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November 30, 1993

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INTERSTATE COMMERCE COMMISSION

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

Dear Secretary Strickland:

I have enclosed an original and three certified copies of the document described below, to be recorded pursuant to 49 U.S.C. § 11303.

The document is a Restated and Amended Locomotive Lease Agreement, dated as of September 24, 1993, a secondary document. The primary documents to which this document is connected are recorded under Recordation Nos. 8409 and 18324. We request that the Locomotive Lease Agreement be recorded under Recordation Nos. 8409-L and 18324-~~B~~.C

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

Lessor:

GATX Third Aircraft Corporation
Four Embarcadero Center
Suite 2200
San Francisco, CA 94111

Lessee:

California Northern Railroad Company Limited Partnership
1470 Railroad Avenue
St. Helena, CA 94574

A description of the equipment covered by the Restated and Amended Locomotive Lease Agreement consists of 14 GP15-1 locomotives numbered CNRR 100-113, inclusive (formerly numbered CNW 4411-4424, inclusive, respectively) and two SD9 locomotives numbered CNRR 200 and 201 (formerly numbered DM&IR 138 and 156, respectively).

A fee of $36.00 is enclosed. Please return the original and one certified copy to:

Louis E. Gitomer
Taylor, Morell & Gitomer
Suite 210
919 18th Street, N.W.
Washington, DC 20006

A short summary of the document to appear in the index follows: a Restated and Amended Locomotive Lease Agreement between GATX Third Aircraft Corporation, Four Embarcadero Center, Suite 2200, San Francisco, CA 94111, and California Northern Railroad Company Limited Partnership, 1470 Railroad Avenue, St. Helena, CA 94574, covering 14 GP15-1 locomotives numbered CNRR 100-113, inclusive (formerly numbered CNW 4411-4424, inclusive, respectively) and two SD9 locomotives numbered CNRR 200 and 201 (formerly numbered DM&IR 138 and 156, respectively).

Very Truly Yours,

Louis E. Gitomer

Enclosure

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INTERSTATE COMMERCE COMMISSION

[LESSOR'S COPY]

RESTATED AND AMENDED LOCOMOTIVE LEASE AGREEMENT

RESTATED AND AMENDED LOCOMOTIVE LEASE AGREEMENT, dated as of September 24, 1993, between California Northern Railroad Company, L.P., a California limited partnership ("Lessee"), and GATX Third Aircraft Corporation, a Delaware corporation ("Lessor"). Any reference to this "Lease" or this "Agreement" shall refer to this Locomotive Lease Agreement and, when the context so requires, each Acceptance Notice (as defined below) hereto.

The parties hereto agree as follows:

SECTION 1

DELIVERY AND LEASE OF UNITS; TERM

1.1 Lessor shall lease to lessee not less than 10 of the locomotives described generally in Schedule 1 hereto and more particularly in the applicable Acceptance Notice (each a "Unit" and collectively, the "Units"), and Lessee shall lease not less than 10 of such Units from Lessor beginning on the Delivery Date (as defined below) of each such Unit. Lessor shall use reasonably diligent efforts to deliver to Lessee as soon as practicable all Units listed in Schedule 1 hereto, and Lessee shall lease from Lessor all such Units beginning on the Delivery Date of such Units. The period from each such Delivery Date to earlier of (i) the first day of the month next following the Delivery Date of the last Unit to be leased hereunder or (ii) December 1, 1993 (such date being called the "Commencement Date") shall be the "Interim Term." The basic term of the Lease (the "Basic Term") shall begin on the Commencement Date and end on the last day of the sixty-fourth (64th) month after the Commencement Date (the Interim Term, the New Regulation Renewal Term (as defined in Section 6.2 below), if any, and the Basic Term shall herein collectively be called the "Term"). Any Unit delivered and accepted after the Commencement Date shall commence its Basic Term on its Delivery Date and end its Term on the expiration date of the Term with respect to the other Units subject to this Lease.

1.2 (a) Lessee and Lessor agree that the GP15-1 Units will be repaired and painted at VMV Enterprises, Inc. and that the SD9 Units will be repaired and painted at Independent Locomotive Service, Inc. (such repair facilities being collectively called, the "Repair Shops"). Lessee and Lessor shall have the opportunity during such repair and painting, to the extent permitted by the Repair Shops, to be present at the Repair Shops and to inspect the Units and the work thereon.

Lessee shall not be required to accept any Unit that does not conform to (i) the warranties of Lessor under the Parts Warranty (as defined in Section 3.4 below) and/or (ii) the Shop Acceptance Condition set forth in the "Shop Acceptance Notice" in the form (with blanks to be completed) of Exhibit A hereto (the "Shop Acceptance Notice"). If any Unit is not ready for Lessee to inspect for the purpose of issuing the Shop Acceptance Notice by November 30, 1993 (the "Cut-off Date"), then Lessee may elect on 5 days prior written notice to Lessor specifying the Cut-off Date in such notice, to terminate its obligation under Section 1.1 hereof to accept and lease any Unit which is not ready for such inspection until after such Cut-off Date. Lessee shall use reasonably diligent efforts in good faith to deliver a Shop Acceptance Notice to Lessor as soon as practicable with respect to all Units in the Repair Shop. Subject to Section 3.1 below, delivery of a Shop Acceptance Notice with respect to a Unit shall be binding on Lessee for all purposes from and after the date thereof and shall not be subject to review or change on the applicable Delivery Date of such Unit or otherwise.

1.3 Lessee shall accept each Unit in writing on the date of delivery (the "Delivery Date") pursuant to a "Delivery Acceptance Notice" substantially in the form of Exhibit A-1 hereto (each an "Acceptance Notice"). The Units shall be delivered by Lessor, subject to Section 1.2 above, at Lessor's expense and risk, to Lessee at the appropriate "Delivery Location" set forth on Schedule 1 hereto.

1.4 This Lease may not be terminated by Lessee for any reason whatsoever except as expressly provided in this Agreement, including Sections 1.2 and 6.2 (e) hereof. To the extent permitted by applicable law, Lessee hereby waives any right which it may now have or hereafter acquire to terminate or cancel this Lease or to surrender any of the Units during the Term.

1.5 Nothing contained in this Lease shall be deemed to limit Lessee from availing itself of any warranty, covenant or representation of any vendor, manufacturer or supplier of any Unit or any component part thereof, and all claims and causes of action which Lessor may have against vendors, manufacturers or suppliers in connection with any Unit, to the extent assignable, are hereby assigned by Lessor to Lessee, and Lessor shall permit Lessee to prosecute any such claim or cause of action, at Lessee's sole expense; provided, however, that Lessee must obtain Lessor's prior written consent to any action against the Repair Shops or in Lessor's name and furnish Lessor an indemnity in connection therewith and participation therein as shall be required by Lessor. Such assignment shall forthwith be terminated on receipt by Lessee of any notice of an Event of Default from Lessor, and Lessee shall cooperate fully with Lessor from and after such notice to allow Lessor to claim the proceeds or other benefit of any pending claim or action as directed by Lessor.

1.6 THIS LEASE SHALL BE EFFECTIVE ON THE EXECUTION AND DELIVERY HEREOF BY LESSEE; subject, however, to the satisfaction of the conditions set forth in Schedule 2 hereto.

SECTION 2

RENTAL PAYMENTS; DELIVERY OF UNITS

2.1 Lessee shall pay Lessor monthly rent, in arrears, with respect to each Unit, in the applicable amount set forth in Schedule 1 hereto during the Term, beginning as of the Delivery Date of such Unit. The rent payable during the Basic Term, the Interim Term, any New Regulation Renewal Term and any holdover period described in Section 8.4 below shall collectively or individually, as the context requires, be called the "Rent". All Rent shall be paid at the offices of Lessor described in Section 13.1 hereof.

2.2 (a) Rent payments due with respect to the Interim Term (the "Interim Rent") for each Unit delivered under this Lease shall be due and payable in arrears, with respect to each Unit, on the first day of each month beginning with the first day of the month next following the month in which the Delivery Date of such Unit occurs. Such Rent shall continue until (but exclude) the Commencement Date. Rent shall be calculated for any partial month for each Unit (i) by dividing the full monthly Rent applicable to a Unit by 30 and (ii) multiplying such amount by the number of days from and including the Delivery Date for such Unit to (but excluding) the first day of next month. Beginning on the Commencement Date, Rent shall be due and payable in arrears, on the first day of each calendar month and shall continue through and including the last month of the Term.

(b) Lessor shall use reasonable efforts to invoice Lessee each month for the Rent due hereunder. However, Lessee's nonreceipt of an invoice shall not relieve Lessee of its obligation to make any Rent payment payable hereunder when due.

(c) This is a net lease. Lessee's obligation to pay Rent and all other amounts payable under this Lease shall be absolute and unconditional and shall not be affected by, and such payment shall be made without abatement, suspension, deferment or diminution by reason of any circumstance or occurrence whatsoever including, without limitation, any offset, counterclaim, recoupment, defense or other right which Lessee may now or hereafter have against Lessor or any person controlled by it, in control of it, or under common control with it, directly or indirectly, or any assignee of Lessor.

(d) Lessor may, in its sole discretion, terminate its obligation herein to deliver any Unit hereunder or sell any Unit to Lessee under Section 12 hereof at any time if: (i) any Event of Default exists, or (ii) if any condition in this Lease is not satisfied by the applicable Delivery Date.

(e) Lessee waives any and all rights and remedies conferred upon Lessee by the California Uniform Commercial Code ("UCC") Sections 10508 through 10522, including (without limitation) Lessee's rights to (i) cancel or repudiate this Lease, (ii) except

as provided in Section 1 above, reject or revoke acceptance of the Units, (iii) except for any actual damages for breach of a warranty or covenant by Lessor expressly set forth in this Lease, recover damages from Lessor for breach of warranty or covenant or for any other reason, (iv) claim a security interest in any rejected property in Lessee's possession or control, (v) deduct from Rent payments all or any part of any claimed damages resulting from Lessor's default under this Lease, (vi) except as provided in Section 1 above, accept partial delivery of the Units, (vii) "cover" by making any purchase or lease of other property in substitution for property due from Lessor, (viii) except as provided in clause (iii) above, recover from the Lessor any general, special, incidental or consequential damages for any reason whatsoever, and (ix) except as provided in Sections 1.5 and 3.3 hereof, seek specific performance, replevin or the like for any of the Units.

2.3 If any Rent or other payment hereunder is not paid when due, Lessee shall pay interest thereon at a rate equal to (i) the higher of (A) 10% per annum or (B) the rate of interest publicly announced by First National Bank of Chicago, Chicago, Illinois, or its successor, as its prime rate, as such rate may change from time to time (the "Prime Rate"), plus 3%, or (ii) if lower than the rate determined under clause (i), the highest rate permitted by applicable law. In the event Lessee pays any interest under this Lease and it is determined that the rate of such interest is in excess of the then legal maximum rate, then that portion of the interest payment representing an amount in excess of the then legal maximum rates shall be deemed a payment of Rent obligations under this Lease.

SECTION 3

REPRESENTATIONS AND WARRANTIES OF LESSOR

3.1 Lessor represents and warrants that (a) it has the lawful right to lease the Units to Lessee in accordance with the terms hereof; and (b) notwithstanding the execution of the Shop Acceptance Notice, on the Delivery Date of a Unit, such Unit shall be in serviceable condition, free of broken, damaged or missing parts and meet all applicable rules and safety standards prescribed the Federal Railroad Administration ("FRA") rules and regulations in effect on such Delivery Date.

3.2 THE LEASE OF EACH UNIT IS "AS IS, WHERE IS." THE WARRANTIES SET FORTH IN SECTIONS 3.1, 3.3 AND 3.4 HEREOF ARE EXCLUSIVE AND IN LIEU OF ALL OTHER WARRANTIES OF LESSOR WHETHER WRITTEN, ORAL OR IMPLIED, AND LESSOR SHALL NOT BY VIRTUE OF HAVING LEASED THE UNITS BE DEEMED TO HAVE MADE ANY OTHER REPRESENTATION OR WARRANTY. EXCEPT AS EXPRESSLY PROVIDED IN THIS SECTION 3, LESSEE ACKNOWLEDGES AND AGREES THAT: (A) LESSOR IS NOT A MANUFACTURER OF OR A DEALER IN PROPERTY OF SUCH KIND AS THE UNITS; (B) LESSOR HAS NOT MADE, AND DOES NOT HEREBY MAKE, ANY REPRESENTATION, WARRANTY OR COVENANT WITH RESPECT TO THE

DESIGN, OPERATION, MERCHANTABILITY, DESCRIPTION, CONDITION, QUALITY OR DURABILITY OF THE UNITS, THEIR SUITABILITY FOR THE PARTICULAR PURPOSES AND USES OF LESSEE, THE PRESENCE OR ABSENCE OF ANY DEFECTS (WHETHER LATENT OR PATENT), THE POSSIBLE INFRINGEMENT OF ANY PATENT OR TRADEMARK, OR ANY OTHER REPRESENTATION, WARRANTY OR COVENANT OF ANY KIND OR CHARACTER, EXPRESS OR IMPLIED, WITH RESPECT TO THE UNITS; AND (C) LESSOR SHALL NOT BE LIABLE TO LESSEE FOR ANY LIABILITY, CLAIM, LOSS, DAMAGE OR EXPENSE OF ANY KIND OR NATURE CAUSED, DIRECTLY OR INDIRECTLY, BY ANY UNIT OR ANY INADEQUACY THEREOF FOR ANY PURPOSE, ANY DEFICIENCY OR DEFECT THEREIN, THE USE OR MAINTENANCE THEREOF, ANY REPAIRS, SERVICING OR ADJUSTMENTS THERETO, OR ANY INTERRUPTION OR LOSS OF SERVICE OR USE THEREOF OR ANY LOSS OF BUSINESS OR FOR ANY DAMAGE WHATSOEVER OR HOWSOEVER CAUSED, as all such risks are to be borne by Lessee. Lessor makes no representation as to the treatment of this Lease, the Units or the Rent for financial reporting or tax purposes. Except as otherwise expressly provided in this Section 3, Lessee hereby waives any claim Lessee may have or acquire in the future against Lessor for any loss, damage or expense caused by any Unit or any defect therein or the use or maintenance thereof.

3.3 Lessor represents that except as provided in this paragraph, no other party has any rights arising by, through or under Lessor that might affect Lessee's sole possession and peaceful enjoyment of the Units. If Lessor subjects any of the Units to a mortgage, deed of trust, equipment trust, pledge or assignment or similar security arrangement, hereinafter jointly referred to as the "Instrument", Lessor will advise Lessee as contemplated by Section 5.4 below. Lessor will give Lessee notice if the holder of the Instrument asserts that Lessor is in default of the Instrument if such default in any manner results in a third party attempting to acquire title to or possession of the Units.

3.4 Lessor hereby provides the parts warranty set forth in Schedule 3 hereto (the "Parts Warranty"). Except as expressly stated in the Parts Warranty, the Units shall in all respects be subject to all the limitations and provisions of this Section 3. Prior to making any claim against Lessor under the Parts Warranty, Lessee shall make claims against the appropriate Repair Shop or parts suppliers to the extent any warranty extended to Lessor and assigned to Lessee under Section 1.5 above applies to Lessee's claims.

SECTION 4

REPRESENTATIONS AND WARRANTIES OF LESSEE

Lessee represents and warrants as of the date hereof that:

4.1 Lessee is a limited partnership duly registered and validly existing under the laws of the State of California.

4.2 Lessee has the full power, authority and legal right to execute and deliver this Lease and each document, notice, agreement or instrument executed pursuant hereto (sometimes collectively called the "Operative Documents") and perform the terms hereof and thereof. This Lease has been, and each other Operative Document to which Lessee is a party, on execution thereof will be, duly authorized, executed and delivered and constitutes or will constitute, as the case may be, the valid and binding obligations of Lessee enforceable in accordance with its terms.

4.3 Neither the execution and delivery of this Lease nor the performance of the terms hereof by Lessee contravene any law, regulation, judgment, order or permit affecting Lessee or result in any breach of, or constitute an event of default under, any contract, agreement or other instrument to which Lessee or any of its affiliates is a party or by which Lessee or any such affiliates or any of its or their properties may be bound.

4.4 No consent of the general or limited partners or the trustee or holder of any indebtedness or obligation of Lessee is a condition to the performance of the terms hereof by Lessee or the validity of this Lease or any other Operative Document to which Lessee is a party.

4.5 No notice to, filing with, or approval of, any governmental agency or commission is or will be required for the performance of the terms hereof and of each any other Operative Document to which Lessee is a party by Lessee or for the validity or enforceability of this Lease or such other Operative Document (other than recordings with the Interstate Commerce Commission (the "ICC").

4.6 There is no action or proceeding pending or, insofar as Lessee knows, threatened against Lessee or any of its affiliates before any court or administrative agency which might have a materially adverse effect on the business, condition or operations of Lessee or the performance by Lessee of the terms of this Lease or any other Operative Document.

4.7 No one acting by, through or under Lessee will have or be entitled to a lien, mortgage, charge, encumbrance, security interest or other adverse claim on or in respect of any Unit or this Lease (individually a "Lien" and collectively "Liens").

SECTION 5

POSSESSION AND USE OF UNITS; MARKINGS; ASSIGNMENT; SUBLEASE

5.1 At all times during the Term, title to the Units shall be vested in Lessor

to the exclusion of Lessee, and the delivery of the Units to Lessee and Lessee's possession thereof shall constitute a letting only.

5.2 Lessee shall not directly or indirectly, create or incur or suffer to be created or incurred or to exist any Lien of any kind on any Unit (other than Liens which Lessee is contesting in good faith and for which reserves approved by Lessor have been set aside on Lessee's books and records) or on any of its rights under this Lease, and if any such Lien shall come to exist, Lessee shall, at its sole cost and expense, promptly remove the same and provide Lessor such written evidence of such removal as Lessor may reasonably request.

5.3 Lessee shall not add, remove or alter the current reporting marks or identification on the Units.

5.4 Lessee acknowledges and agrees that Lessor may, subject to the terms of this Lease, including, without limitation, Section 3.3 above, sell, assign, grant a security interest in, or otherwise transfer all or any part of its rights, title and interest in this Lease and the Equipment. Upon Lessor's written notice, Lessee shall, if requested, pay directly to such assignee without abatement, deduction or set-off all amounts which become due hereunder. Lessee waives and agrees it will not assert against such assignee any counterclaim or set-off in any action for Rent under the Lease. Such assignee shall have and be entitled to exercise any and all rights and remedies of Lessor hereunder, and all references herein to Lessor shall include Lessor's assignee. Lessee acknowledges that such a sale, assignment, grant or transfer would neither materially change the Lessee's duties nor materially increase the burdens or risks imposed on the Lessee under this Lease. **LESSEE MAY NOT, WITHOUT LESSOR'S PRIOR WRITTEN CONSENT, (i) SUBLEASE, TRANSFER, DISPOSE OF OR ASSIGN ITS RIGHTS IN RESPECT OF ANY UNIT OR ITS OBLIGATIONS UNDER THIS LEASE** (except to a successor in interest to all or substantially all of the business of Lessee to which the Unit relates, provided, that such successor has a net worth and financial condition greater than or equal to that of Lessee at the time of execution of this Lease as determined in good faith by Lessor prior to such transfer), OR (ii) **ASSIGN, GRANT A SECURITY INTEREST IN, OR OTHERWISE TRANSFER ALL OR ANY PART OF ITS RIGHTS, TITLE AND INTEREST IN AND TO THIS LEASE OR THE EQUIPMENT.**

SECTION 6

MAINTENANCE OF, AND IMPROVEMENT TO, UNITS; INSPECTION; RECORDS

6.1 (a) Lessee shall, at its sole cost and expense, maintain the Units in serviceable condition, free of broken, damaged or missing parts, suitable for the commercial use originally intended, substantially in the same condition as when received by Lessee, normal wear and tear excepted, and meeting (i) the applicable standards as prescribed by

the rules and regulations in effect during the Term of any governmental authority with jurisdiction, including, without limitation, the FRA, and (ii) the maintenance requirements of the manufacturer currently applicable to such Units.

(b) Lessee shall at its own expense enter into a spectrographic lubricating oil analysis program with a laboratory acceptable to Lessor. Lessee shall obtain Lessor's written approval of such a laboratory for each Unit within 20 days after the Delivery Date of such Unit. Samples of diesel engine crankcase oil and cooling water and air compressor oil for each Unit shall be submitted by overnight courier or first class mail to the laboratory not less than every 30-days after the Delivery Date of such Unit. Analysis reports indicating (i) abnormal concentrations of wear metals in the diesel engine or air compressor or (ii) an insufficient amount of treatment chemicals or (iii) any presence of oil in the cooling water shall be furnished by telecopy to Lessor, Attention: Rail Group, at (415) 955-3418 (or if such telecopy number is unavailable, at the telecopy number set forth in Section 13 below) and to Lessee as soon as the laboratory releases its results. All other laboratory reports shall be sent to Lessor by first class mail to its address set forth in Section 13 below. Lessee shall promptly take all action recommended by the laboratory and/or the manufacturer of the Unit based on (or set forth in) the laboratory reports. Lessee shall maintain written records of such actions and provide true copies thereof to Lessor on Lessor's request.

6.2 (a) Lessee agrees to comply, at its sole cost and expense, with all applicable laws, regulations, directives, statutes, ordinances and rules, including, without limitation, the laws, rules and regulations of the FRA, the ICC and the laws, rules and regulations of the Environmental Protection Agency (and state or other agencies serving a similar purpose) with respect to the use, ownership, leasing, operation and maintenance of each Unit (such environmental laws, rules, regulations of such agencies being herein called the "Environmental Laws"). If any Part (as defined below), equipment or appliance in or on any Unit is altered, added to, replaced, changed or otherwise modified (each, a "Modification" or collectively, "Modifications") on any Unit in order to comply with any such laws, regulations, directives, statutes, ordinances or rules, including, without limitation, Environmental Laws, Lessee shall make such Modifications at its own cost and expense (except as provided in this Section 6.2) and notwithstanding any other provision of this Lease, title thereto shall thereupon immediately vest in Lessor.

(b) If any Environmental Law is promulgated (or exists) during the Interim Term or the Basic Term and Modifications made solely to comply therewith will impose an aggregate annual, out-of-pocket cost per Unit on Lessee in excess of the amount set forth below opposite the applicable year of the Term, Lessor shall, on written request of Lessee and subject to the Section 6.2(c) below, reimburse Lessee for Lessee's out-of-pocket costs in excess of such compliance costs ("Excess Environmental Costs").

Basic Lease Term Year	Maximum Lessee Cost Per Unit
1 and Interim Term	$10,000
2	$ 8,000
3	$ 6,000
4 and thereafter	$ 5,000

(c) Lessor shall be obligated to pay the Excess Environmental Costs only if all of the following have occurred to Lessor's satisfaction: (i) Lessor shall have received all necessary corporate approvals to make such investment; (ii) Lessee and Lessor shall have agreed in writing prior to Lessor incurring any Excess Environmental Cost to a renewal of this Lease, in mutually satisfactory form and substance, with respect to the affected Units for a term (a "New Regulation Renewal Term") and at a Rent which will allow Lessor to earn an acceptable return under then current market conditions on Lessor's existing and new investments in the Units as determined by Lessor in its sole discretion; and (iii) no Event of Default or any event, which with the lapse of time or notice, or both, would become an Event of Default, shall exist at any time on or prior to the date of any reimbursement by Lessor to Lessee under this Section 6.2. Lessee shall provide Lessor with a work plan at least 180 days prior to the date ("Environmental Compliance Date") compliance with the Environmental Law is required for Lessor's approval; and Lessor shall have approved such work plan prior to beginning any work on the affected Unit. Notwithstanding the foregoing, in the event that an Environmental Law becomes effective on less than 180 days' notice to Lessee and Lessor, Lessee shall provide Lessor with a work plan as many days prior to the effective date of the Environmental Law as is practicable under the circumstances. Lessee shall provide detailed evidence in form and substance satisfactory to Lessor of all expenses incurred with respect to each Unit after Lessor approves such work plan and, after completing the required Modifications, of Lessee's full and timely compliance with the applicable Environmental Law. Lessor shall reimburse Lessee within 30 days after Lessor shall have met the requirements of this Section 6.2(c) and Section 6.2(b) above.

(d) If Lessor and Lessee do not satisfy the requirements of Section 6.2(c) above within sufficient time to allow timely compliance with the Environmental Law, as determined by Lessor in its sole discretion, Lessor may terminate this Lease with respect to the affected Units by giving written notice of termination no earlier than 180 days prior to the Environmental Compliance Date and no later than the Environmental Compliance Date. Upon such termination, Lessee shall return the Units to Lessor in accordance with Section 8 of this Lease. On or prior to any such termination date, Lessee shall have (A) paid Lessor all sums due hereunder as of such date, including, without limitation, Rent to (but excluding) such termination date, and (B) satisfied all other obligations to Lessor under the Operative Documents. On meeting the requirements of the preceding sentence, this Lease shall terminate with respect to the affected Units.

(e) Provided no Event of Default, or any event which with the lapse of time or notice, or both, would become an Event of Default, shall exist, Lessee may, on written notice to Lessor given not less than 120 days and not more than 150 days prior to the applicable Environmental Compliance Date, terminate this Lease on the Environmental Compliance Date with respect to the Units which are required to be modified to comply the related Environmental Law; provided, however, that in cases in which an Environmental Law becomes effective on less than 120 days' notice, Lessee shall have a reasonable amount of research time (not to exceed 10 days from obtaining notice of the Environmental Law) within which to provide notice of termination and Lessee shall do so as promptly as practicable. However, such early termination shall be permitted only if all of the following requirements shall be met on or prior to such termination date: (i) Lessor shall not have terminated this Lease with respect to any affected Unit(s) pursuant to Section 6.2(d) above; (ii) Lessor and Lessee shall not have agreed on a New Regulation Renewal Rent as contemplated under Section 6.2(c)(ii) by a date that complies with the notice requirements of the preceding sentence; (iii) Lessee shall return the Units to Lessor in accordance with Section 8 of this Lease on or before such termination date; (iv) Lessee shall have paid Lessor all sums due hereunder as of such date, including, without limitation, Rent to (but excluding) such termination date; and (v) Lessee shall have satisfied all other obligations to Lessor under the Operative Documents. On meeting the requirements of this Section 6.2, this Lease shall expire and terminate as to the affected Units. Lessee acknowledges that Lessor shall not be required to agree to any New Regulation Renewal Rent until Lessor shall have received the corporate approvals it requires for such a renewal and the payment of the Excess Environmental Costs.

(f) If neither Lessor nor Lessee exercise their respective termination rights in a timely manner under this Section 6.2, this Lease shall continue in effect until the expiration of the Term and Lessee shall comply with Section 6.2(a) above subject only to the limitations on the costs of compliance with the applicable Environmental Law set forth in Section 6.2(b) above.

6.3 Lessee shall not use, operate or permit any Unit to be used or operated in an improper or unsafe manner, in violation of any contract of insurance applicable to the Unit or in violation of any applicable law, regulation, directive, statute, ordinance or rule or manufacturers' warranty, including, without limitation, any Environmental Law (as defined in Section 7.2(a) below).

6.4 Lessee shall pay for any and all materials and other supplies required for the operation of the Units.

6.5 Lessee shall keep and maintain and make available to Lessor on reasonable notice all records of Lessee's use, operation, inspection, repairs and maintenance of the Units. Lessee shall perform such maintenance and inspections as may be necessary to complete properly and on a timely basis Form FRA F6180-49 A (or successor form), commonly known as the "Blue Card" (the "Blue Card"), and at all times retain in the cab of

each Unit the original Blue Card for inspection by Lessor and the FRA. Lessor may inspect any Unit at any reasonable time on request to Lessee.

6.6 (a) Lessee may make Modifications to the Units with parts and materials in good operating condition necessary to the continued use by Lessee of the Units for their original intended purpose; provided, however, that Lessee shall seek Lessor's prior written consent to any such Modifications with an installation cost exceeding $500 per Unit or requiring more than 10 labor hours. No other Modifications shall be made without Lessor's prior written consent, except to comply with Sections 6.1 and 6.2 hereof.

(b) Lessee may remove from any Unit any part, addition, accession or other improvement (individually a "Part" and collectively "Parts") installed by Lessee on any Unit if all of the following requirements are met: (i) the Part is not required to maintain such Unit in accordance with Sections 6.1 and 6.2 hereof; (ii) the Part may be removed without damage to such Unit; (iii) the Part was not installed on the affected Unit at the Delivery Date thereof; and (iv) the removal of the Part does not materially reduce the value, utility, marketability or residual value of such Unit in Lessor's reasonable judgment (which judgment Lessee shall request in writing before removing any Part). Lessee shall retain title to such Parts in compliance with this Section 6.6(b). Lessee shall not remove any other Part to effect Modifications without Lessor's prior written consent. Title to all other Parts (including any Parts not removed from a Unit on return thereof to Lessor) shall irrevocably vest in Lessor when added to or made a part of any Unit or on such return, as the case may be, without any cost or expense to Lessor. Title to bad order parts not covered by the Parts Warranty removed from Units during maintenance and/or repairs shall immediately vest in Lessee. On the expiration or termination of the Term, if Lessee removes any Part, Lessee shall perform such repairs as are required to bring Unit(s) back to the same condition as when they were accepted by Lessee on the Delivery Date of the affected Unit, normal wear and tear excepted, in the areas affected by such Parts.

6.7 During any period in which a Unit is not operating, Lessee shall store each Unit in accordance with manufacturer's recommendations. In any case, when storing any Unit Lessee shall (a) cover the exhaust stacks in order to protect them from water, sand, dirt, or other potentially harmful substances, (b) completely drain the water from such Unit in order to prevent freeze damage, and (c) ensure the batteries do not freeze or crack.

SECTION 7

INDEMNIFICATION; TAXES

7.1 Lessee shall indemnify, reimburse and hold Lessor and its successors, assigns, agents and employees harmless from and against all liabilities, costs, taxes, expenses (including attorneys' fees and expenses), fines, penalties (and other charges of applicable governmental authorities), damages to property of Lessee or others (including, without

limitation, consequential damages), loss of use of property (including, without limitation, any Unit) or injury to or death of persons, including, without limitation, agents and employees of Lessee (each a "Claim") which result from the use, leasing, ownership, operation, possession, replacement, maintenance, control, storage, loading, unloading, delivery, redelivery or condition of any Unit from the Delivery Date of such Unit hereunder until redelivery of such Unit to Lessor in accordance with Section 8 hereof. The foregoing indemnity shall cover, without limitation, (i) any Claim in connection with a design or other defect (latent or patent) in any Unit (to the extent not covered by the Parts Warranty), (ii) any Claim resulting from the presence on or under or the escape, seepage, leakage, spillage, discharge, emission or release from any Unit of any Hazardous Materials (as defined in Section 7.2 below), including, without limitation, any Claims asserted or arising under any Environmental Law (as defined in Section 7.2 below), or (iii) any Claim for negligence or strict or absolute liability in tort; provided, however, that Lessee shall not indemnify Lessor for any liability incurred by Lessor as a direct and sole result of Lessor's gross negligence or willful misconduct. Upon Lessor's written demand, Lessee shall assume and diligently conduct, at its sole cost and expense, the entire defense of Lessor and its agents, employees, successors and assigns against any indemnified Claim described in this Section 7. Lessee shall not settle or compromise any Claim against or involving Lessor without first obtaining Lessor's written consent thereto, which consent shall not be unreasonably withheld.

7.2 For purposes of this Lease, the following capitalized terms shall have the following meanings:

(a) "Environmental Law" means the Resource Conservation and Recovery Act of 1987, the Comprehensive Environmental Response, Compensation and Liability Act, and any other Federal, state or local statute, law, ordinance, code, rule, regulation, order or decree (in each case having the force of law) regulating or imposing liability or standards of conduct concerning any Hazardous Materials as now or at any time hereafter in effect.

(b) "Hazardous Material" means any hazardous or toxic substance, material, pollutant or other hazardous, toxic or dangerous waste, constituent, or other substance, whether solid, liquid or gas, which is, or during the Term may be, regulated by any Federal, state or local governmental authority.

7.3 Lessee shall be responsible for payment of all local, state, and federal taxes (other than net income taxes of Lessor) and other fees or assessments imposed upon or with respect to Lessee's acceptance, possession, lease, or return of the leased Units (collectively, "Taxes"), together with any applicable penalties, fines or interest. Taxes which are applicable or levied with respect to a period prior to a Unit's Delivery Date shall be prorated between the Lessor and Lessee. Although Lessee has no obligation to contest any Taxes, Lessee may do so provided that: (a) Lessee does so in its own name and at its own expense unless it is necessary to join Lessor in the contest or bring the contest in Lessor's

name; (b) the contest does not and will not result in any Lien attaching to any Unit or otherwise jeopardize Lessor's rights to any Unit; and (c) Lessee indemnifies Lessor for all expenses (including legal fees and costs), liabilities and losses that Lessor incurs as a result of any such contest. Lessee does not warrant, or indemnify Lessor against the loss of, the availability of cost recovery deductions, tax credits or other tax benefits associated with Lessor's ownership of the Units.

7.4 The foregoing indemnities shall continue in full force and effect, notwithstanding the expiration or termination of this Lease.

SECTION 8

RETURN OF UNITS

8.1 On the expiration or termination of the Term, Lessee shall assemble all the Units at one safe and accessible location on the lines of the Lessee. Lessee shall return all records to Lessor referred to in Section 6.5 above, including, without limitation, a copy of the front and back sides of the then current Blue Card for each Unit. Lessee shall, at its sole expense and risk, store such Units at such location for up to 90 days from the date the last Unit arrives for storage. During such storage period, Lessee shall adequately cover the exhaust stacks, keep cab and carbody windows and doors closed, and protect the batteries, engine, air compressor, radiators, fuel pre-heater, lubricating oil cooler and cab heaters and associated piping from freeze damage. At any time during such storage period, and thereafter until Lessee gives Lessor at least 5 days notice to the contrary, Lessee shall provide, at its sole risk and expense, transportation of the Units from its tracks to the "Redelivery Locations" set forth on Schedule 1 hereto.

8.2 Lessor and Lessee shall jointly inspect the fully assembled Units during the first 30 days of commencement of such storage period. During such inspections, Lessee and Lessor shall ensure that each Unit (a) complies with the standards set forth in Sections 6.1 and 6.2 hereof, (b) has no FRA defects, and (c) can make design horsepower +/- 2% as determined by load tests.

8.3 Any Unit delivered to Lessor hereunder shall have all accessories and parts installed thereon as were installed at the commencement of the Term and shall be equipped with all other required or permitted Modifications made thereto during the Term and not retained by Lessee in accordance with Section 6 hereof.

8.4 Lessee shall assemble and repair the Units pursuant to Sections 8.1, 8.2 and 8.3 hereof. However, any Unit not available for inspection and in the condition required by Sections 6.1, 6.2 and 8.1 on the expiration or termination of the Term shall be subject to holdover rentals starting 5 days after such lease expiration or termination at a rate

equal to $100 per Unit per day or the fair market rental value for the Units, as reasonably determined by Lessor, whichever is higher. The holdover rent shall then continue until the subject Units are available for inspection and in the condition required by Sections 6.1, 6.2 and 8.1. Such holdover rent shall be paid on demand or otherwise on the first day of each calendar month, in arrears, until such inspection and proper return of all Units are completed.

SECTION 9

INSURANCE

(a) Lessee shall obtain and maintain for the Term, at its own expense, (i) "all risk" insurance against loss or damage to the Units, (ii) commercial general liability insurance (including contractual liability and completed operations coverages) reasonably satisfactory to Lessor, and (iii) such other insurance against such other risks of loss and with such terms, as shall in each case be reasonably satisfactory to or reasonably required by Lessor (as to carriers, amounts and otherwise).

(b) The amount of the "all risk" insurance shall be the greater of $150,000 per Unit or the "Casualty Value" specified in Section 10. The self-insured retention with respect to "all-risk" insurance required by the clause shall not exceed $100,000; otherwise there shall be no deductible with respect to any insurance required to be maintained hereunder (other than a deductible not to exceed $50,000 solely with respect to Lessee's commercial general liability insurance).

(c) The amount of commercial general liability insurance required by clause (a) above shall be at least $10,000,000 per occurrence.

(d) Each "all risk" policy shall: (i) name Lessor as sole loss payee with respect to the Units, (ii) provide for each insurer's waiver of its right of subrogation against Lessor and Lessee, and (iii) provide that such insurance (A) shall not be invalidated by any action of, or breach of warranty by, Lessee of a provision of any of its insurance policies, and (B) shall waive set-off, counterclaim or offset against Lessor. Each liability policy shall (w) name Lessor as an additional insured and (x) provide that such insurance shall have cross-liability and severability of interest endorsements (which shall not increase the aggregate policy limits of Lessee's insurance). All insurance policies shall (y) provide that Lessee's insurance shall be primary without a right of contribution of Lessor's insurance, if any, or any obligation on the part of Lessor to pay premiums of Lessee, and (z) shall contain a clause requiring the insurer to give Lessor at least 30 days' prior written notice of its cancellation (other than cancellation for non-payment for which 10 days' notice shall be sufficient). Lessee shall on or prior to the first Delivery Date and prior to each policy renewal, furnish to Lessor certificates of insurance or other evidence satisfactory to Lessor that such insurance coverage is in effect. Lessee further agrees to give Lessor prompt notice of any damage to, or loss of, the Units, or any part thereof.

SECTION 10

CASUALTIES AND REPORTS; FINANCIAL AND OTHER INFORMATION

10.1 Lessee shall be solely responsible for any loss, theft, condemnation, governmental seizure or damage to any Unit. If a Unit is lost, stolen, condemned, seized by a governmental authority or damaged beyond repair or is otherwise not useful for any purpose during the Term (each event being an "Event of Loss"), then Lessee shall, not later than the next Rent payment after any such occurrence, or if this Lease has expired or been terminated, on demand, but in, either case, no later than 30 days after such expiration or termination, as the case may be, pay Lessor or cause Lessor to be paid the Casualty Value set forth in Schedule 4 hereto opposite of the type of affected Unit and the Rent payment date next preceding the Event of Loss with respect to such Unit (the "Casualty Value"); provided, however, the Casualty Value for the first month of the Basic Term shall apply to any Event of Loss during the Interim Term. On receipt of such payment and all other amounts due under this Lease with respect to the Unit subject to the Event of Loss, Rent and all other obligations under this Lease for such Unit (which do not by their terms survive the termination of this Lease) shall cease. On payment of all such amounts to Lessor under this Lease, Lessor shall convey to Lessee title to the hulk "AS IS, WHERE IS", WITHOUT REPRESENTATION OF, OR RECOURSE TO, LESSOR, its agents, servants, employees or representatives.

10.2 Lessee shall, without demand, immediately notify Lessor in reasonable detail of any Event of Loss or other accident involving actual or potential damages in excess of $5,000 relating to any Unit or all the Units.

10.3 Lessee agrees to furnish to the Lessor during the Term:

(a) as soon as possible and in any event within ten (10) days after the occurrence of an Event of Default, a certificate of the Lessee, signed by its chief executive officer or any responsible financial officer, setting forth in detail the nature of such Event of Default and the action which the Lessee proposes to take with respect thereto;

(b) as soon as available, and in any event within sixty (60) days after the end of each of the first three quarters of Lessee's fiscal year, an unaudited consolidated and consolidating balance sheet of Lessee as of the end of such quarter and related unaudited consolidated and consolidating statements of income and retained earnings and changes in financial position of the Lessee for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding period of the preceding fiscal year, all in reasonable detail and duly certified (subject to year-end audit adjustments) by a responsible financial officer of the Lessee as having been prepared in accordance with generally accepted accounting principles, consistently applied;

(c) as soon as available, and in any event within one hundred twenty (120) days after the end of each fiscal year of the Lessee, (i) a true copy of the then current Blue Card for each Unit and (ii) a financial report for the Lessee for such year, including therein a consolidated and consolidating balance sheet of the Lessee as of the end of such fiscal year and related consolidated and consolidating statements of income and retained earnings and changes in financial position of the Lessee for such fiscal year, setting forth in each case in comparative form corresponding figures for the preceding fiscal year, all in reasonable detail and accompanied by an opinion thereon of the Lessee's independent public accountants; and

(d) from time to time such information as the Lessor may request with respect to the financial condition and operations of the Lessee (and Lessor shall have the right to discuss the finances and accounts of the Lessee with the principal officers of Lessee, at such times as Lessor may reasonably request) in order to determine whether the covenants, terms and provisions of this Lease have been and will be complied with by the Lessee.

10.4 Lessor shall treat any financial information provided by Lessee in accordance with Section 10.3 above as confidential information and shall not distribute or disseminate such information to any person other than on a need-to-know basis to its employees, agents or representatives; provided, however, that Lessor may disclose information to any governmental or judicial authority with jurisdiction over Lessee or Lessor. No such information shall be confidential if it is publicly available through no fault of Lessor or is disclosed with the consent of Lessee.

SECTION 11

DEFAULT

11.1 The following events shall constitute "Events of Default" for purposes of this Lease:

(a) Lessee shall fail or be unable to make any Rent or other payment required hereby in full and such inability or failure shall continue for 10 days;

(b) Lessee shall fail to procure or maintain any insurance coverage required hereby;

(c) Lessee shall fail or be unable to observe or perform any covenant, condition or agreement of Lessee contained herein, other than such as are referred to in clause (a) and (b) above, and such failure shall continue for 30 days after the giving of notice thereof by Lessor;

(d) Any representation or warranty of Lessee contained herein or

any representation or warranty contained in any document or certificate furnished to Lessor in connection herewith or pursuant hereto shall be untrue or incorrect in any material respect when made;

(e) Lessee shall apply for or consent to the appointment of, or the taking of possession by, a custodian, receiver, trustee or liquidator of itself or a substantial part of its property, shall become insolvent, shall fail or be unable to pay its debts generally as they become due, or shall cease to conduct its business in its ordinary course;

(f) Lessee shall file a voluntary petition in bankruptcy or a petition or answer seeking reorganization or an arrangement with creditors or to take advantage of any other federal or state bankruptcy, insolvency or other law relating to the relief of debtors, the readjustment, composition or extension of indebtedness or reorganization; file an answer admitting the material allegations of a petition filed against it in a case under Title 11 of the United States Code or in proceedings relating to the relief of debtors, the readjustment, composition or extension of indebtedness or reorganization; or taking corporate action for the purpose of effecting any of the foregoing; or

(g) Without the application, approval or consent of Lessee, a proceeding shall be instituted in any court of competent jurisdiction, seeking in respect of Lessee an order for relief under the aforesaid Title 11, reorganization, dissolution, winding up, liquidation, a composition or arrangement with creditors, a readjustment of debts, the appointment of a custodian, receiver, trustee or liquidator of Lessee, any substantial part of its property or any of the Units, or other such like relief in respect of Lessee under any bankruptcy, insolvency or other similar law, and the same shall continue undismissed or unstayed for any period of 60 days.

11.2 Upon the occurrence of an Event of Default, Lessor may, at its option:

(a) enforce performance by Lessee of the terms hereof;

(b) recover damages for Lessee's breach of the terms hereof;

(c) by giving notice to Lessee specifying the Event of Default, accelerate the due date with respect to all Rents contemplated by this Lease and due after the date thereof, and, but for the giving of such notice, all such Rents, discounted at the Prime Rate in effect at the date of acceleration, and any other amounts due hereunder shall be immediately due and payable;

(d) by giving notice to Lessee specifying the Event of Default, terminate this Lease effective on the date specified in such notice (hereinafter, the "Date of Termination"), and on the Date of Termination, this Lease shall expire and terminate and all rights of Lessee under this Lease shall absolutely cease (but Lessee shall remain liable as herein set forth), and Lessee shall deliver possession of the Units to Lessor in accordance

with Section 8 hereof. Upon such expiration and termination, Lessor shall have the right to immediate possession of the Units free of any claims of Lessee whatsoever, and Lessor may remove all or any of the Units, from the possession of Lessee, its agents and affiliates, at Lessee's sole cost and expense, and for such purpose may enter premises where the Units are located, and may use and employ any supplies, services, means or other facilities of Lessee, its agents and affiliates, and Lessor shall not be liable for, and shall be held harmless by Lessee from any liability for, damage caused to real or personal property during any such removal; provided that Lessor exercises its rights in a reasonable manner to mitigate any damage to the interests and property of Lessee by selling or re-leasing the Units. Lessee shall, without further demand, within five (5) days of the Date of Termination pay to Lessor an amount equal to any unpaid Rent due and payable for all periods up to and including the Date of Termination, (i) plus all Default Costs (as hereinafter defined), (ii) plus all other sums due Lessor hereunder. Interest at the rate specified in Section 2.3 hereof shall be paid on all amounts due hereunder, including, without limitation, such Default Costs, until paid in full. Following the return of the Units to Lessor pursuant to this Section 11.2, Lessor shall, within a commercially practicable time, proceed to either sell or re-let the Units (as hereinafter described) in a commercially reasonable manner.

11.3 Lessee shall, upon demand, reimburse Lessor for all expenses, charges, costs and commissions (including reasonable attorneys' fees and expenses) reasonably incurred by Lessor in enforcing its rights hereunder and in taking possession of, disassembling, overhauling, repairing, maintaining, transporting, insuring, storing or modifying the Units determined by Lessor to be required to place such Units in condition suitable for sale, re-lease or use of the Units (such expenses, charges, costs and commissions sometimes being herein called "Default Costs"). The Units shall in any case be in the condition required for return thereof as required by this Lease. Amounts recoverable under this Section 11.3 shall include reasonable Default Costs incurred after the Date of Termination.

11.4 Lessor shall have the option, if it elects to re-lease any Units as contemplated in Section 11.2(d) hereof, on or after the occurrence of an Event of Default, whether or not it shall then have possession thereof, to establish conclusively the present value at the Date of Termination of the prevailing rent value of a Unit by entering into a bona fide lease of the Unit with a third party which lease shall be free from any and all claims at law or in equity of Lessee. If Lessor exercises such option, the present worth at the Date of Termination of the prevailing rent value of the Units shall be conclusively deemed to be the proceeds of such bona fide lease, to the date on which the Term would have expired but for such termination, discounted at the Prime Rate in effect at the Date of Termination from the dates such proceeds are to be paid to Lessor thereunder to the Date of Termination.

11.5 Lessor shall also have the option, if it elects to sell any Unit as contemplated in Section 11.2(d) hereof, on or after the occurrence of an Event of Default, whether or not it shall have possession thereof, to establish conclusively the prevailing sale

value of a Unit as of the Rent payment date preceding the Date of Termination by consummating a bona fide arm's length sale of the Unit to a third party which sale shall be free from any and all claims at law or in equity of Lessee. Lessor may deduct from any such sale proceeds any or all outstanding Default Costs. The aforementioned option may be exercised by public or private sale, with or without advertisement or publication, as Lessor may determine. Lessor may otherwise dispose of the Units, hold the Units idle, or lease the Units to others (for a period greater or lesser than the balance of the Term in the absence of the termination), all on such terms and conditions as Lessor may determine and all free and clear of any rights of Lessee and of any claim or right of redemption of Lessee in equity, at law or by statute, whether for loss or damage or otherwise.

11.6 The proceeds of such sale or re-letting, as described in Sections 11.4 and 11.5 hereof, as the case may be, shall be applied, as received by Lessor, first, to pay all Default Costs, and second, against the amount of Lessee's obligations under or in respect of this Lease other than Default Costs (such obligations, together with Default Costs, being herein sometimes called "Lessee's Default Obligations"), to the extent not previously paid by Lessee under this Section 11. Any surplus remaining thereafter shall be retained by Lessor. To the extent that Lessee's Default Obligations shall not have been paid when due, Lessee shall forthwith fully pay to Lessor the remaining amount thereof.

11.7 Each and every power and remedy hereby specifically given to Lessor shall be in addition to every other power and remedy specifically so given or now or hereafter existing at law or in equity, including, without limitation, under the UCC, and each and every power and remedy may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by Lessor. All such powers and remedies shall be cumulative and the exercise of one shall not be deemed a waiver of the right to exercise any others. No delay or omission of Lessor in the exercise of any such power or remedy and no renewal or extension of time with regard to any payment due hereunder shall impair any such power or remedy or shall be construed to be a waiver of any default or any acquiescence therein.

SECTION 12

PURCHASE OPTION

12.1 Provided that the Lease has not been terminated and that no Event of Default or event which, with notice or lapse of time or both, would become an Event of Default shall have occurred and be continuing, Lessee may, on not less than 90 days and not more than 180 days notice prior to the end of the Term, elect to purchase (the "Purchase Option") all, but not less than all, of the Units at the end of the Term at the Fair Market Value (as defined below) of such Units. If Lessee elects to purchase the Units, then, on payment of the entire purchase price in cash representing such Fair Market Value and on payment of all other amounts, if any, payable to Lessor and the satisfaction of all other

obligations to Lessor under this Lease, Lessor shall convey to Lessee title to the Units "AS IS, WHERE IS", WITHOUT REPRESENTATION OF, OR RECOURSE TO, LESSOR, its agents, servants, employees or representatives, free and clear of Liens created by Lessor. Such Fair Market Value shall be determined by Lessor in its reasonable discretion as soon as practicable after Lessee gives its notice of exercise of the Purchase Option.

12.2 For purposes of Section 12.1 above, "Fair Market Value" shall mean, as of the date of exercise the Purchase Option, the fair market sales value that would be obtained in an arm's length sale between an informed and willing seller (under no compulsion to sell) and an informed and willing purchaser (under no compulsion to purchase) the Units; and such value shall be determined by Lessor on the assumption that the Units have been maintained by Lessee and returned to Lessor in accordance with this Lease.

12.3 If any dispute arises under Section 12.1 or 12.2 above, such dispute shall be resolved in an arbitration conducted in San Francisco, California in accordance with the rules of the American Arbitration Association.

SECTION 13

MISCELLANEOUS

13.1 All demands, notices and other communications hereunder shall be in writing, and shall be deemed to have been duly given when delivered, if personally delivered (in person or by overnight courier); or when sent, if mailed certified or registered mail, postage prepaid, or when sent, if transmitted by cable, telecopy or telex, charges prepaid (with electronic evidence of receipt); in each case addressed to the parties at the locations specified below, or such other location(s) as may hereafter be furnished in writing by either party to the other:

To Lessee: California Northern Railroad Company, L.P.
1470 Railroad Avenue
St. Helena, CA. 94574
Attention: David L. Parkinson
Telecopy Number: (707) 963-8834

To Lessor: GATX Third Aircraft Corporation
Four Embarcadero Center
San Francisco, California 94111
Attention: Contract Administration
Telecopy Numbers: (415) 955-3493 or 3444

13.2 This Lease shall be binding upon and shall inure to the benefit of Lessee, Lessor and, to the extent assignment hereof is permitted hereby, their respective successors and assigns. This Lease supersedes and replaces the Locomotive Lease Agreement, dated as of August 27, 1993 (the "Original Lease"), between Lessor and Lessee, in its entirety, effective as of the date hereof. The Original Lease shall be effective until (but not including) the date of this Lease.

13.3 This Lease constitutes the entire agreement between the parties hereto.

13.4 Lessee's obligations hereunder shall survive the expiration or termination of this Lease.

13.5 The captions set forth herein are for convenience only and shall not define or limit any of the terms hereof. The language in this Lease and the related documents is to be construed as to its fair meaning and not strictly for or against any party. All payments shall be paid to the address designated by Lessor in the applicable Schedule or otherwise in a writing signed by Lessor.

13.6 Lessee's and Lessor's obligations hereunder shall survive the expiration and termination of the Term to the extent required for full performance and satisfaction thereof.

13.7 **ALL MATTERS INVOLVING THE CONSTRUCTION, VALIDITY, PERFORMANCE AND ENFORCEMENT OF THIS LEASE WILL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW OR CHOICE OF LAW.** This Lease is being executed in the State of California. This Lease may be executed in counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and same instrument; provided, however, that to the extent, if any, that this Lease constitutes chattel paper (as such term is defined in the UCC), no security interest in this Lease may be created through the transfer or possession of any counterpart of this Lease other than the original executed counterpart of this Lease, which shall be identified as such counterpart.

13.9 If any provision of this Agreement shall be held unenforceable or void, such unenforceability or invalidity shall not affect the validity or enforceability of other provisions hereof.

13.10 Lessee and Lessor shall from time to time do and perform such other and further acts and execute and deliver any and all such other and further instruments as may be required by law or reasonably requested by the other to establish, maintain and protect their respective rights and remedies and to carry out and effect the intents and purposes of this Lease.

13.11 If Lessee fails to perform any of its obligations under this Lease, Lessor may perform such obligation for Lessee and Lessee shall, on Lessor's written demand, repay Lessor for all costs and expenses incurred by Lessor in satisfying such obligation.

13.12 **AMENDMENTS, MODIFICATIONS, WAIVERS:** NONE OF THE PROVISIONS OF THIS LEASE MAY BE AMENDED, MODIFIED OR WAIVED EXCEPT IN A WRITING SIGNED BY LESSOR AND LESSEE.

INITIALS _____ (LESSEE) INITIALS _____ (LESSOR)

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

GATX THIRD AIRCRAFT CORPORATION

By _____

Title V.P. Locomotive Operations

Lessor

CALIFORNIA NORTHERN RAILROAD COMPANY, L.P.

By _____

Title PRESIDENT, PARKSIERRA CORP.

Lessee GENERAL PARTNER

State of California)
County of Napa)

On September 29, 1993 before me, Vivian L. Robison, Notary Public, personally appeared David L. Parkinson, personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his/her authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

Witness my hand and official seal.

Vivian L. Robison
Notary Public

Capacity Claimed by Signer:
☐ Individual ☐ Corporate Officer _____ ☒ Partner ☐ Limited
☐ Attorney-in-fact ☐ Trustee Title(s) ☒ General
☐ Other _____
Signer is Representing Park Sierra Corp.

NVR1 THE GREAT SEAL OF THE STATE OF CALIFORNIA
VIVIAN L. ROBISON
COMM. #965651
NOTARY PUBLIC - CALIFORNIA
NAPA COUNTY
My Comm. Expires May 3, 1996 NVR1

State of California)
County of San Francisco)

On September 24, 1993 before me, Julie A. Cross, Notary Public, personally appeared W.C. McClain, personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his/her authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

Witness my hand and official seal.

Notary Public

Notary Public

Capacity Claimed by Signer:
☐ Individual ☒ Corporate Officer Vice President ☐ Partner ☐ Limited
☐ Attorney-in-fact ☐ Trustee Title(s) ☐ General
☐ Other _____
Signer is Representing GATX Third Aircraft Corporation

JULIE A. CROSS
COMM. #960204
Notary Public — California
SAN FRANCISCO COUNTY
My Comm. Expires MAR 12, 1996
NNA1 NNA1

SCHEDULE 1
to
LOCOMOTIVE LEASE AGREEMENT

Description of Units	Road No. of Unit	Monthly Rent Per Unit	Delivery Location*	Redelivery Location **
GP15-1 manufactured in 1976 by the General Motors Corporation (Electro-Motive Division)	CNW 4411-4424 CNRR 100-113 (new)	$2,595	Memphis, Tenn. on the tracks of the Illinois Central Railroad Co.	Memphis, Tenn. on the tracks of the Illinois Central Railroad Co.
SD9 manufactured in 1958 by the General Motors (Electro-Motive Division)	DM&IR 138 DM&IR 156 CNRR 200-201 (new)	$1,315	Chicago, Ill., on the tracks of the Burlington Northern Railroad Company	Chicago, Ill., on the tracks of the Burlington Northern Railroad Company

* Pursuant to Section 1
** Pursuant to Section 8

SCHEDULE 2
to
LOCOMOTIVE LEASE AGREEMENT

Conditions to Lessor's Obligations

Lessor and Lessee agree that the Lease incorporates the following terms:

1. On or prior to the date of execution of the Lease by Lessor, Lessor shall have received in form and substance satisfactory to Lessor:

   (a) The Lease fully executed by Lessee.

   (b) A legal opinion or opinions of Lessee's legal counsel in form and substance satisfactory to Lessor.

   (c) Copies, certified by the Secretary or Assistant Secretary or Chief Financial Officer of Lessee's General Partner, of: (i) the limited partnership agreement (as amended to the date of the Lease) and (ii) the resolutions adopted by the board of directors of the general partner and/or approval of the limited partners authorizing the execution and delivery of this Lease and the other Operative Documents and the performance by Lessee of its obligations hereunder and thereunder.

   (d) Unless the opinion of Lessor's legal counsel contains language to the same effect, a Good Standing Certificate (including franchise tax status) with respect to Lessee from Lessee's state of registration, dated a date reasonably close to the date of acceptance of the Lease by Lessor.

   (e) All other documents as Lessor shall have reasonably requested.

2. On or prior to the first Delivery Date, the following shall have occurred to the reasonable satisfaction of Lessor:

   (a) Lessee shall have obtained a working capital line of credit from a reputable lending institution in an amount of at least $100,000; or, in lieu thereof, Lessee shall have delivered to Lessor a certificate of deposit or letter of credit in an amount of $100,000 from such a reputable financial institution and under such agreements and other arrangements as Lessor shall reasonably require as a source of payment for the first $50,000 of deductible required to be paid by any insurance policy maintained under the Lease attributable to any Event of Loss.

(b) Lessor shall have completed such due diligence concerning the operation and financial condition of Lessee as Lessor shall deem necessary.

(c) Lessor shall have reviewed and approved (i) the agreements with Southern Pacific Transportation Company relating to the leasing of track to be used by Lessee and (ii) any other agreement of Lessee requested by Lessor the existence of which constitutes a material part of Lessee's current business plan.

(d) Lessor shall have acquired and be in possession of at least 10 Units.

(e) Lessee shall have provided to Lessor, in form and substance satisfactory to Lessor, the evidence of the insurance coverage required by Section 9 of the Lease.

(f) Lessee shall have obtained, in form and substance reasonably satisfactory to Lessor, all necessary consents of partners and other third parties with respect to the subject matter of the Lease, and the other Operative Documents. Lessor shall receive copies of such consents on its request.

3. On each Delivery Date, the following shall have occurred to the satisfaction of Lessor:

(a) Lessee shall have executed and delivered to Lessor the applicable Shop Acceptance Notice and Acceptance Notice.

(b) Lessor shall have acquired and be in possession of all Units to be leased to Lessee on such Delivery Date.

(c) There shall not have occurred violation of Section 2.2(d) of the Lease.

4. No Delivery Date shall occur after November 30, 1993.

SCHEDULE 3
TO
LOCOMOTIVE LEASE AGREEMENT

PARTS WARRANTY

This Parts Warranty is provided pursuant to Section 3.4 of the Lease. All defined terms used herein shall have the same meaning as given to them in the Lease unless otherwise defined in this Parts Warranty.

A) Lessor warrants to Lessee, with respect to each Unit, that the diesel engine crankshaft, main generator, and air compressor (collectively, the "Major Components") were delivered to Lessee on the Delivery Date of such Unit in operating condition. Lessor warrants that the Major Components of each Unit will remain in operating condition for a period commencing on the Delivery Date of such Unit and ending ninety (90) days thereafter (the "Warranty Period"). Lessor's responsibility under this Parts Warranty is limited to delivering replacement components for failed Major Components at such a location on Lessee's tracks or such other location reasonably requested by Lessee as may be acceptable to Lessor.

B) Any replacement for a Major Component is warranted as set forth herein for any remaining part of the applicable Warranty Period. This Parts Warranty is subject to compliance by Lessee with the Lease, including without limitation, all provisions relating to the maintenance and operation of the Units (including the Major Components) by Lessee and does not apply to any failure of a Major Component arising from misuse or negligence by the Lessee or employees of Lessee of a Unit or of such Major Components.

C) Any defective Major Component replaced pursuant to this Parts Warranty shall become the property of GATX under the Lease.

D) To make a claim on this Parts Warranty, Lessee shall promptly notify GATX during the Warranty Period in reasonable detail of (1) the existence and nature of a defective Major Component covered by this Parts Warranty, (2) the location of the Unit affected by such defect and (3) on Lessor's request, an estimate of the anticipated cost to cause the Major Component to be replaced by Lessee. GATX shall promptly respond to such notice and either (i) request Lessee to effect such replacement and, on receipt of detailed evidence of the out-of-pocket costs incurred by Lessee, reimburse Lessee for such cost (which in no event shall exceed the then fair market sales value of a replacement for the Major Component sold by a dealer

in such components) or (ii) arrange for the delivery of a replacement for the affected Major Component. Lessee shall make the Unit available for joint inspection with Lessor at a mutually agreeable location on the Lessee's tracks as a condition to making any claim on this Parts Warranty.

E) THIS PARTS WARRANTY AND ANY REPLACEMENT MADE HEREUNDER IS SUBJECT TO THE LIMITATIONS AND PROVISIONS OF SECTION 3 OF THE LEASE AS IF SET FORTH HEREIN AT LENGTH AND APPLIED TO THE MAJOR COMPONENTS OR ANY REPLACEMENT THEREOF. WITHOUT LIMITING THE FOREGOING:

GATX SHALL HAVE NO LIABILITY UNDER ANY CIRCUMSTANCES FOR SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCLUDING WITHOUT LIMITATION, LOSS OF PROFITS OR TIME OR PERSONAL INJURY, HOWEVER CAUSED ARISING UNDER OR RELATING TO THIS PARTS WARRANTY, THE MAJOR COMPONENTS, ANY REPLACEMENT OF ANY SUCH COMPONENTS OR OTHERWISE.

SCHEDULE 4
TO
LOCOMOTIVE LEASE AGREEMENT

CASUALTY VALUES

RENT PAYMENT	CASUALTY VALUES BY UNIT TYPE	
	GP15-1	SD9
1	$185,000.00	$100,000.00
2	$184,218.75	$99,218.75
3	$183,437.50	$98,437.50
4	$182,656.25	$97,656.25
5	$181,875.00	$96,875.00
6	$181,093.75	$96,093.75
7	$180,312.50	$95,312.50
8	$179,531.25	$94,531.25
9	$178,750.00	$93,750.00
10	$177,968.75	$92,968.75
11	$177,187.50	$92,187.50
12	$176,406.25	$91,406.25
13	$175,625.00	$90,625.00
14	$174,843.75	$89,843.75
15	$174,062.50	$89,062.50
16	$173,281.25	$88,281.25
17	$172,500.00	$87,500.00
18	$171,718.75	$86,718.75
19	$170,937.50	$85,937.50
20	$170,156.25	$85,156.25
21	$169,375.00	$84,375.00
22	$168,593.75	$83,593.75
23	$167,812.50	$82,812.50
24	$167,031.25	$82,031.25
25	$166,250.00	$81,250.00
26	$165,468.75	$80,468.75
27	$164,687.50	$79,687.50
28	$163,906.25	$78,906.25
29	$163,125.00	$78,125.00
30	$162,343.75	$77,343.75
31	$161,562.50	$76,562.50
32	$160,781.25	$75,781.25
33	$160,000.00	$75,000.00
34	$159,218.75	$74,218.75
35	$158,437.50	$73,437.50
36	$157,656.25	$72,656.25
37	$156,875.00	$71,875.00
38	$156,093.75	$71,093.75
39	$155,312.50	$70,312.50
40	$154,531.25	$69,531.25

SCHEDULE 4
TO
LOCOMOTIVE LEASE AGREEMENT

CASUALTY VALUES

RENT PAYMENT	CASUALTY VALUES BY UNIT TYPE	
	GP15-1	SD9
41	$153,750.00	$68,750.00
42	$152,968.75	$67,968.75
43	$152,187.50	$67,187.50
44	$151,406.25	$66,406.25
45	$150,625.00	$65,625.00
46	$149,843.75	$64,843.75
47	$149,062.50	$64,062.50
48	$148,281.25	$63,281.25
49	$147,500.00	$62,500.00
50	$146,718.75	$61,718.75
51	$145,937.50	$60,937.50
52	$145,156.25	$60,156.25
53	$144,375.00	$59,375.00
54	$143,593.75	$58,593.75
55	$142,812.50	$57,812.50
56	$142,031.25	$57,031.25
57	$141,250.00	$56,250.00
58	$140,468.75	$55,468.75
59	$139,687.50	$54,687.50
60	$138,906.25	$53,906.25
61	$138,125.00	$53,125.00
62	$137,343.75	$52,343.75
63	$136,562.50	$51,562.50
64	$135,781.25	$50,781.25
65	$135,000.00	$50,000.00

Exhibit A

SHOP ACCEPTANCE NOTICE

This Shop Acceptance Notice, dated _____, 1993 (such date being the "Shop Acceptance Date" for this Shop Acceptance Notice), is a part of the Restated and Amended Locomotive Lease Agreement, dated as of September 24, 1993 (the "Lease"), between California Northern Railroad Company, L.P., and the GATX Third Aircraft Corporation. The terms used in this Shop Acceptance Notice shall have the meanings given them in the Lease unless otherwise defined herein.

Description of Units; Location of Delivery

(a) Lessee represents and warrants that the Units covered by this Shop Acceptance Notice are as follows:

Description of Units	Road No. of Units		Shop Acceptance Location
	Old	New	

2. Shop Acceptance Condition

Lessee hereby certifies that all of the Units described above (a) have been load tested for at least 30 minutes in notch 8 and made their rated horsepower +/- 2%; (b) have been painted in Lessee's colors; and (c) have (i) new batteries, (ii) new lower main bearings in the prime mover, (iii) new lubricating oil and (iv) new filters. Lessee further certifies that (d) the GP15-1 locomotives described above, if any, have been given a three-year air brake test while the SD9 locomotives described above, if any, have been given a two-year air brake test prior to the date of this Shop Acceptance Notice; and that (e) the Units are free of FRA defects.

3. Other Confirmations and Covenants

This Shop Acceptance Notice is binding on Lessee in accordance with the Lease.

This Shop Acceptance Notice has been duly executed and delivered by the undersigned as of the Delivery Date.

GATX THIRD AIRCRAFT CORPORATION

By_____

Title_____
Lessor

CALIFORNIA NORTHERN RAILROAD COMPANY, L.P.

By_____

Title_____
Lessee

Exhibit A-1

DELIVERY ACCEPTANCE NOTICE

This Delivery Acceptance Notice, dated _____, 1993 (such date being the "Delivery Date" for this Delivery Acceptance Notice), is a part of the Restated and Amended Locomotive Lease Agreement, dated as of September 24, 1993 (the "Lease"), between California Northern Railroad Company, L.P., and the GATX Third Aircraft Corporation. The terms used in this Delivery Acceptance Notice shall have the meanings given them in the Lease unless otherwise defined herein.

1. Description of Units; Location of Delivery

(a) Lessee represents and warrants that the delivery information set forth below is true and correct with respect to the designated Units:

Description of Units	Road No. of Units Old No. New No.	Delivery Location

2. Term; Acceptance; Other Confirmations and Covenants

(a) Lessee confirms that on the date hereof (i) all of the Units listed above were duly accepted by Lessee and became subject to the Lease on the Delivery Date; (ii) the Term of the Lease with respect to said Units commenced; and (iii) Lessee became obligated to pay to Lessor Rent as provided in the Lease.

(b) On the date hereof Lessee confirms that its representations and warranties contained in Sections 4 of the Lease are true and correct, and there exists no Event of Default.

This Delivery Acceptance Notice has been duly executed and delivered by the undersigned as of the Delivery Date.

GATX THIRD AIRCRAFT CORPORATION

By_____

Title_____
Lessor

CALIFORNIA NORTHERN RAILROAD COMPANY, L.P.

By_____

Title_____
Lessee

CERTIFICATION

I, LOUIS E. GITOMER, have compared this copy to the original Restated and Amended Locomotive Lease Agreement, dated as of September 24, 1993, and found the copy to be complete and identical in all respects to the original document. I declare under penalty of perjury that the foregoing is true and correct.

Louis E. Gitomer
November 30, 1993