrence. The Lessee shall pay all costs and expenses related to such substitution.

The term "Permitted Investment," as used herein shall mean (i) direct obligations of the United States of America or obligations for which the full faith and credit of the United States of America is pledged to provide for the payment of principal and interest, (ii) open market commercial paper rated A-1 by Standard & Poor's Corporation ("STP") or prime-1 by NCO/Moody's Commercial Paper Division of Moody's Debt Participants Service, Inc., or equivalent ratings of the successor of either of them, or (iii) certificates of deposit or banker's acceptances of domestic banks having total assets in excess of \$1,000,000,000 and which has outstanding at least one issue of securities rated in at least one of the three highest categories by STP or Moody's Investors Service Inc., in each case maturing in not more than 95 days from the date of such investment.

Whenever any Unit shall suffer a Casualty Occurrence after the final payment of rent in respect thereof is due and has been paid pursuant to Section 3 hereof and before (a) such Unit shall have been returned in the manner provided in Section 14 hereof and (b) the storage period therein provided with respect to such Unit shall have expired, the Lessee shall promptly (as provided above) and fully notify the Lessor and the Owner (and, if any of the Certificates is outstanding, the Security Trustee) with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall, except as otherwise provided in Section 13 hereof, be an amount equal to the last Casualty Value for such Unit shown on Schedule C hereto. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), the Lessor shall be entitled to recover possession of such Unit.

In the event of the requisition (other than a requisition which constitutes a Casualty Occurrence) for use by the Government of any Unit during the term of this Lease, all of the Lessee's obligations (including, without limitation, the obligation to pay rent) under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of the term of this Lease, the Lessee shall be obligated to

return such Unit to the Lessor pursuant to Section 11 or 14 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease, but the Lessee shall in all other respects comply with the provisions of said Section 11 or 14, as the case may be, with respect to such Unit. All payments received by the Lessor or the Lessee from the Government for the use of such Unit in respect of the term of this Lease shall be paid over to, or retained by, the Lessee, provided no Event of Default or Default shall have occurred and be continuing; and all payments received by the Lessor or the Lessee from the Government for the use of such Unit in respect of the period after the term of this Lease shall be paid over to, or retained by, the Lessor.

The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence, or any component thereof, at the best price obtainable on an "as is, where is" basis and the Lessee shall notify the Lessor, the Owner and the Security Trustee prior to any such sale. Provided that the Lessee has previously paid the Casualty Value to the Lessor or has effected substitution for such Unit and provided no Event of Default or Default shall have occurred and be continuing, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit plus the Lessee's out-of-pocket expenses in connection with such sale and any excess shall be paid to the Lessor. The Lessee will pay all costs and expenses in connection with the sale of any Unit pursuant to a Casualty Occurrence. The Lessee shall be entitled to credit against the Casualty Value payable in respect of any Unit permanently returned to the Builder pursuant to any patent indemnity provision of the Purchase Agreement an amount equal to any net patent indemnity payment in respect of such Unit made by the Builder to the Lessor.

Except as hereinabove in this Section 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence or other damage to or destruction or loss of any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times prior to the return of the Equipment to the Lessor, at its own expense, cause to be carried and maintained (and shall furnish to the Lessor, the Owner and the Security Trustee an insurer's or broker's certificate evidencing) property insurance and public liability insurance in respect of the Units at the time

subject hereto, in amounts (subject to customary deductibles) and against risks customarily insured against by the Lessee on locomotives owned or leased by the Lessee but in any event consistent with prudent industry standards. Any policies of insurance carried in accordance with this paragraph, including, without limitation, liability insurance obtained after the date hereof, shall in effect name the Lessor (in its individual and trust capacity), the Owner and the Security Trustee as additional insureds as their respective interests may appear and shall provide for 30 days' prior written notice to the Lessor, the Owner and the Security Trustee of any material change or cancellation, shall provide in effect that losses are payable notwithstanding, among other things, any act or negligence of the Lessee, the Lessor, the Owner or the Security Trustee, more hazardous use or occupation of the Units than that permitted by such policies, any breach or violation by the Lessee, the Lessor, the Owner or the Security Trustee of any warranty, declaration, condition or other provision contained in any such policy, or foreclosure, notice of sale or any other proceeding in respect of the Units, or any change in the title to or ownership of any of the Units, if and to the extent that such provisions are available at commercially reasonable rates. If the Lessor shall receive any property insurance proceeds or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee's having made payment of the Casualty Value in respect of such Unit and provided no Event of Default or Default shall have occurred and be continuing, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to such Unit paid by the Lessee and any balance of such proceeds or condemnation payments shall remain the property of the Lessor. Provided no Event of Default or Default shall have occurred and be continuing, all insurance proceeds received by the Lessor from the Lessee's property insurance coverage in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired.

Nothing herein shall be construed to prohibit the Lessor, the Owner or the Security Trustee from carrying any insurance on the Equipment for its own benefit; provided, however, that any such insurance shall not require any premiums to be paid by the Lessee nor shall any such insurance require the Lessee to carry additional insurance not specifically required of the Lessee herein.

In the event that the Lessee shall, in its reasonable judgment evidenced by a resolution of its Board of Directors, determine that one or more of the Units have become economically obsolete in the Lessee's business or shall be surplus to its requirements or it is not feasible to comply with the provisions of the second paragraph of Section 9 hereof with respect thereto, the Lessee shall have the right, on at least 180 days' (and not more than 360 days') prior irrevocable written notice to the Lessor, the Owner and the Security Trustee, to terminate this Lease as to such Units as of the succeeding Rental Payment Date specified in such notice (hereinafter called the "Termination Date"); provided, however, that (i) the Termination Date shall not be earlier than January 1, 1999, (ii) no Event of Default or Default shall have occurred and be continuing (other than pursuant solely to a violation of the second paragraph of Section 9 hereof) and (iii) on the Termination Date each such Unit shall be in the same condition as if redelivered pursuant to Section 14 hereof. During the period from the date of termination notice until the fifth business day preceding the Termination Date, the Lessee shall use its best efforts to, and each of the Lessor and the Owner may if it so chooses, obtain bids for the purchase of all such Units, and the Lessee shall at least five business days prior to the Termination Date certify to the Lessor and the Owner the amount of each such bid and the name and address of the party submitting such bid. On the Termination Date the Lessor may elect to sell all such Units for cash to the bidder (who shall not be the Lessee or any affiliate thereof) who shall have submitted the highest bid prior to the Termination Date. The total sale price realized at any such sale shall be retained by the Lessor and on the Termination Date the Lessee shall pay to the Lessor (a) the excess, if any, of the Casualty Value for each such Unit computed as of such date over the sale price of such Unit after the deduction of all expenses incurred by the Lessor in connection with the sale, (b) the premium, if any, required to be paid by the Lessor under the Equipment Trust Agreement in respect of such termination and (c) the rental payment due on the Termination Date. The Lessor may, however, by irrevocable written notice to the Lessee given prior to the Termination Date, elect to retain all such Units, in which case (1) the Lessee shall pay to the Lessor (a) the excess, if any, of the Casualty Value for each such Unit computed as of the Termination Date over the assumed net sales value of each such Unit (as determined by mutual agreement or by an appraisal agreed to by the Owner and the Lessee), (b) the premium, if any, required to be paid by the Lessor under the Equipment Trust Agreement in respect of

such termination and (c) the rental payment due on the Termination Date and (2) the Lessee shall deliver all such Units to the Lessor in accordance with the provisions of Section 14 hereof.

Section 8. Reports and Inspection. On or before March 31 in each year, commencing with 1993, the Lessee will furnish to the Lessor, the Owner and the Security Trustee an accurate statement (i) 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 a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor, the Owner or the Security Trustee may reasonably request, and (ii) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by Section 5 hereof have been preserved or replaced. In addition, within 30 days following the renewal date of any insurance coverage hereunder, the Lessee shall so furnish a verification or certification of insurance coverage from the Lessee's insurer or independent broker stating the amounts of such insurance in effect and the amounts of deductibles. The Lessor, the Owner or the Security Trustee, at its sole cost and expense, shall have the right by its agents to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor, the Owner or the Security Trustee may request during the continuance of this Lease, but neither the Lessor nor the Owner nor the Security Trustee shall have any obligation to do so. The Lessee shall promptly notify the Lessor, the Owner and the Security Trustee of any material changes or any material proposed changes of which the Lessee has knowledge in its insurance coverage in effect with respect to the Units pursuant to Section 7 hereof.

The Lessee shall promptly notify the Lessor, the Owner and the Security Trustee of any occurrence of an Event of Default or Default, specifying such Event of Default or Default and the nature and status thereof.

Section 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. NEITHER THE LESSOR NOR THE OWNER NOR THE SECURITY TRUSTEE MAKES, HAS MADE NOR SHALL BE DEEMED TO MAKE, ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF,

OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS OR ANY COMPONENT DELIVERED TO THE LESSEE HEREUNDER, AND NEITHER THE LESSOR NOR THE OWNER NOR THE SECURITY TRUSTEE MAKES ANY WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR AS TO THE LESSEE'S RIGHT TO QUIET ENJOYMENT THEREOF (EXCEPT, IN THE CASE OF THE LESSOR, AS TO ACTS OF THE LESSOR), OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT OR ANY COMPONENT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as among the Lessor, the Owner, the Security Trustee and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder of the Units; provided, however, that if at any time a Default or Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. Neither the Lessor nor the Owner nor the Security Trustee shall have any responsibility or liability to the Lessee or any other Person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, subleasing, servicing, maintenance, repair, improvement or replacement of any Units. The acceptance of any Unit by the Lessee under Section 2 hereof shall be conclusive evidence as between the Lessee and the Lessor (but not as between any party and any such manufacturer) that such Unit is in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor or the Owner or the Security Trustee based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor, the Owner and the Security Trustee, at all times to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which operations involving the Units extend, with the interchange rules of

the Association of American Railroads (which term shall include any successor organization thereof), to the extent applicable, and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units (all such laws and rules to such extent being hereinafter called the "Applicable Laws"), and in the event that, prior to the expiration of the term of this Lease, any Applicable Law requires any alteration, replacement, addition or modification of or to any part on any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any Applicable Law in any reasonable manner which does not, in the opinion of the Lessor, the Owner or the Security Trustee, adversely affect the property or rights of the Lessor, the Owner or the Security Trustee under this Lease or the Equipment Trust Agreement. The Lessee, at its own cost and expense, may furnish other additions, modifications and improvements (including, without limitation, any special devices, assemblies or racks at any time attached or affixed to any Unit, the cost of which is not included in the Purchase Price of such Unit and which are not required for the operation or use of such Unit by the United States Department of Transportation, the Interstate Commerce Commission or any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over such Unit) (collectively "Additions") to the Units as the Lessee may deem desirable in the proper conduct of its business so long as such Additions shall not be inconsistent with the continuing operation of the Units, shall not diminish the value, utility or condition of the Units below the value, utility and condition thereof immediately prior to the making of such Additions, assuming the Units were then in the condition required to be maintained by the terms of this Lease, and shall not render the Units ineligible for interchange service under the rules of the Association of American Railroads to the extent applicable. Title to all Parts (as herein below defined) incorporated in or installed as part of the Units shall without further act vest in the Lessor in the following cases: (i) such Part is in replacement of or in substitution for, and not in addition to, any Part originally incorporated in or installed as part of a Unit at the time of the acceptance thereof hereunder or any Part in replacement of, or in substitution for, any such original or replaced or substituted Part; (ii) such Part is required to

be incorporated in or installed as part of the Units pursuant to the provisions of the first paragraph of Section 7 hereof or the first sentence of this paragraph; or (iii) such Part cannot be readily removed from the Unit to which it relates without material damage thereto and without diminishing or impairing the value or utility which such Unit shall have had at such time had such alteration or addition not occurred. In all other cases, if no Event of Default or Default shall have occurred and be continuing, title to Parts incorporated in or installed as parts of the Units as a result of such alterations or additions shall vest in the Lessee and may be removed by the Lessee at any time during the term of this Lease and prior to the return of the Units to the Lessor pursuant to Section 14 hereof. The term "Part" for the purposes of this paragraph shall mean any appliance, part, instrument, accessory, furnishing or other equipment of any nature which may from time to time be incorporated in or installed as part of any Unit.

The Lessee agrees to indemnify, protect and hold harmless each Indemnified Person from and against all losses, damages, injuries, liabilities, claims (including, without limitation, claims for strict liability in tort and claims based on the passive or active negligence of an Indemnified Person) and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, the annual fees, costs and disbursements of the Lessor and the Security Trustee, and patent, trademark or copyright liabilities, penalties and interest, arising out of or alleged to arise out of or as the result of the entering into or the performance of, or the occurrence of a default, a Default or an Event of Default under the Equipment Trust Agreement, the Participation Agreement, the Indemnity Agreement, this Lease, the Lease Assignment or any sublease entered into pursuant to Section 12 hereof, the ownership of any Unit, the ordering, acquisition, replacement, operation, use, condition (including any latent or patent defects in any Unit), purchase, delivery, rejection, storage or return of any Unit or any accident resulting in damage to or loss of property or injury or death to any Person in connection with, or alleged to have occurred in connection with, the ordering, acquisition, replacement, operation, use, condition, purchase, delivery, possession, storage or return of any Unit (except as otherwise expressly provided in Section 14 of this Lease), the transfer of title to the Equipment by the Lessor or the Security Trustee pursuant to any provisions of this Lease or by the Security Trustee pursuant to any provision of the Equipment Trust Agreement or the alleged

Security Trustee and furnish copies thereof to each thereof upon request) any and all reports (other than tax returns, except as otherwise provided in Section 6 hereof) to be filed by the Lessor, the Owner or the Security Trustee with any Federal, state or other regulatory authority by reason of the ownership by the Lessor of the Units or the leasing thereof to the Lessee or the security interest of the Security Trustee.

None of the indemnities in this Section 9 shall be deemed to create any rights of subrogation, from or under any Indemnified Person, in any insurer or third party against the Lessee or the Lessor therefor, whether because of any claim paid or defense provided for the benefit thereof or otherwise. The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee of the payment of any installments of principal or interest payable under the Certificates or a guarantee of the residual value of the Units. The indemnities contained in this Section 9 shall survive the expiration or termination of this Lease and return of the Units as provided in Section 11 or 14 hereof with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination and are expressly made for the benefit of, and shall be enforceable by, any Indemnified Person.

Upon the payment in full of any indemnities as contained in this Section 9 by the Lessee, and provided that no Event of Default or Default shall have occurred and be continuing (i) the Lessee shall be subrogated to any right of such Indemnified Person (except against another Indemnified Person) in respect of the matter against which indemnity has been given and (ii) any payments received by such Indemnified Person from any Person (except the Lessee) as a result of any matter with respect to which such Indemnified Person has been indemnified by the Lessee pursuant to this Section 9 shall be paid over to the Lessee to the extent necessary to reimburse the Lessee for indemnification payments previously made in respect of such matter.

All the terms and provisions of the Indemnity Agreement are hereby incorporated by reference in this Lease as if set forth in full at this place.

Section 10. Event of Default. If, during the continuance of this Lease, one or more of the following

Security Trustee and furnish copies thereof to each thereof upon request) any and all reports (other than tax returns, except as otherwise provided in Section 6 hereof) to be filed by the Lessor, the Owner or the Security Trustee with any Federal, state or other regulatory authority by reason of the ownership by the Lessor of the Units or the leasing thereof to the Lessee or the security interest of the Security Trustee.

None of the indemnities in this Section 9 shall be deemed to create any rights of subrogation, from or under any Indemnified Person, in any insurer or third party against the Lessee or the Lessor therefor, whether because of any claim paid or defense provided for the benefit thereof or otherwise. The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee of the payment of any installments of principal or interest payable under the Certificates or a guarantee of the residual value of the Units. The indemnities contained in this Section 9 shall survive the expiration or termination of this Lease and return of the Units as provided in Section 11 or 14 hereof with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination and are expressly made for the benefit of, and shall be enforceable by, any Indemnified Person.

Upon the payment in full of any indemnities as contained in this Section 9 by the Lessee, and provided that no Event of Default or Default shall have occurred and be continuing (i) the Lessee shall be subrogated to any right of such Indemnified Person (except against another Indemnified Person) in respect of the matter against which indemnity has been given and (ii) any payments received by such Indemnified Person from any Person (except the Lessee) as a result of any matter with respect to which such Indemnified Person has been indemnified by the Lessee pursuant to this Section 9 shall be paid over to the Lessee to the extent necessary to reimburse the Lessee for indemnification payments previously made in respect of such matter.

All the terms and provisions of the Indemnity Agreement are hereby incorporated by reference in this Lease as if set forth in full at this place.

Section 10. Event of Default. If, during the continuance of this Lease, one or more of the following

events (each such event being herein sometimes called an "Event of Default") shall occur:

(A) default shall be made in the payment of any rent due hereunder and such default shall continue for five days or default shall be made in the payment of any other amount due hereunder and such default shall continue for ten days; provided, however, that a default in the payment of any amount due under the Indemnity Agreement shall only be a default hereunder if the Owner gives written notice thereof;

(B) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease or of its leasehold interest in the Units hereunder; or the Lessee shall make or permit any unauthorized use or transfer of the possession of any Unit and shall fail to recover such Unit within 30 days;

(C) the Lessee shall fail to maintain (i) the public liability insurance coverage required by Section 7 hereof or (ii) the property insurance coverage required by Section 7 hereof and if and only if such failure was caused by a reason other than the failure of the Lessee to pay premiums and the Lessee is diligently attempting to remedy the same, such failure shall continue for 20 days;

(D) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained in or contemplated by this Lease and the Participation Agreement (other than as described in clause (C), in the Indemnity Agreement or in the last paragraph of Section 9 hereof), and such default shall continue for 30 days after the earlier of (i) knowledge of such Default by a Responsible Officer of the Lessee or (ii) written notice from the Lessor, the Owner or the Security Trustee to the Lessee specifying the default and demanding that the same be remedied (Responsible Officer shall mean the Senior Vice President-Finance and Accounting, the Treasurer, the Vice President or the Assistant Vice President-Motive Power or any other officer whose position and responsibilities require that such officer know the requirements of this Lease);

(E) any representation or warranty made by the Lessee herein or in the Participation Agreement or in any other agreement, document or certificate delivered by the Lessee in connection herewith or therewith

(other than the Indemnity Agreement) shall prove to have been incorrect in any material respect when made or given, shall remain material when discovered and the Lessee, within 30 days of such discovery, shall not remedy the situation so that such representation or warranty and any reports and financial statements referred to therein shall be accurate as originally made and such inaccuracy shall not have materially and adversely affected the Lessor, the Owner, the Security Trustee or the holders of Certificates or shall otherwise be satisfactory to the Lessor, the Owner and the Security Trustee;

(F) a petition for reorganization under Title 11 of the United States Code, as now constituted or as may hereafter be amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease, the Participation Agreement and the Indemnity Agreement shall not have been or shall not continue thereafter to be duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed and otherwise in accordance with the provisions of 11 U.S.C. Section 1168, or any successor provision; or

(G) any other proceeding shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder, under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit the liquidation of the Lessee or any readjustments of the obligations of the Lessee hereunder or under the Participation Agreement), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all such obligations shall not have been or shall not continue thereafter to be duly assumed in writing pursuant to a court order or decree, by a trustee or trustees or

receiver or receivers appointed (whether or not subject to ratification) for the Lessee, or for the property of the Lessee, in connection with any such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced;

then, in any such case, the Lessor, at its option, may do any one or more of the following:

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

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; the Lessor may by its agents, subject to compliance with all mandatory requirements of law, enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; the Lessor shall, nevertheless, have a right to recover from the Lessee damages for the breach of the covenants hereof and any Event of Default and any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period [based on a 360 day year] by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain for future rents and not as a penalty whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to (A) the excess of the present value, at the time of such termination, of the entire unpaid balance of all

rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over (B) the present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period (such present value to be computed in each case on the basis of a 7% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated) or (y) an amount equal to the excess, if any, of the Casualty Value of such Unit as of the Rental Payment Date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the net sales value of such Unit at such time (after deduction of all estimated expenses of such sale); provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clause (y) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain for future rents and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the Rental Payment Date on or next preceding the date of termination, over the net proceeds of such sale.

The Lessor may collect, receive and apply to the obligations of the Lessee hereunder any proceeds from the use or sublease of the Units or other proceeds from or with respect to the Units and any amounts held by the Lessor pending substitution for Units having suffered a Casualty Occurrence. In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred in the enforcement of this Lease or by reason of the occurrence of any Default or Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

Each of the foregoing amounts payable by the Lessee shall bear interest ("Overdue Rate") at the higher of (a) the rate payable with respect to amounts overdue on the Certificates and (b) the prime rate of interest per annum announced by Chemical Bank from time to time in effect (regardless of whether such bank actually charges such rate

to any customer) plus 3.5% per annum from the date such amount was due hereunder to the date of payment thereof, in either case to the extent permitted by law.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf. The Lessee hereby waives any and all claims against the Lessor, the Owner and the Security Trustee and their agent or agents for damages of whatever nature in connection with any retaking of any Unit in any reasonable manner.

No failure to exercise, and no delay in exercising, any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, or the exercise of any other right, power or privilege.

The parties hereto intend that the Lessor, and the Security Trustee as assignee of the Lessor, shall be entitled to the protection afforded a lessor under Section 1168 of the United States Bankruptcy Code.

Section 11. Return of Units upon Event of Default.
If this Lease shall terminate pursuant to Section 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Except as hereinafter provided, each Unit so delivered shall be in the condition required by the first paragraph of Section 7 hereof. For the purpose of delivering possession, the Lessee shall:

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

storage tracks of the Lessee or any of its affiliates as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for insurance (which shall conform to the provisions of Section 7 hereof), rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and

(c) transport the same to any place on the lines of railroad operated by the Lessee or any of its affiliates or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and, upon application to any court having jurisdiction, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. Except as hereinafter provided, during any storage period, the Lessee will, at its own expense, maintain and keep the Equipment in the condition required by the first paragraph of Section 7 hereof and will permit the Lessor or any Person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of any such Unit, to inspect the same. All rent earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor.

Without in any way limiting the foregoing obligations of the Lessee under this Section 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whosoever shall be in possession of such Unit at the time.

Section 12. Assignment; Possession and Use. This Lease shall be assignable by the Lessor to any successor Lessor which may be appointed pursuant to Article IX of the Trust Agreement. All the rights of the Lessor hereunder shall inure to the benefit of the Lessor's successors and assigns.

So long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions hereof and of the Participation Agreement and the Indemnity Agreement and (iii) the Security Trustee is entitled to apply the rents and other payments in accordance with the Equipment Trust Agreement, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease. Without the prior written consent of the Lessor, the Owner and the Security Trustee, the Lessee may not sublease any Unit, except that, subject to the conditions of the preceding sentence, the Lessee may sublease (which sublease by its terms shall be subject and subordinate to this Lease and the rights and remedies of the Lessor, the Owner and the Security Trustee hereunder) the Units to, or permit their use by, a railroad company incorporated in the United States of America (or any State thereof or the District of Columbia) upon lines of railroad owned or operated by the Lessee or by a railroad company or companies incorporated in the United States of America (or any State thereof or the District of Columbia) or over which the Lessee or such railroad company or companies have trackage rights or rights for operation of their trains or over which their equipment is regularly operated pursuant to contract, and upon the lines of railroad of connecting and other carriers in the usual interchange of traffic or in through or run-through service, but only upon and subject to all the terms and conditions of this Lease; provided, however, that (a) the Lessor's, the Owner's and the Security Trustee's consent, not to be unreasonably withheld, must be obtained for any sublease that, taken together with all renewal terms provided for therein, would be longer than six months during any period of 12 consecutive months and (b) and the requirement of section 4.13 of the Participation Agreement shall have been complied with.

The Lessee shall not use, sublease or permit the sublease or use of any Unit in service involving operation or maintenance outside the United States of America except that occasional service in Canada shall be permitted so long as such service in Canada is on a temporary basis which is not expected to exceed a total of 90 days in any taxable year of the Owner. The foregoing limitations shall not prohibit occasional use of a Unit in run-through service in Mexico if and so long as (i) such service in Mexico is on a temporary basis which is not expected to exceed a total of 90 days in any taxable year of the Owner, (ii) not more than 10% of the Units are in service in Mexico at any one time (except that there shall be no percentage limitation if Mexican law, in the opinion of counsel (which counsel and which opinion shall be satisfactory to the Security

Trustee and the Owner Trustee), shall be changed to provide for the effective protection of interests in railroad equipment and if all steps shall have been taken to accomplish such protection of the interests of the Security Trustee and the Owner Trustee) and (iii) such use shall not, in the opinion of counsel reasonably satisfactory to the Lessor and the Security Trustee, impair the interests of the Lessor or the Security Trustee in such Unit. The Lessee shall not sublease to or permit the sublease or use of any Unit by any Person in whose hands such Unit would qualify as tax-exempt use property under Section 168(g) of the Internal Revenue Code of 1986, as amended to the date hereof. No such assignment or sublease shall relieve the Lessee of its obligations hereunder, which shall be and remain those of a principal and not a surety.

Nothing in the second paragraph of this Section 12 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any railroad corporation incorporated under the laws of the United States of America or any State thereof or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder and under the Participation Agreement and the Indemnity Agreement) into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all the lines of railroad of the Lessee; provided, however, that the Lessee is not in default under any provision of this Lease or the Participation Agreement or the Indemnity Agreement immediately before the effectiveness of such merger, consolidation, lease or acquisition and that such assignee, lessee or transferee, immediately after the effectiveness of such merger, consolidation, lease or acquisition (i) will have a net worth of not less than the net worth of the Lessee immediately before such effectiveness, (ii) will not be in default under any provision of this Lease or the Participation Agreement or the Indemnity Agreement and (iii) will make representations of similar scope and tenor as the Lessee made in item (k) of Section 2.1 of the Participation Agreement.

The Lessee will not create or suffer to exist and as soon as possible, at its own expense, will cause to be duly discharged, any lien, charge, security interest or other encumbrance (except any sublease as aforesaid and other than an encumbrance created by the Lessor, the Owner, the Security Trustee or any Debt Participant which is not contemplated by this Lease, the Participation Agreement or the Equipment Trust Agreement or results from claims against the Lessor, the Owner, the Security Trustee or any

Debt Participant not related to the ownership or leasing of, or the security interest of the Security Trustee in, the Units) which may at any time be imposed on or with respect to any Unit including any Addition, Part or accession thereto or the interest of the Lessor, the Owner, the Security Trustee or any Debt Participant therein; except that this covenant will not be breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent and any lien of any mortgage or security agreement of the Lessee that may attach to the Lessee's leasehold interest in and to the Units and shall, in accordance with the terms of such instruments, be subordinate to the interests of the Lessor hereunder and of the Security Trustee under the Equipment Trust Agreement (collectively, the "Permitted Liens"); and the Lessee shall be under no obligation to discharge any such lien, charge, security interest or encumbrance so long as it is diligently contesting the same in good faith and by appropriate legal proceedings and the failure to discharge the same does not, in the opinion of the Lessor, the Owner and the Security Trustee, adversely affect the title, property or rights of the Lessor, the Owner or the Security Trustee.

Section 13. Right of Renewal; Purchase Option. Provided that this Lease has not been earlier terminated and no Event of Default or Default exists, the Lessee may, by irrevocable written notice delivered to the Lessor not less than 180 days (nor more than 360 days) prior to the end of the original term of this Lease, elect to extend the term of this Lease in respect of not less than seven of the Units then subject to this Lease, either (a) for a period acceptable to both the Owner and the Lessee at the Fair Market Rental (as hereinafter defined) payable in semiannual payments on the dates on which such rentals were payable for such Units in each year of the original term or (b) for a period of one to seven years, so long as such renewal period, when added to the interim Lease term and the base Lease term, does not exceed 80% of the estimated useful life of such Units as determined by a reappraisal of the Equipment at the time of such renewal and provided that such reappraisal confirms that at the end of such renewal term the residual value of such Units can be expected to be at least 20% of the Purchase Price (determined after eliminating any inflation or deflation since the date of the purchase thereof), at rentals equal to 75% of the average rentals paid during the original term of this Lease payable in semiannual payments on the dates on

which such rentals were payable for such Units in each year of the original term. The Casualty Values of each such Unit on the first day of the renewal term shall be equal to the greater of (a) the Fair Market Purchase Price (as hereinafter defined) of such Unit on such date and (b) the present value as of such date of all rentals payable during such renewal term, discounted at a rate of 7% per annum, compounded semiannually, from the respective dates upon which such rentals are payable hereunder; and thereafter such Casualty Values shall be reduced on a straight-line basis (computed on the basis of a 360-day year of twelve 30-day months over the estimated remaining useful life of such Unit which shall, if not agreed upon by the Owner and the Lessee, be determined by appraisal consistent with the procedure hereinafter set forth) for the remainder of such renewal term, all as determined by the procedures hereinafter established.

Provided that this Lease has not been earlier terminated and no Event of Default or Default exists, the Lessee may by irrevocable written notice delivered to the Lessor not less than 180 days (nor more than 360 days) prior to the end of the original term or the renewal term, if elected, of this Lease elect to purchase not less than seven of the Units then subject to this Lease at a Fair Market Purchase Price payable in immediately available funds on the expiration of the original term or renewal term, as the case may be. Upon payment of the Fair Market Purchase Price of any Unit pursuant to such exercise by the Lessee of its right to purchase such Units, the Lessor shall execute and deliver to the Lessee, or upon request of the Lessee, to the Lessee's assignee or nominee, a bill of sale (without warranties except as hereinafter provided in this sentence) for such Units such as will transfer to the Lessee title to such Units free and clear of all claims, liens, security interests and other encumbrances created by or arising through the Lessor or the Owner, other than claims, liens, security interests and encumbrances which the Lessee is obligated to pay or discharge under or pursuant to this Lease. Such bill of sale shall be accompanied by an opinion of Lessor's legal counsel to the effect that the Lessor is authorized to complete such transaction and that the bill of sale is effective to accomplish that which is set forth therein.

The Fair Market Rental and Fair Market Purchase Price shall be determined on the basis of, and shall be equal in amount to, the cash rental, or the purchase price (as of such date as the context herein requires), as the

case may be, which would obtain in an arm's-length transaction between an informed and willing lessee or purchaser, as the case may be, and an informed and willing lessor or seller, as the case may be (other than a lessee currently in possession), under no compulsion to lease or sell, as the case may be, but there shall be excluded from such determination any rental or purchase value attributable to additions, modifications and improvements which the Lessee is entitled to remove pursuant to Section 9 hereof and without consideration of the Lessee's purchase or renewal option; provided, however, that Fair Market Rental shall be determined on the basis of the term and other terms and conditions of the lease being considered. In making such determination, costs of removal from the location of current use shall not be a deduction from such rental or purchase price and it shall be assumed that the Units have been collected in one place on the lines of the Lessee as directed by the Lessor. If, after 20 days from the giving of notice by the Lessee of the Lessee's election to extend the term of this Lease or the giving of notice by the Lessee that it intends to purchase Units, as aforesaid, the Owner and the Lessee are unable to agree upon a determination of the Fair Market Rental or Fair Market Purchase Price of the Units, such rental or purchase price shall be determined in accordance with the foregoing definition by the following procedure: If either the Owner or the Lessee shall have given written notice to the other requesting determination of such rental or purchase price by this appraisal procedure, such parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 15 business days after such notice is given, each such party shall appoint an independent appraiser within 20 business days after such notice is given, and the two appraisers so appointed shall within 25 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 25 business days after such notice is given, either such party may request the American Arbitration Association to make such appointment, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Rental or the Fair Market Purchase Price, as the case may be, of the Units then to be appraised, within 30 days after his or their appointment. If such parties shall have appointed a single appraiser or if either such party shall have failed to appoint an appraiser, the determination of Fair Market Rental or Fair Market Purchase Price, as the case may be, of the single appraiser appointed shall be final. If three

appraisers shall be appointed, the determination of the appraiser which differs most from that of the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding as the Fair Market Rental or Fair Market Purchase Price, as the case may be. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Rental or Fair Market Purchase Price, as the case may be, and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. Except as otherwise provided herein, the Lessee and the Owner shall equally share all appraisal procedure expenses.

Section 14. Return of Units upon Expiration of Term. As soon as practicable on or after the expiration of the original or any renewal term of this Lease with respect to any Unit and in any event within 60 days thereof, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit (if not purchased by the Lessee) to the Lessor upon such storage tracks of the Lessee as the Lessee may reasonably designate and as shall be acceptable to the Lessor at a location east of the Missouri River and permit the Lessor to store such Unit on such tracks for a period not exceeding 90 days following notification to the Lessor by the Lessee that 80% of the Units have been assembled and delivered for storage (or, with respect to any Unit not delivered at the time of such notification, 90 days following notification from the Lessee to the Lessor that such Unit has been delivered for storage) and upon not less than 30 days prior written notice from the Lessor to the Lessee, transport the same, at any time within such 90-day period but not more than one time, to any reasonable place on the lines of railroad operated by the Lessee, or to any connecting carrier for shipment, all as reasonably directed by the Lessor and as acceptable to the Lessee, the movement and storage of such Units to be at the expense and risk of the Lessee (which shall during such period maintain the insurance required by Section 7 hereof); and in the event that any Unit shall suffer a Casualty Occurrence during such storage period, the Lessee shall pay the Lessor the Casualty Value thereof as provided in Section 7 hereof. During any such storage period the Lessee will permit the Lessor, the Owner, the Security Trustee or any Person designated by any of them, including the authorized

representatives of any prospective purchaser, lessee or user of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of willful misconduct, negligence or strict liability of the Lessee or of its employees or agents, for any injury to, or the death of, any Person exercising, on behalf of either the Lessor, the Owner, the Security Trustee or any prospective purchaser, lessee or user, such rights of inspection. Except as hereinafter provided in this Section 14, each Unit returned to the Lessor pursuant to this Section 14 shall (except for additions, modifications and improvements which the Lessee is entitled to remove and does remove pursuant to Section 9 hereof) be in the condition required by the first sentence of Section 7 hereof. The assembling, delivery, storage and transporting 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, the Lessor shall be entitled to a decree against the Lessee requiring specific performance thereof. During any storage period, the Lessee will, at its own expense, maintain and keep the Units (except for additions, modifications and improvements which the Lessee is entitled to remove and does remove pursuant to Section 9 hereof) in the condition required by the first sentence of Section 7 hereof. Notwithstanding anything to the contrary contained in this Section 14, the Lessee shall have no obligation under clauses (b) through (d) of the first sentence of Section 7 hereof after return of a Unit upon expiration of the original or any renewal term of this Lease or with respect to a termination of the nature described in the last paragraph of Section 7 hereof. All rent earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. If any Unit is not returned on a date within 30 days of the expiration of the original or any renewal term of this Lease, the Lessee will pay to the Lessor as rental for such Unit from such date until such Unit is returned an amount equal to (a) the average semiannual rental payment payable with respect to such Unit during the original term hereof times (b) a fraction the numerator of which is the actual number of days from such date until the return of such Unit and the denominator of which is 180. Concurrently with each delivery of a Unit to the Lessor hereunder, the Lessee will deliver to the Lessor all records in its possession relating to the repair and maintenance history of such Unit, including without limitation all logs, schedules and computer data relating to such history of the type maintained in the ordinary course of business of the Lessee with respect to locomotives owned

or leased by the Lessee. After the 90-day storage period described above, the Lessee will store any such Unit at the risk of the Lessor and at then prevailing storage rates for 180 days or for such longer period as the parties may agree.

Section 15. Recording. The Lessee, at its own expense, will cause the Equipment Trust Agreement, this Lease, the Lease Assignment any other assignment and any supplement intended to implement a substitution of a Unit pursuant to Section 7 hereof to be filed in accordance with 49 U.S.C. Section 11303 and deposited with the Registrar General of Canada (and notice of such deposit to be given forthwith in The Canada Gazette) pursuant to Section 90 of the Railway Act of Canada. The Lessee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor, the Owner or the Security Trustee for the purpose of proper protection, to their satisfaction, of the Lessor's, the Owner's and the Security Trustee's respective rights in the Units, or for the purpose of carrying out the intention of this Lease; and the Lessee will promptly furnish to the Lessor, the Owner and the Security Trustee evidence of all such filing, registering, depositing, recording and other acts which may be required under this Section 15, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Lessor, the Owner and the Security Trustee. This Lease shall be filed with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

Section 16. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rent or other obligation due hereunder or under the Indemnity Agreement shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount on the overdue rentals and other obligations for the period of time during which they are overdue at the Overdue Rate.

Section 17. Notices. All communications and notices provided for herein shall be in writing and shall become effective when delivered by mail, by hand or by any

other means of communication of written notice, addressed as follows:

(a) if to the Lessor, at 777 Main Street, Hartford, Connecticut 06115, Attention of Corporate Trust Administration, with copies to the Owner at its address set forth in clause (c) below;

(b) if to the Lessee, at One North Western Center, 165 N. Canal Street, Chicago, Illinois 60606, Attention of Vice President-Finance;

(c) if to the Owner, at 1600 Summer Street, 6th Floor, Stamford, Connecticut 06927-4000, Attention of Manager-Operations, Transportation Financing with a separate copy to the attention of each of Investment Officer-Rail Component and Contracts Administration-Rail Component; and

(d) if to the Security Trustee, at One New York Plaza, New York, N.Y. 10081, Attention of Corporate Trust Administration;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. Copies of each such notice shall be given to the Security Trustee at the address set forth in clause (d).

Section 18. Severability; Effect and Modification of Lease; Third-Party Beneficiaries. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

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

Nothing in this Lease shall be deemed to create any right in any Person not a party hereto (other than the Owner, the Security Trustee, the Debt Participants and their permitted successors and assigns), and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of a third party except as aforesaid.

The parties hereto intend this instrument to be a true lease and that the rights conferred upon the Lessee in the Units are only a leasehold interest for the term of this Lease.

Section 19. Immunities. Anything herein to the contrary notwithstanding, each and all of the representations, warranties, undertakings and agreements herein made on the part of the Lessor are made and intended not as personal representations, warranties, undertakings and agreements by The Connecticut National Bank nor for the purpose or with the intention of binding it personally but are made and intended for the purpose of binding only the Trust Estate as such term is defined in the Trust Agreement, and this Lease is executed and delivered by the said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of willful misconduct or gross negligence by said bank, no personal liability or personal responsibility is assumed hereunder by or shall at any time be enforceable against the said bank, on account of any representation, warranty, undertaking or agreement hereunder of the Lessor, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived by the Lessee and by all Persons claiming by, through or under the Lessee; provided, however, that the Lessee or any Person claiming by, through or under it, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

Section 20. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Security Trustee shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. It shall not be necessary that any counterpart be signed by both parties hereto so long as each party hereto shall have executed and delivered one counterpart hereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates shown below their signatures.

Section 21. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. Section 11303 and such additional rights arising out of the filing or deposit hereof, if any, and of any assignment hereof and any markings on the Units as shall be conferred by the laws of the several jurisdictions in which this Lease or any assignment hereof shall be filed or deposited.

Section 22. Lessor's Right To Perform. If the Lessee fails to perform or comply with any of its agreements contained herein, the Lessor, the Owner or the Security Trustee may (but shall have no obligation to do so) upon notice to the Lessee, and without releasing the Lessee from any of its obligations hereunder, perform or comply with such agreement, and the amount of the reasonable costs and expenses (including reasonable counsel fees, if any) incurred in connection with such performance or compliance, together with interest on such amount at the Overdue Rate, shall be payable by the Lessee upon demand. No such performance or compliance by the Lessor, the Owner or the Security Trustee shall be deemed a waiver of any rights and remedies

against the Lessee hereunder nor be deemed to cure any default by the Lessee hereunder.

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

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY,

by John E Voldseth

Name: John E Voldseth
Title: Vice President-Finance

THE CONNECTICUT NATIONAL BANK,
not individually but solely as
Trustee,

by

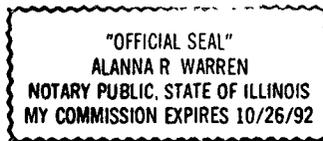
P. G. Kane, Jr
Name: **P. G. KANE, Jr**
Title: Vice President

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

On this 16th day of July, 1991, before me personally appeared John E. Voldseth, to me personally known, who, by me being duly sworn, says that he is a Vice President-Finance of Chicago and North Western Transportation Company, and that the foregoing 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
Notary Public

My commission expires



NEW YORK
STATE OF CONNECTICUT)
NEW YORK) SS.:
COUNTY OF HARTFORD)

On this day of July, 1991, before me personally appeared P. G. KANE Jr., to me personally known, who, by me being duly sworn, says that he is a Vice President of The Connecticut National Bank, and that the foregoing instrument was signed on behalf of said bank 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 bank.

Dina Pierattini
Notary Public

My commission expires

DINA PIERATTINI
Notary Public, State of New York
No. 4269511
Qualified in New York County
Commission Expires September 9, 1992

Description of Equipment

- 35 General Electric Corporation model Dash 8-40C diesel electric locomotives bearing road numbers of the Lessee 8543 through 8577, both inclusive.

Schedule B
to
Lease

Rent Schedule

<u>Payment Date (1)</u>	<u>Amount</u>
Jan 1 1992	0.00000000%
Jul 1 1992	6.39484677%
Jan 1 1993	3.17200000%
Jul 1 1993	6.39484677%
Jan 1 1994	3.17200000%
Jul 1 1994	6.39484677%
Jan 1 1995	3.17200000%
Jul 1 1995	6.39484677%
Jan 1 1996	3.17200000%
Jul 1 1996	6.39484677%
Jan 1 1997	3.17200000%
Jul 1 1997	6.39484677%
Jan 1 1998	3.17200000%
Jul 1 1998	6.48644502%
Jan 1 1999	3.08040174%
Jul 1 1999	6.66118736%
Jan 1 2000	2.90565940%
Jul 1 2000	9.77610573%
Jan 1 2001	9.45857492%
Jul 1 2001	2.23423779%
Jan 1 2002	9.82920955%
Jul 1 2002	1.86360317%
Jan 1 2003	10.23787396%
Jul 1 2003	1.45493875%
Jan 1 2004	10.68847030%
Jul 1 2004	1.00434242%
Jan 1 2005	11.18530108%
Jul 1 2005	0.50751163%
Jan 1 2006	11.48355375%
Jul 1 2006	0.00000000%
Jan 1 2007	11.69281271%
Jul 1 2007	0.00000000%
Jan 1 2008	11.69281271%
Jul 1 2008	0.00000000%
Jan 1 2009	11.69281271%
Jul 1 2009	0.00000000%

(1) Rental Payments commencing January 1, 2001 are in advance.

Schedule of Casualty Values

<u>Settlement Date</u>	<u>Casualty Value (1)</u>
Aug 30 1991	101.50000000%
Jul 1 1992	105.43882305%
Jan 1 1993	107.74581520%
Jul 1 1993	106.67836462%
Jan 1 1994	108.45041217%
Jul 1 1994	106.91073632%
Jan 1 1995	108.26533138%
Jul 1 1995	106.35112680%
Jan 1 1996	107.36834126%
Jul 1 1996	105.13409075%
Jan 1 1997	105.81788967%
Jul 1 1997	103.23253130%
Jan 1 1998	103.54659120%
Jul 1 1998	100.50035850%
Jan 1 1999	100.63986772%
Jul 1 1999	97.20928564%
Jan 1 2000	97.41714541%
Jul 1 2000	90.81872774%
Jan 1 2001	93.74051468%
Jul 1 2001	86.95936427%
Jan 1 2002	87.53430319%
Jul 1 2002	80.27941192%
Jan 1 2003	81.14982491%
Jul 1 2003	73.39967897%
Jan 1 2004	74.62190382%
Jul 1 2004	66.35308725%
Jan 1 2005	67.99207713%
Jul 1 2005	59.18175645%
Jan 1 2006	61.31227273%
Jul 1 2006	52.17938260%
Jan 1 2007	54.83146823%
Jul 1 2007	45.12573759%
Jan 1 2008	47.39881010%
Jul 1 2008	37.29601992%
Jan 1 2009	39.15117517%
Jul 1 2009	28.60829139%
Jan 1 2010	30.00000000%

(1) Commencing July 1, 2006, values associated with each July 1 settlement date assume the Lessor retains the annual rental payment made on the preceding January 1.

Schedule of Rebuild/Replacement
Termination Values

<u>Termination Date</u>	<u>Rebuild/Replace Termination Value (1)</u>
Jan 1 2007	66.50000000%
Jul 1 2007	57.97906306%
Jan 1 2008	61.22498335%
Jul 1 2008	52.08934816%
Jan 1 2009	54.98929786%
Jul 1 2009	45.48752680%
Jan 1 2010	47.50000000%
Jul 1 2010	47.28571429%
Jan 1 2011	46.57142858%
Jul 1 2011	45.85714287%
Jan 1 2012	45.14285716%
Jul 1 2012	44.42857145%
Jan 1 2013	43.71428574%
Jul 1 2013	43.00000003%
Jan 1 2014	42.28571432%
Jul 1 2014	41.57142861%
Jan 1 2015	40.85714290%
Jul 1 2015	40.14285719%
Jan 1 2016	39.42857148%
Jul 1 2016	38.71428577%
Jan 1 2017 and thereafter	38.00000000%

(1) Values associated with each July 1 termination date assume the Lessor retains the annual rental payment made on the preceding January 1.