
EQUIPMENT LEASE

6665

Dated as of July 1, 1972

RECORDATION NO. _____ FILE NO. _____

BETWEEN

JUL 23 1972 (30 M)

COMMERCIAL

TRUST COMPANY FOR USL, INC.,

as Lessor

AND

SOUTHERN PACIFIC TRANSPORTATION COMPANY,

as Lessee

S.P. Trust No. 2

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EQUIPMENT LEASE

RE: SOUTHERN PACIFIC TRANSPORTATION COMPANY
(S. P. Trust No. 2)

THIS EQUIPMENT LEASE dated as of July 1, 1972 between TRUST COMPANY FOR USL, INC., an Illinois corporation, not in its individual capacity but solely as Trustee under a Trust Agreement dated as of July 1, 1972 (the "Lessor"), and SOUTHERN PACIFIC TRANSPORTATION COMPANY, a Delaware corporation (the "Lessee");

W I T N E S S E T H:

SECTION 1. MANUFACTURE AND DELIVERY OF EQUIPMENT.

1.1. Acquisition Agreement. The parties hereto are parties to an Agreement to Acquire and Lease dated as of even date herewith (the "Acquisition Agreement") providing, on the terms and conditions set forth therein, for the purchase by the Lessor of certain railroad cars (collectively, the "Equipment" and, individually, an "Item of Equipment" or an "Item") described in Schedules A-1, A-2, A-3 and A-4 hereto from the respective manufacturers thereof identified in said Schedules (collectively, the "Manufacturers" and, individually, a "Manufacturer") for the respective purchase prices for the Items specified in said Schedules (the purchase price so specified for an Item being herein called "Lessor's Cost" for such Item).

1.2. Inspection and Acceptance. Upon tender of delivery of each Item of Equipment by the Manufacturer thereof the Lessee will inspect such Item of Equipment and if such Item appears to meet the specifications therefor and there is no apparent defect of the nature specified in Section 1.3 hereof with respect thereto, the Lessee will accept delivery thereof and execute and deliver to each of such Manufacturers and the Lessor a certificate of acceptance ("Certificate of Acceptance") substantially in the form of Exhibit 1 attached hereto and made a part hereof. Subject to the terms and conditions set forth herein and in the Acquisition Agreement, upon the execution and delivery of a Certificate of Acceptance with respect to each Item, the Lessor shall lease and let such Item to the Lessee, and the Lessee shall hire such Item from the Lessor, for the rental and upon and subject to the terms and conditions herein set forth.

1.3. Certificate of Acceptance. The Lessee's execution and delivery to the Lessor of a Certificate of Acceptance with respect to an Item of Equipment shall conclusively establish that, as between Lessor and Lessee (but without limiting or otherwise affecting Lessee's rights, if any, against the Manufacturers), such Item is acceptable to and has been accepted by the Lessee under this Lease, notwithstanding any defect with respect to the design, manufacture, condition or in any other respect, and that such Item of Equipment is in good order and condition and conforms to the specifications applicable thereto and all applicable United States Department of Transportation requirements and specifications, if any.

1.4. Late Delivery. Any Item as to which a Certificate of Acceptance is not executed and delivered to the Lessor, or as to which the Lessor shall not have paid the purchase price therefor to the Manufacturer thereof pursuant to the Acquisition Agreement, on or before the Term Lease Commencement Date (as hereinafter defined) shall be excluded from this Lease and shall not be included within the meaning of the terms "Equipment", "Item of Equipment" and "Item" as used herein.

SECTION 2. RENTS AND PAYMENT DATES.

2.1. Rent for Equipment. The Lessee agrees to pay the Lessor the following rent for each Item of Equipment:

- (a) Periodic Rent. For each Item of Equipment, for the period from the Term Lease Commencement Date to the end of the Term (as hereinafter defined), 40 consecutive semiannual installments of rent, payable in arrears on the date six months after the Term Lease Commencement Date and semiannually thereafter, in the respective amounts provided with respect to such installments in Schedules A-1, A-2, A-3 and A-4 hereto. Rentals payable pursuant to this clause (a) are herein called "Periodic Rent".
- (b) Interim Rent. For each Item of Equipment, an amount equal to interest on the Lessor's Cost for such Item for the period from the Payment Date for such Item (as defined in Section 2 of the Acquisition Agreement) to the Term Lease Commencement Date at a rate per annum equal to $3/4$ of 1% above the prime commercial lending rate of The Chase Manhattan Bank (National Association) in effect at said bank's principal office at the close of business two business days preceding the Payment Date for such Item, such rent to be payable on the first day of each month, commencing on the first such day following such Payment Date, and on the Term Lease Commencement Date. Rental payable pursuant to this clause (b) is herein called "Interim Rent".

2.2. Term Lease Commencement Date; Rent Payment Dates. The Term Lease Commencement Date (herein "Term Lease Commencement Date") for all Items of Equipment shall be December 20, 1972. Each date on which an installment of Periodic Rent falls due is herein called a "Rent Payment Date".

2.3. Manner of Rent Payment. Subject to the provisions of Section 16 hereof, all rentals and other payments provided for in this Lease to be made to the Lessor shall be made to The Chase Manhattan Bank (National Association) at 1 Chase Manhattan Plaza, New York, New York (or at such other place as the Lessor or its assigns may specify in writing), in immediately available funds, in lawful money of the United States of America, for the account of the Lessor.

2.4. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or set-off against rent, including, but not limited to,

abatements or reductions due to any present or future claims of the Lessee against the Lessor or the Trustor (as hereinafter defined) under this Lease, the Acquisition Agreement or otherwise or against any of the Manufacturers of the Equipment or any other person, firm or corporation, nor, except as otherwise expressly provided herein, shall this Lease terminate, nor shall any of the respective obligations of the Lessor and the Lessee hereunder be otherwise affected, by reason of any defect in or failure of title of the Lessor to the Equipment or any defect in or damage to or loss or loss of use or destruction of any or all of the Equipment from whatsoever cause, the taking or requisitioning of any or all of the Equipment by condemnation or otherwise, the prohibition of the Lessee's use of any or all of the Equipment, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or lack of right, power or authority of the Lessor to enter into this Lease, 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 unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease.

SECTION 3. TERM OF THE LEASE.

The term (herein called the "Term") of this Lease as to each Item of Equipment shall begin on the date (herein called the "Acceptance Date" for such Item) of the execution and delivery by the Lessee of a Certificate of Acceptance with respect thereto and, subject to the provisions of Sections 11 and 14 hereof, shall terminate 20 years following the Term Lease Commencement Date.

SECTION 4. OWNERSHIP AND MARKING OF THE EQUIPMENT.

4.1. Retention of Title. The Lessor, as between the Lessor and the Lessee, shall and hereby does retain full legal title to the Equipment notwithstanding the delivery thereof to and the possession and use thereof by the Lessee.

4.2. Duty to Number and Mark Equipment. The Lessee will cause each Item of Equipment to be kept numbered with its road number as set forth in Schedules A-1, A-2, A-3 or A-4 hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in a contrasting color upon each side of each Item of Equipment in letters not less than one inch in height a legend reading as follows:

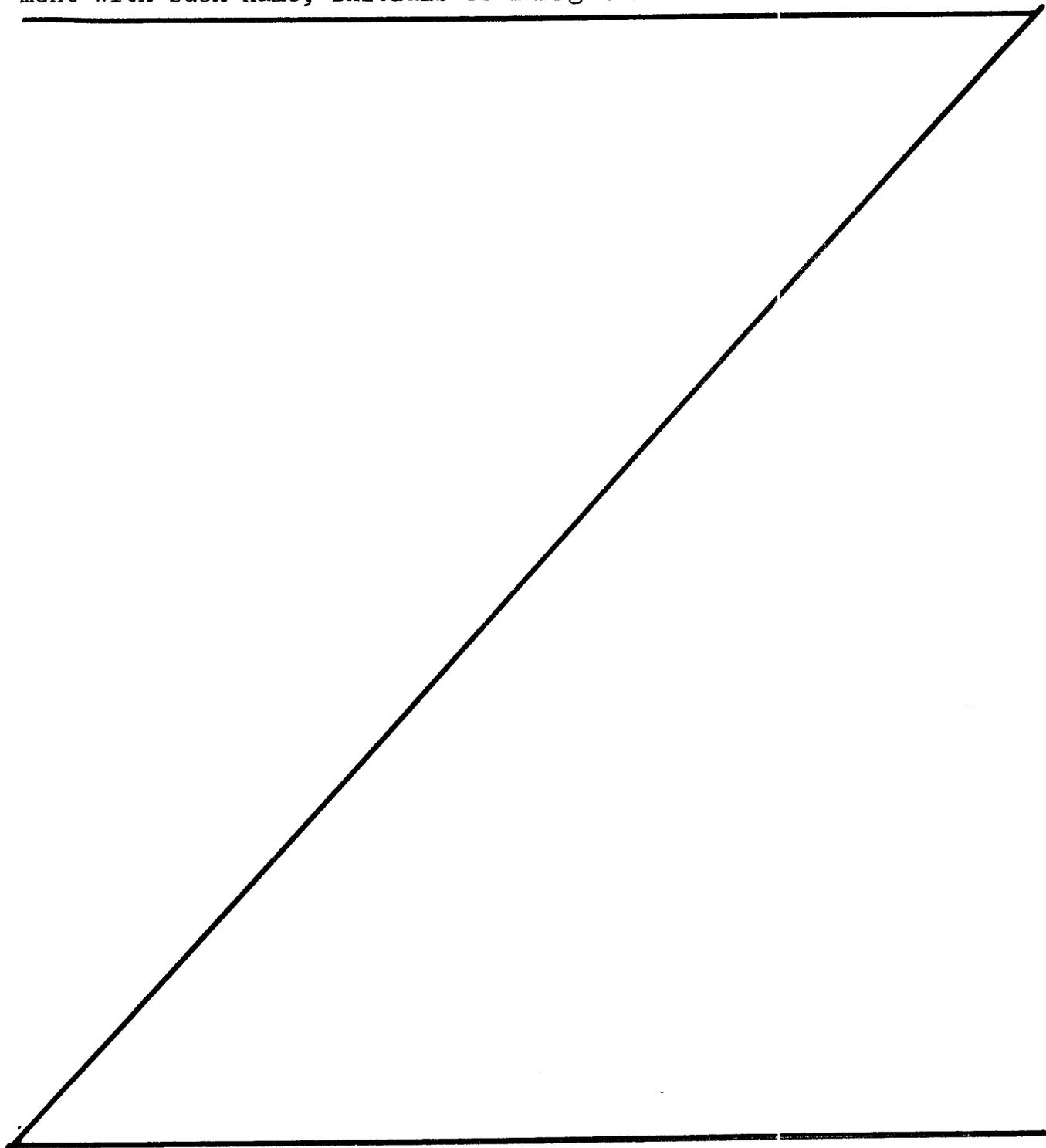
"Leased by Trust Company for USL, Inc., Owner-Trustee; and Subject to a Security Interest Recorded with the I.C.C."

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title and interest of the Lessor and the Trustor and their respective successors and assigns to such Item, their respective rights under this Lease and the rights of any assignee under Section 16 hereof. The Lessee will not place any such Item of Equipment in operation or exercise any control or dominion over the same until such legend shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced or destroyed. The Lessee will not change the road numbers of any Item of Equipment except with the consent of the Lessor and in accordance with a statement of new road numbers to be substituted therefor, which consent and statement previously shall have been filed with the Lessor by the Lessee and filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited.

4.3. Prohibition Against Certain Designations. Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on any of the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Equipment to be lettered with the names or initials or other insignia customarily used by the Lessee or any person permitted to use the same pursuant to Section 17.2 hereof on railroad equipment used by it of the same or a similar type for convenience of identification of the right of the Lessee to use the Equipment under this Lease.

4.4. Indemnification for Improper Marking. The Lessee shall indemnify the Lessor, the Trustor and any assignee under

Section 16 hereof against any liability, loss or expense incurred by any of them as a result of the aforesaid marking of the Equipment with such name, initials or insignia.



SECTION 5. DISCLAIMER OF WARRANTIES.

AS BETWEEN LESSOR AND LESSEE, LESSOR LEASES THE EQUIPMENT, AS-IS, WITHOUT WARRANTY OR REPRESENTATION EITHER EXPRESS OR IMPLIED, AS TO (A) THE FITNESS OR MERCHANTABILITY OF ANY ITEM OR ITEMS OF EQUIPMENT FOR ANY PARTICULAR PURPOSE, (B) THE LESSOR'S TITLE THERETO, (C) INTERFERENCE BY ANY PARTY OTHER THAN LESSOR WITH THE LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF, OR (D) ANY OTHER MATTER WHATSOEVER, THE BENEFITS OF ALL SUCH WARRANTIES HAVING BEEN WAIVED BY THE LESSEE AND IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE. The Lessor hereby appoints and constitutes the Lessee its agent and attorney-in-fact during the Term (but only so long as no event of default specified in Section 14.1 hereof has occurred and is continuing) to assert and enforce, from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have as owner of the Equipment against any manufacturers or contractors in respect thereof.

SECTION 6. LESSEE'S INDEMNITY.

6.1. Scope of Indemnity. The Lessee shall defend, indemnify and save harmless the Lessor, the Trustor, the Lessor's assigns pursuant to Section 16 hereof and their respective successors, assigns, agents and servants from and against:

(a) any and all loss or damage of or to the Equipment, ordinary wear and tear excepted; and

(b) any claim, cause of action, damages, liability, cost or expense (including penalties, interest and counsel fees and costs in connection therewith) which may be incurred in any manner by or for the account of any of them (i) by reason of the entering into or performance of this Lease and the Acquisition Agreement, (ii) relating to the Equipment or any part thereof, including without limitation, the manufacture, construction, ordering, purchase, delivery, installation, acceptance, rejection, ownership, use, operation, leasing, storage or return of any of the Equipment or as a result of the maintenance, repair, replacement or the condition thereof (whether defects are latent or discoverable by the Lessor or the Lessee), (iii) by reason or as the result of any act or omission of the Lessee for itself or as agent or attorney-in-fact for the Lessor hereunder, (iv) as a result of claims for patent, trademark or copyright infringements or (v) as a result of claims for negligence or strict liability in tort (including, without limitation, claims in respect of damages to property, death or injury to any person or financial or other loss to any person, firm or corporation); provided, however, the aforesaid indemnity agreement of the Lessee shall not apply or extend to any losses, claims, liabilities and expenses arising out of any terms or transactions relating to the financing of the acquisition of the Equipment as referred to in Section 4 of the Acquisition Agreement in which the Lessee has not participated and is not a party except to the extent that such losses, claims, liabilities and expenses result, in whole or in part, from any act or omission of the Lessee.

6.2. Continuation of Indemnities and Assumptions. The indemnities and assumptions of liability in this Section 6 contained shall continue in full force and effect notwithstanding the termination of this Lease, or the termination of the Term in respect of any one or more Items of Equipment, whether by expiration of time, by operation of law or otherwise; provided, however, that such indemnities and assumption of liability shall not apply

(1) in respect of any matters referred to in subsection (a) of Section 6.1 hereof or in clauses (ii), (iii) or (v) of subsection (b) of said Section 6.1, occurring after the Lessee no longer has possession of the Equipment pursuant to Section 13 or 15 hereof (as the case may be) or (2) in respect of any matters referred to in clause (iv) of said subsection (b) arising out of alterations to the Equipment by Lessor or its assigns except for any such matters referred to in said clause (iv) occurring after the termination of this Lease arising in connection with the Lessee's assembling, delivering, storing or transporting of the Equipment as provided in said Section 13 or 15. The foregoing does not guarantee a residual value. The Lessee shall be entitled to contest any claim or liability indemnified against pursuant to this Section 6 in good faith and by appropriate proceedings (which shall have the effect of staying any obligation to pay the same) and in any reasonable manner approved by the Lessor (the Lessor hereby agreeing not to unreasonably withhold its approval), and, if the same is asserted against the Lessor or the Trustor, subject to its control, which will not adversely affect or endanger the interests of either the Lessor or the Trustor in any of the Equipment or subject any of the Equipment to forfeiture or sale or, in the opinion of the Lessor or the Trustor, an unacceptable risk to either of them.

SECTION 7. RULES, LAWS AND REGULATIONS.

The Lessee agrees to comply with all governmental laws, regulations, requirements and rules (including the rules of the United States Department of Transportation and the current Interchange Rules or supplements thereof of the Mechanical Division, Association of American Railroads as the same may be in effect from time to time), and with any terms or conditions imposed by any Manufacturer or subcontractor with respect to Equipment any failure in compliance with which might limit or excuse such Manufacturer's or subcontractor's obligations under any warranty with respect to such Equipment, with respect to the use, maintenance and operation of each Item of Equipment subject to this Lease. In case any equipment or appliance on any such Item of Equipment shall be required to be changed or replaced, or in case any additional or other equipment or appliance is required to be installed on such Item of Equipment in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such change, additions and replacements at its own cost.

SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.

The Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Lessee shall, at its own cost and expense, maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted, and suitable for use in interchange. The Lessee shall not modify any Item of Equipment without the written authority and approval of the Lessor, which approval shall not be unreasonably withheld. Any parts installed or replacements made by the Lessee upon any Item of Equipment shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Lessor, without cost or expense to the Lessor.

SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee shall pay or satisfy and discharge any and all claims which, if unpaid, might constitute or become a lien, charge or other encumbrance upon the Equipment or the interests of the Lessor or the Trustor (as hereinafter defined) therein (other than security interests created by the Lessor or the Trustor or resulting from claims against the Lessor or the Trustor not related to ownership of the Equipment or to any matter in respect of which the Lessee is obligated to make payments to the Lessor or the Trustor or indemnify the Lessor or the Trustor against hereunder), and any liens, charges or other encumbrances which may be levied against or imposed upon any Item of Equipment as a result of the failure of the Lessee to perform or observe any of its covenants or agreements under this Lease, but the Lessee shall not be required to pay or discharge any such claims so long as it shall in good faith and by appropriate proceedings contest the validity thereof in any reasonable manner approved by the Lessor (the Lessor hereby agreeing not to unreasonably withhold its approval), and if any such claim is asserted against the Lessor or the Trustor, subject to its control, which will not adversely affect or endanger the interests of the Lessor or the Trustor in any of the Equipment or subject any of the Equipment to forfeiture or sale or, in the opinion of the Lessor or the Trustor, create an unacceptable risk to either of them. The Lessee's obligations under this Section 9 shall survive termination of this Lease.

SECTION 10. FILING, PAYMENT OF FEES AND TAXES

10.1. Filing. Prior to the delivery and acceptance of the first Item of Equipment hereunder the Lessee will cause this Lease to be duly filed, registered, recorded or deposited in conformity with Section 20c of the Interstate Commerce Act and in such other places within or without the United States as the Lessor may reasonably request for the protection of its or the Trustor's title or the security interest granted to any assignee under Section 16 hereof and will furnish the Lessor proof thereof. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will re-file, re-register, re-record and re-deposit whenever required) any and all further instruments required by law or reasonably requested by the Lessor for the purpose of protecting the Lessor's and the Trustor's title to, or such assignee's security interest in, the Equipment to the satisfaction of the Lessor's, the Trustor's or such assignee's counsel or for the purpose of carrying out the intention of this Lease, and in connection with any such action, will deliver to the Lessor proof of such filings and an opinion of the Lessee's counsel, satisfactory to the Lessor and its counsel in form and substance, that such action has been properly taken. The Lessee will pay all costs, charges and expenses incident to any such filing, re-filing, registering, re-registering, recording, re-recording and depositing and re-depositing of any such instruments or incident to the taking of such action.

10.2. Payment of Taxes. The Lessee agrees to pay, and to indemnify and hold the Lessor, the Trust Estate (as defined in the Trust Agreement hereinafter referred to) and the Trustor harmless from and against all license and registration fees and all taxes, including, without limitation, income, franchise, sales, use, personal property, stamp, interest equalization or other taxes, levies, imposts, duties, charges or withholdings of any nature (together with any penalties, fines or interest thereon) imposed against the Lessor, the Trust Estate, the Trustor, the Lessee or any Item or part thereof by any federal, state or local government upon or with respect to any Item or any part thereof, or upon the purchase, ownership, delivery, leasing, possession, use, operation, return or other disposition thereof, or upon the rentals, receipts or earnings arising therefrom, or upon the income or other proceeds received with respect to any Item or part thereof until

the termination of this Lease and thereafter until possession of such Item or part thereof has been delivered to the Lessor as provided in Section 13 or 15 hereof (as the case may be), or upon or with respect to this Lease, the Acquisition Agreement, the Trust Agreement, the Loan Agreements and the Security Agreement (as hereinafter defined) or the issuance of the notes provided for by the Loan Agreements (excluding, however, (i) federal taxes on, or measured by, the net income of the Trustor (or the Lessor to the extent that imposition of such taxes on the Lessor results in a reduction of the Trustor's liability therefor), such as the taxes imposed by subtitle A of the Internal Revenue Code of 1954, (ii) taxes, fees or other charges which are based on, or measured by, the net income of the Trustor (or the Lessor to the extent that imposition of such taxes, fees or charges on the Lessor results in a reduction of the Trustor's liability therefor) and are (A) imposed by the jurisdiction in which the principal office of the Trustor (or the Lessor) is located ("Principal Office Taxes") or (B) imposed by any other jurisdiction in which the Trustor (or the Lessor) is subject to taxes ("Other State Taxes"), fees or other charges as the result solely of business or transactions unrelated to this Lease or as the result of this Lease, payments hereunder or related business or transactions but only to the extent that Other State Taxes, when added to the Principal Office Taxes actually payable, do not exceed the Principal Office Taxes that would have been payable if such taxes were imposed without allocation or apportionment of the income or deductions, (iii) taxes, fees or other charges on or based on or measured by any fees or compensation received by the Lessor for services rendered in connection with the transactions contemplated hereby or by the Acquisition Agreement, the Trust Agreement, the Loan Agreements and the Security Agreement, and (iv) taxes, fees or other charges incurred by reason of any transfer of any interest in the Items or the Trust Estate by the Lessor or the Trustor (other than as contemplated by this Lease, the Security Agreement and Sections 7 and 12 of the Trust Agreement) while no event of default specified in Section 14.1 hereof has occurred and is continuing; provided, however, that the Lessee agrees to pay any such taxes on or measured by rents payable hereunder or the net income therefrom which are in substitution for or relieve the Lessee from any tax which the Lessee would otherwise be obligated to pay under the terms of this Section 10.2, unless, and to the extent only, that any such fee, tax, levy, impost, duty, charge or withholding is being contested by the Lessee in good faith and by appropriate proceedings so long as such proceedings do not involve any danger of the sale, forfeiture or loss of any Item

or interest therein). To the extent that any payment made by the Lessee under this Section 10.2 is made with respect to an amount (herein called a "non-deductible amount") which is not deductible, either in one taxable period or ratably over more than one taxable period, in the computation of liability for income tax, then the amount of such payment shall be increased to an amount which, after deduction of all federal, state or local taxes or other governmental charges imposed with respect to the receipt thereof, shall be equal to the non-deductible amount. In case any report or return is required to be made with respect to any obligation of the Lessee under this Section or arising out of this Section, Lessee will either make such report or return in such manner as will show the title to the Items and all parts thereof in the Lessor and send a copy of such report or return to the Lessor or will notify the Lessor of such requirements and make such report or return in such manner as shall be satisfactory to the Lessor. All amounts payable by the Lessee pursuant to this Section shall be payable, to the extent not theretofore paid, on written demand by the party entitled to indemnification. In the event that either a tax contest arises or that the Lessee, the Lessor, or the Trustor believes in good faith that taxes previously paid should be contested, the Lessee, the Lessor and the Trustor agree to consult with each other in good faith as to the conduct of such contest, however, the actual conduct of such contest (including its final determination) shall be vested solely in the Trustor or the Lessor. All the indemnities contained in this Section shall continue in full force and effect notwithstanding the expiration or other termination of this Lease and are expressly made for the benefit of, and shall be enforceable by, the Lessor, the Trust Estate and the Trustor.

SECTION 11. PAYMENT FOR CASUALTY OCCURRENCE.

11.1. Duty of Lessee to Notify Lessor. In the event that any Item of Equipment shall be or become lost, stolen, destroyed or irreparably damaged, or title thereto or the use thereof shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise during the Term (any such occurrence, except for any such requisition of the use of any Item which by its express terms does not exceed the remaining Term, being hereinafter called a "Casualty Occurrence"), the Lessee shall promptly and fully (after it has knowledge of such Casualty Occurrence) inform the Lessor in regard thereto.

11.2. Sum Payable for Casualty Loss. When the aggregate Casualty Value (as herein defined) of an Item or Items of Equipment described in Schedules A-1, A-2, A-3 or A-4 hereto having suffered Casualty Occurrences on or after the date 15 days before the Term Lease Commencement Date (exclusive of Items of Equipment described in such Schedule having suffered Casualty Occurrences with respect to which a payment shall have theretofore been made to the Lessor pursuant to this Section 11) shall exceed \$100,000, the Lessee, on the next succeeding Rent Payment Date shall pay to the Lessor a sum equal to the Casualty Value (as hereinafter defined) of such Item or Items of Equipment as of such Rent Payment Date plus any accrued and unpaid Interim Rent for such Item; provided that notwithstanding the foregoing the Lessee shall, on the last Rent Payment Date in each calendar year, pay to Lessor a sum equal to the Casualty Value of any Item or Items of Equipment which have suffered a Casualty Occurrence since the corresponding Rent Payment Date in the prior calendar year (or any previous year for which no payment has previously been made to the Lessor pursuant to this Section 11.2.).

11.3. Rent Termination. Upon (but not until) payment of the Casualty Value in respect of any Item of Equipment, the obligation to pay rent for such Item of Equipment, including the Periodic Rent installment due on the date on which such Casualty Value is paid, and the Term with respect to such Item shall terminate. The Lessee shall pay when due all rent payments payable with respect to an Item or Items hereunder prior to the date on which the Casualty Value thereof is payable.

11.4. Disposition of Equipment. The Lessee shall, as agent for the Lessor, sell each Item of Equipment which suffers a Casualty Occurrence as soon as it is able to do so for the best price obtainable. Each such sale shall be on an "as-is", "where-is" basis without representation or warranty, express or implied. As to each separate Item of Equipment so sold by the Lessee, the

Lessee may retain all amounts of such price and any insurance proceeds or damages received by the Lessee by reason of such Casualty Occurrence up to the Casualty Value attributable thereto and shall remit the excess, if any, to the Lessor.

11.5. Casualty Prior to Term Lease Commencement Date.

In the event the Lessee shall have notified the Lessor that an Item or Items of Equipment have suffered a Casualty Occurrence, and such notification is given to the Lessor, 15 days or more prior to the Term Lease Commencement Date, the Casualty Value for such Item or Items shall be an amount equal to 101% of Lessor's Cost for such Item or Items plus the Interim Rent therefor accrued to the date of payment of such Casualty Value, which date shall be not later than the Term Lease Commencement Date. If the Lessee shall have notified the Lessor that an Item or Items of Equipment have suffered a Casualty Occurrence and such notification is given to the Lessor, less than 15 days prior to the Term Lease Commencement Date for such Item, the date of such Casualty Occurrence for such Item or Items shall be deemed to be one day after the Term Lease Commencement Date for such Item and the Casualty Value therefor shall be determined and payable as provided in Sections 11.2 and 11.6 hereof.

11.6. Casualty Value. Except as otherwise provided in Section 11.5 hereof, the "Casualty Value" of each Item of Equipment shall be an amount determined as of the date the Casualty Value is required to be paid to Lessor under Section 11.2 hereof (and not the date of the Casualty Occurrence) equal to that percentage of the Lessor's Cost of such Item which is set forth with respect to such Item in the Schedule of Casualty Value attached hereto as Schedule B.

11.7. Risk of Loss. The Lessee shall bear the risk of and, except as hereinabove in this Section 11 provided, shall not be released from its obligation hereunder in the event of any Casualty Occurrence to any Item of Equipment.

11.8. Eminent Domain. In the event that during the term of this Lease the use of any Item of Equipment is requisitioned or taken by any governmental authority under power of eminent domain or otherwise for a period which by its express terms does not exceed the remaining Term, the Lessee's obligation to pay rent hereunder for such Item shall continue as if such Item had not been requisitioned or taken. The Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for such requisition or taking up to an amount equal to the rent paid by the Lessee hereunder for such period, and the balance, if any, shall be payable to and retained by the Lessor as its sole property.

SECTION 12. ANNUAL REPORTS.

12.1. Duty of Lessee to Furnish. On or before May 1 in each year, commencing with the year 1973, the Lessee will furnish to the Lessor and its assigns an accurate statement, in respect of the preceding fiscal year (a) showing the amount, description and road numbers of the Items of Equipment then leased hereunder, the amount, description and road numbers of all Items of Equipment that have suffered Casualty Occurrences during the preceding 12 months (or since the date of this Lease, in the case of the first such statement), and such other information regarding the condition and state of repair of the Equipment as Lessor or its assigns may reasonably request, and (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4.2 hereof have been preserved or replaced.

12.2. Lessor's Inspection Rights. The Lessor and its assigns shall have the right, at their sole cost and expense, by their respective authorized representatives, to inspect the Equipment and the Lessee's records with respect thereto, at such times as shall be reasonably necessary to confirm to the Lessor and its assigns, if any, the existence and proper maintenance thereof during the continuance of this Lease.

SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM.

Upon the expiration of the Term with respect to any Item of Equipment (other than pursuant to Section 14 hereof), the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Item of Equipment to the Lessor upon such storage tracks owned or controlled by Lessee as the Lessor may designate, or in the absence of such designation, as the Lessee may select, or in the absence of such a storage place owned or controlled by Lessee, such other place as Lessor shall reasonably designate, and Lessee will permit the Lessor to store such Item of Equipment on such tracks for a period not exceeding 90 days and will transport the same at any time within such 90 days period to any reasonable place on the liens of a railroad operated by it or by any connecting carrier within 25 rail miles of such storage tracks, all as directed by the Lessor upon not less than 30 days' written notice to Lessee. All movement and storage of each such Item is to be at the risk and expense of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or lessee of any such Item, to inspect the same. The assembling, delivering, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so assemble, deliver, store and transport the Equipment.

SECTION 14. DEFAULT.

14.1. Events of Default. If, during the continuance of this Lease, one or more of the following events (herein called "events of default") shall occur:

(a) Default shall be made in the payment of any Periodic Rent or Interim Rent or any amount due in respect of a Casualty Occurrence and such default shall continue for ten days;

(b) The Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or of possession of the Equipment, or any portion thereof, and shall fail or refuse to cause such assignment or transfer to be cancelled by agreement of all parties having any interest therein and to recover possession of such Equipment within 30 days after written notice from the Lessor to the Lessee demanding such cancellation and recovery of possession;

(c) 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 herein or in the Acquisition Agreement and such default shall not be cured within 30 days after written notice from the Lessor to the Lessee specifying the default and demanding the same to be remedied;

(d) Any representation or warranty made by or on behalf of the Lessee herein or in any statement or certificate furnished to the Lessor, the Trustor or any assignee referred to in Section 16 hereof pursuant to this Agreement or the Acquisition Agreement proves untrue in any material respect as of the date of issuance or making thereof and shall not be made good within 30 days after notice thereof to the Lessee by the Lessor;

(e) Any proceedings shall be commenced by or against the Lessee for any relief under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder) 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 the obligations of the Lessee

under this Lease shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed 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 obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier; or

(f) A petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 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 obligations of the Lessee under this Lease shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees, within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier.

14.2. Remedies. If any event of default has occurred and is continuing, the Lessor, at its option, may:

(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 for the breach of a representation or warranty; or

(b) By notice in writing to the Lessee, terminate this Lease with respect to any Item or Items, whereupon all right of the Lessee to the use of such Item or Items shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where such Item or Items may be located, and take possession of such Item or Items and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, use such Item or Items for any purpose whatever, and/or sell (at public or private

sales, as the Lessor may determine), lease or otherwise dispose of such Item or Items free from any rights of the Lessee and without any duty to account to the Lessee with respect to the proceeds thereof; but the Lessor shall, nevertheless, have a right to recover from the Lessee 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 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 (i) as damages for loss of the bargain and not as a penalty, a sum with respect to each such Item which represents the excess, if any, of the present worth, at the time of such termination, of all rentals for such Item which would otherwise have accrued hereunder from the date of such termination to the end of the Term over the then present worth of the then fair rental value of such Item for such period computed by discounting from the date of such termination to the end of the Term rentals which the Lessor reasonably estimates to be obtainable for the use of such Item during such period, such present worth to be computed in each case on a basis of a 5% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, plus (ii) any damages and expenses, including reasonable attorney's fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease, other than for the payment of rent; and

(c) In the event of any such termination and whether or not the Lessor shall have exercised or shall thereafter exercise any of its other rights under paragraph (b) above, the Lessor shall have the right to recover from the Lessee an amount which, after deduction of all federal, state and local taxes and other governmental charges required to be paid by the Lessor and/or the Trustor in respect of the receipt thereof, calculated on the assumption that the federal, state and local taxes on or measured by net income or excess profits are based on a 48% effective federal tax rate and the highest effective state and local income tax and/or excess profit tax rates generally applicable to the Lessor and the Trustor, including therein the effect of any applicable surtax, surcharge and/or other tax or charge related thereto, and deducting from any such federal tax 48% of the amount of any such state and local tax (such rates as so calculated being hereinafter in this Agreement called the

"Assumed Rates") shall, in the reasonable opinion of the Lessor, cause the Lessor's and the Trustor's net return (taxes being calculated at the Assumed Rates) under this Lease to be equal to the net return (taxes being calculated at the Assumed Rates and any loss suffered by the Trustor on any sale or other disposition of Items being treated as an ordinary loss for federal income tax purposes) that would have been available to the Lessor and the Trustor if the Lessor and the Trustor had been entitled to take a depreciation deduction (hereinafter called the "Class Life Deduction") for the entire Term in an amount equal to that which could have been claimed if the Items of Equipment involved had had (i) a depreciable life of 11 years and a net salvage value for tax purposes of 5% of the aggregate Lessor's Cost of such Items, or (ii) a depreciable life of 12 years and a net salvage value of 0% of the aggregate Lessor's Cost of such Items, whichever would be least favorable to the Trustor, which Class Life Deduction was lost, not claimed, not available for claim, disallowed or recaptured in respect of an Item of Equipment as a result of the breach of one or more of the representations, warranties and covenants made by the Lessee in Section 22 hereof or any other provisions of this Lease, the termination of this Lease, the Lessee's loss of the right to use such Item of Equipment or the sale or other disposition of the Lessor's interest in such Item of Equipment after the occurrence of an event of default.

14.3. Cumulative Remedies. The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirement of law, now or thereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law.

14.4. Lessor's Failure to Exercise Rights. The failure of the Lessor to exercise the rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT.

15.1. Lessee's Duty to Return. If the Lessor shall terminate this Lease pursuant to Section 14 hereof, the Lessee shall forthwith deliver possession of the Equipment to the Lessor. For the purpose of delivering possession of any Item of Equipment to the Lessor as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

(a) Forthwith place such Item in such reasonable storage place owned or controlled by Lessee as the Lessor may designate or, in the absence of such designation, as the Lessee may select, or in the absence of such a storage place, such other storage place owned or controlled by Lessee as Lessor shall reasonably designate;

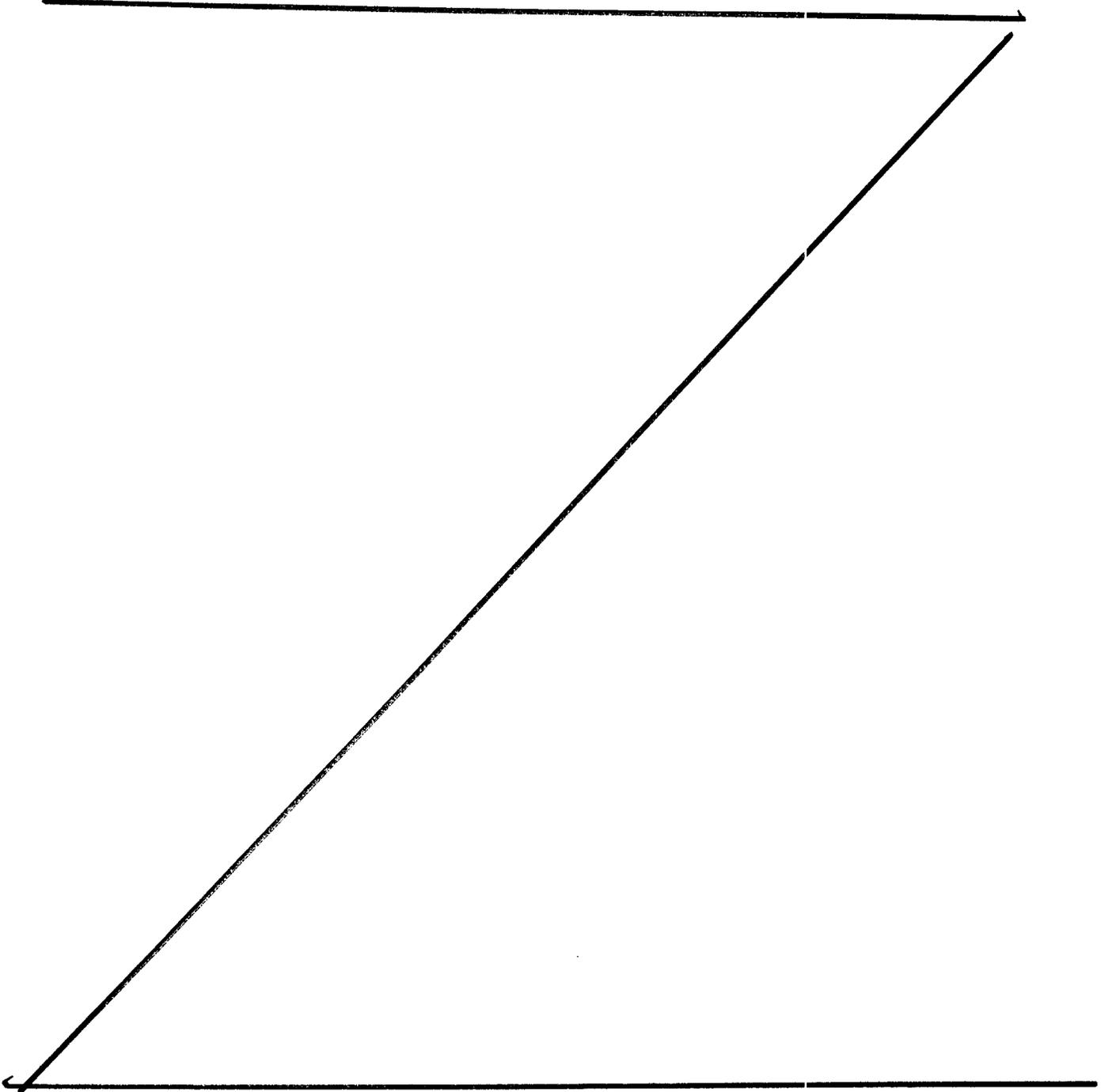
(b) Provide storage at the risk of the Lessee for such Item on such tracks for a period not exceeding 180 days after written notice by the Lessee to the Lessor specifying the place of storage and the road numbers of the Items so stored (during which period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or lessee of such Item to inspect the same); and

(c) Transport such Item, at any time within such 180 days period, to any place on lines operated by it or by any connecting carrier within 25 rail miles of such storage tracks, all as the Lessor may reasonably direct upon not less than 30 days' written notice to the Lessee.

15.2. Specific Performance. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court or equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so as to assemble, deliver, store and transport the Equipment.

15.3. Lessor Appointed Lessee's Agent. Without in any way limiting the obligations of the Lessee under the foregoing provisions of this Section 15, the Lessee hereby irrevocably appoints

the Lessor as the agent and attorney of Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Items of Equipment to Lessor, to demand and take possession of such Item in the name and on behalf of Lessee from whosoever shall be at the time in possession of such Item.



SECTION 16. ASSIGNMENT BY LESSOR.

This Lease shall be assignable in whole or in part by Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. Upon notice to the Lessee of any such assignment, if so directed by the Lessor in writing, the rent and other sums payable by the Lessee which are the subject matter of such assignment shall be paid to the assignee designated by the Lessor. Without limiting the foregoing, the Lessee further acknowledges and agrees that the rights of any such assignee in and to the sums payable by the Lessee under any provisions of this Lease shall not be subject to any abatement whatsoever, and shall not be subject to any defense, set-off, counterclaim or recoupment whatsoever whether by reason of or defect in the Lessor's title, or any interruption from whatsoever cause (other than from a wrongful act of such assignee) in the use, operation or possession of the Equipment or any part thereof, or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever, and whenever arising, of the Lessor to the Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that, except in the event of a wrongful act on the part of such assignee, the Lessee shall be unconditionally and absolutely obligated to pay to such assignee all of the rents and other sums which are the subject matter of the assignment. The Lessee acknowledges receipt of notice that the Lessor intends to grant a security interest in the Equipment, this Lease and the rent and other sums due and to become due hereunder to Wells Fargo Bank, N.A., as Trustee and Secured Party (the "Assignee") under and pursuant to the Security Agreement (as hereinafter defined), a copy of which has been furnished to the Lessee and that, upon execution and delivery thereof, the Security Agreement and, particularly, Section 2.6 thereof, will prohibit the Lessor from exercising certain rights, privileges and remedies which by the terms of this Lease are permitted or provided to be exercised by the Lessor. The Lessee acknowledges and agrees that no action taken by the Lessor after the execution and delivery of the Security Agreement and written notice thereof to the Lessee which is in violation of the prohibitions of Section 2.6 of the Security Agreement shall be valid or effective to modify, or relieve the Lessee of, any of its obligations or liabilities under the Lease.

SECTION 17. ASSIGNMENT BY LESSEE; USE AND POSSESSION.

17.1. Lessee's Rights to the Equipment. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of the Lease, but, subject to Section 17.2, without the prior written consent of the Lessor and the Assignee, the Lessee shall not assign, transfer or encumber its leasehold interest under this Lease in any of the Equipment. The Lessee shall not, without the prior written consent of the Lessor and the Assignee, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Equipment, except to the extent permitted by the provisions of Section 17.2 hereof.

17.2. Use and Possession by Lessee. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the Equipment and to the use thereof upon the lines of railroad owned or operated by it (either alone or jointly) or by any corporation (such corporation being hereinafter referred to as a "Subsidiary"), not less than 80% of whose voting stock (i.e., stock having ordinary voting power for the election of a majority of its Board of Directors) is owned directly or indirectly by the Lessee, or upon lines of railroad over which the Lessee or any such corporation has trackage or other operating rights or over which equipment of the Lessee is regularly operated pursuant to contract and also to permit the use of the Equipment upon connecting and other railroads in the usual interchange of traffic, and to permit the subletting to any Subsidiary, or the emergency use by other parties, of any Item of Equipment in the normal course of business, but only upon and subject to all the terms and conditions of this Lease. No assignment, sublease or interchange entered into by the Lessee hereunder shall relieve the Lessee of any liability or obligations hereunder which shall be and remain those of a principal and not a surety.

17.3. Merger, Consolidation or Acquisition of Lessee. Nothing in this Section 17 shall be deemed to restrict the right of Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any corporation (which shall have duly assumed the obligations hereunder of Lessee) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of Lessee as an entirety or substantially as an entirety.

SECTION 18. OPINION OF LESSEE'S COUNSEL.

Concurrently with the delivery and acceptance of the first Item of Equipment hereunder, the Lessee will deliver to the Lessor counterparts of the written opinion of counsel for the Lessee addressed to the Lessor and the Trustor, and to any Assignee under Section 16 of which the Lessee has notice, dated the Acceptance Date for such Item in form and substance satisfactory to the Lessor and the Trustor and their respective counsel, to the effect that:

(a) The Lessee is a corporation legally incorporated and validly existing, in good standing, under the laws of the State of Delaware;

(b) The Lessee has the corporate or other power and authority to enter into and perform this Lease and the Acquisition Agreement and to own its property and carry on its business as now being conducted and is duly qualified to do business as a foreign corporation in all states in which such qualification is necessary to carry out the terms of this Lease;

(c) This Lease and the Acquisition Agreement have been duly authorized, executed and delivered by the Lessee and constitute the legal, valid and binding agreements of the Lessee enforceable in accordance with their respective terms, subject to the effect of any applicable bankruptcy, insolvency, reorganization and moratorium laws affecting creditors rights generally from time to time in effect;

(d) This Lease has been filed and recorded with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act and no other filing, recording or depositing is necessary to protect the Lessor's title to the Equipment;

(e) No approval, consent or withholding of objection is required from any public regulatory body with respect to the entering into or performance of the Acquisition Agreement or this Lease;

(f) The execution, delivery and performance by the Lessee of the Acquisition Agreement and this Lease do not violate any provision of any law, any order

of any court or governmental agency, the Charter or By-laws of the Lessee, or any indenture, agreement, or other instrument to which Lessee is a party or by which it, or any of its property is bound, and will not be in conflict with, result in the breach of, require any consent under, or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Lessee (including its rights hereunder), except as contemplated and permitted hereby; and

(g) As to any other matter which the Lessor shall reasonably request.

SECTION 19. INTEREST ON OVERDUE RENTALS AND AMOUNTS PAID BY LESSOR.

Anything to the contrary herein contained notwithstanding, any nonpayment of rentals or other amounts payable by the Lessee hereunder shall result in the obligation on the part of the Lessee to pay also an amount equal to interest at the rate of 8-3/4% per annum (or the lawful rate, whichever is less) on such overdue rentals or other amounts for the period of time during which they are overdue and unpaid. If any payment of rentals or other amounts due hereunder falls due on a Saturday, Sunday or public holiday at the place for payment, then, unless the Lessee shall have made such payment (the Lessee being hereby expressly authorized to make such payment) in immediately available funds on the next preceding business day, the due date shall be extended to the next succeeding business day and interest will be payable as aforesaid in respect of such extension. Interest under this Lease shall be determined on the basis of a year of 360 days and actual days elapsed.

SECTION 20. OPTIONS TO PURCHASE AND RENEW.

20.1. Option to Purchase. If no event of default or event which, with notice and/or lapse of time, would constitute such an event of default, would become an event of default shall have occurred and be continuing, Lessee shall have the following option to purchase:

(a) The Lessee shall have the right to purchase all but not less than all of the Items of Equipment (exclusive of Items which have suffered Casualty Occurrences) described in any one or more of Schedules A-1, A-2, A-3 and A-4 hereto at the expiration of the Term or any renewal term on an as-is, where-is basis and without any representation or warranty, express or implied, by the Lessor except as hereinafter provided at a price equal to the then "fair market value" of such Items (as hereinafter defined). The Lessee shall give the Lessor written notice not more than 270 days nor less than 180 days prior to the end of the Term or any renewal term of its election to exercise the purchase option provided for in this Section. Payment of the option price shall be made at the place of payment specified in Section 2 hereof (or at such other place as the Lessor may direct) in immediately available funds against delivery of a bill of sale transferring and assigning to the Lessee all right, title and interest of the Lessor in and to the Equipment and (unless the Lessor determines in its sole discretion that it is unable to give such a warranty) containing a warranty against liens or claims of persons claiming by, through or under the Lessor except liens and claims which the Lessee assumed or is obligated to discharge under the terms of the Lease.

(b) The "fair market value" shall be an amount mutually agreed upon by the Lessor and the Lessee; provided that if the Lessor and the Lessee are unable to agree upon the fair market value of the Equipment within 30 days after receipt by the Lessor of the notice of the Lessee's election to exercise the purchase option provided for in Section 20.1(a), the fair market value shall be determined by an appraiser selected by mutual agreement of the Lessor and the Lessee. If the Lessor and the Lessee are not able to agree upon an appraiser,

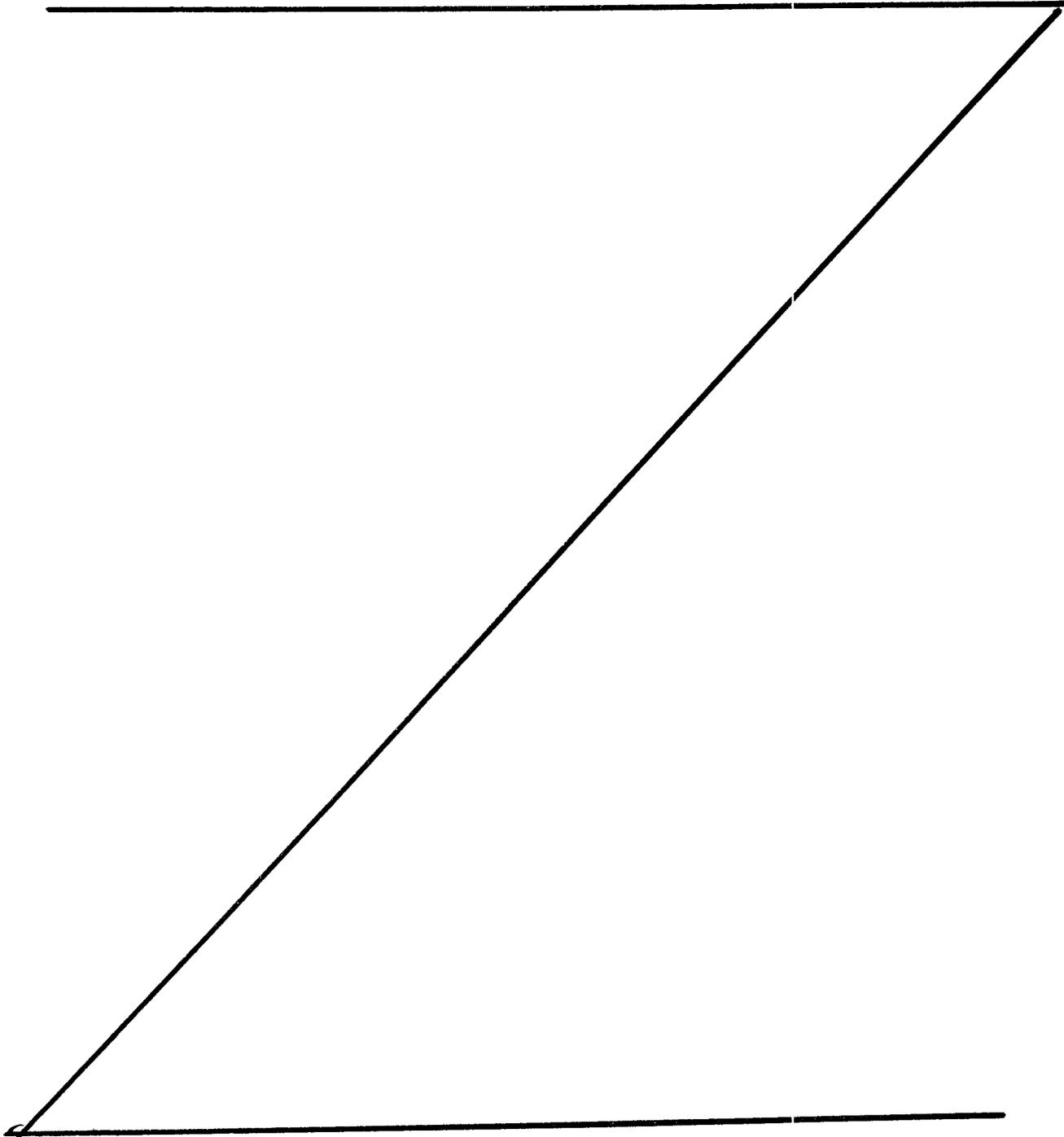
or if the fair market value is not so determined within 90 days after receipt by the Lessor of the Lessee's election to purchase, the same shall be determined by American Appraisal Company upon the request of either or both of the Lessor and the Lessee. All costs and expenses of appraisal pursuant to this Section 20.1(b) shall be borne by the Lessee.

20.2. Option to Renew. If no event of default or event which, with notice and/or lapse of time, shall have occurred and be continuing, Lessee shall have the following renewal options:

(a) The Lessee shall have the option to renew and extend this Lease as to all, but not less than all, of the Equipment (exclusive of Items which have suffered Casualty Occurrences) described in any one or more of Schedules A-1, A-2, A-3 and A-4 hereto for five consecutive additional renewal terms of one year each upon and subject to the terms and conditions herein contained for the Term of this Lease excepting only that the Periodic Rent for each such renewal term, which shall be payable semiannually in advance during each such term, shall be an amount equal to the "fair rental value" (as hereinafter defined) of such Equipment as at the commencement of such renewal term. Each such renewal term shall commence immediately upon the expiration of the preceding term. The Lessee shall give the Lessor written notice not less than 180 nor more than 270 days prior to the end of the original term or the then current renewal term of its election to exercise any renewal option provided for by this Section 20.2.

(b) The "fair rental value" shall be an amount mutually agreed upon by the Lessor and the Lessee; providing that if the Lessor and the Lessee are unable to agree upon the fair rental value of the Equipment within 30 days after receipt by the Lessor of the notice of the Lessee's election to exercise any renewal option, the fair rental value shall be determined by an appraiser selected by mutual agreement of the Lessor and the Lessee. If the Lessor and the Lessee are not able to agree upon an appraiser, or if the fair rental value is not so determined within 90 days after receipt by the Lessor of the Lessee's intention to renew, the same shall be

determined by American Appraisal Company upon the request of either or both of the Lessor and the Lessee. All costs and expenses of appraisal pursuant to this Section 20.2(b) shall be borne by the Lessee.



SECTION 21. CONCERNING THE LESSOR.

It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations, covenants, undertakings and agreements herein made on the part of the Lessor, while in form purporting to be the representations, covenants, undertakings and agreements of Trust Company for USL, Inc., are nevertheless each and every one of them made and intended not as personal representations, covenants and undertakings and agreements of it in its individual corporate capacity or for the purpose or with the intention of binding it in its individual corporate capacity, but are made and intended for the purpose of binding only the Trust as that term is used in the Trust Agreement; such Trust is the Lessor hereunder, and this Lease is executed and delivered by Trust Company for USL, Inc., not in its own right but solely in the exercise of the powers conferred upon it as such Trustee; and no liability or responsibility in its individual corporate capacity is assumed by nor shall at any time be asserted or enforceable against such corporation, or any incorporator or any past, present or future subscriber to the capital stock of, the Trustee, on account of this Lease or on account of any representation, covenant, undertaking or agreement of such corporation or the Agent in this Lease contained, either expressed or implied, all such individual corporate liability, if any, being expressly waived and released by the Lessee herein and by all persons claiming by, through or under the Lessee; excepting, however, that the Lessee or any person claiming by, through or under it, making claim hereunder, may look to said Trust for satisfaction of the same.

SECTION 22. FEDERAL INCOME TAXES.

The Lessor, as the owner of the Equipment, shall be entitled to such deductions, credits (other than the investment tax credit) and other benefits as are provided by the Internal Revenue Code of 1954, as amended from time to time, and the regulations thereunder (hereinafter called the Code) to an owner of property including (without limitation) the Class Life Deduction (as defined in Section 14.2 of this Lease), with respect to the Equipment.

Lessee agrees that neither it nor any corporation controlled by it, in control of it, or under common control with it, directly or indirectly, will at any time take any action or file any returns or other documents inconsistent with the foregoing and that the Lessee and each of such corporations will file such returns, take such action and execute such documents as may be reasonable and necessary to facilitate accomplishment of the intent thereof. Lessee agrees to keep and make available for inspection and copying by Lessor such records as will enable Lessor to determine whether it is entitled to the full benefit of the Class Life Deduction with respect to the Equipment. Lessee represents, warrants and agrees that at the time Lessor becomes the owner of the Items, the Items will be new and will not have been used by any person so as to preclude "the original use of such property" within the meaning of Section 167(c)(2) of the Code from commencing with Lessor.

The Lessor hereby agrees and covenants that it will in accordance with Section 48(d) of the Internal Revenue Code of 1954, as amended, and the regulations thereunder, as currently in effect, make a timely and proper election to treat the Lessee as having acquired the Equipment for purposes of the investment tax credit provided by Section 38 (and related Sections) of said Code so that the Lessee may receive the benefit of such credit to the extent it is available; provided, however, that the Lessee shall be solely responsible for the preparation and filing of all documents necessary to effect such election.

SECTION 23. MISCELLANEOUS.

23.1. Amendment in the Event of Substitution of Equipment.
In the event there is any substitution of different railroad freight cars for any of the Items of Equipment described in Schedules A-1, A-2, A-3 and A-4 hereto pursuant to Section 7 of the Acquisition Agreement, the Lessor and the Lessee agree to enter into, execute and deliver, and the Lessee agrees to cause to be filed, recorded and deposited in compliance with Section 10.1 hereof, an appropriate amendment to this Lease describing such railroad freight cars as part of the Equipment leased hereunder and the price and rental payments applicable thereto and deleting from said Schedules the Items for which such railroad freight cars were substituted.

23.2. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States certified mails, first class postage prepaid, addressed as follows:

If to the Lessor: Trust Company for USL, Inc.,
Trustee under S.P. Trust No. 2
1211 West 22nd Street
Oak Brook, Illinois 60521

with a copy to: United States Leasing
International, Inc.
633 Battery Street
San Francisco, California 94111

Attention: Vice President - Lease
Underwriting Group

If to the Lessee: Southern Pacific Transportation
Company
1 Market Street
San Francisco, California 94105

Attention: Vice President and
Treasurer

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

23.3. Execution in Counterparts. This Lease, and any lease supplemental hereto, may be executed in several counterparts,

each of which so executed shall be deemed to be an original and in each case such counterparts shall constitute but one and the same instrument.

23.4. 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 Section 20c of the Interstate Commerce Act, such additional rights arising out of the filing, recording or depositing hereof and of any assignment hereof or out of the marking on the Items of Equipment as shall be conferred by the laws of the several jurisdictions in which this Lease or any assignment hereof shall be filed, recorded or deposited and any rights arising out of the marking of the Items of Equipment.

23.5. Trustor, Trust Agreement, Loan Agreements and Security Agreement Defined. The term "Trustor" as used herein means The Chase Manhattan Bank (National Association) as Trustor under the Trust Agreement dated as of July 1, 1972 among the Trustor and the Lessor (the "Trust Agreement") and its successors in interest and assigns under said Trust Agreement. The term "Loan Agreements" as used herein mean the "Loan Agreements" as defined in the Acquisition Agreement. The term "Security Agreement" as used herein means the Security Agreement-Trust Deed to be executed by the Lessor in favor of Wells Fargo Bank, N.A., as Trustee, referred to in the Trust Agreement. The term "Assignee" as used herein means Wells Fargo Bank, N.A., as trustee and secured party under the Security Agreement and its successors as such trustee.

23.6. Lessor's Right to Perform for Lessee. If the Lessee fails to make any payment of rental required to be made by it hereunder or fails to perform or comply with any of its other agreements contained herein, the Lessor may itself make such payment or perform or comply with such other agreement, and the amount of such payment and the amount of the reasonable expenses of the Lessor incurred in connection with such payment or the performance of or compliance with such agreement, as the case may be, together with interest thereon at the rate of 8-3/4% per annum (or the lawful rate, whichever is less), shall be deemed additional rental hereunder, payable by the Lessee upon demand.

23.7. Severability; Effect; and Modification of Lease. 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.

This Lease and the Acquisition Agreement exclusively and completely state the rights of the Lessor and the Lessee with respect to the Items of Equipment and supersedes all other agreements, oral or written, with respect to the Items of Equipment. 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 officers of the Lessor and the Lessee.

23.8. Successor Trustee; Revocation of Trust. In the case of the appointment of any successor trustee or the revocation of the Trust (as such term is defined in the Trust Agreement) by the Trustor pursuant to the terms of the Trust Agreement, such successor trustee (in the case of such appointment), or the Trustor (in the case of such revocation) shall, upon written notice by such successor trustee or the Trustor (as the case may be) to the Lessee, succeed to all the rights, powers and title of the Lessor hereunder and shall be deemed to be the Lessor and the legal owner of the Equipment for all purposes hereof and of the Acquisition Agreement. No such appointment or revocation shall require any consent or approval by the Lessee or shall in any way alter the terms of this Lease or the Acquisition Agreement or the Lessee's obligations hereunder or thereunder. The appointment of one successor trustee shall not exhaust the right to appoint further successor trustees or to revoke the Trust pursuant to the Trust Agreement, but such right may be exercised repeatedly as long as this Lease may be in effect.

23.9. Effectiveness of Lease. This Lease shall not become effective unless and until the Acquisition Agreement and the Trust Agreement shall have been duly executed and delivered by the respective parties thereto.

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

TRUST COMPANY FOR USL, INC.,
as Trustee under S.P. Trust No. 2

By *Peter Meyer*
Vice President LESSOR

(CORPORATE SEAL)

ATTEST:

Jeanne L. Miller
Assistant Secretary

SOUTHERN PACIFIC TRANSPORTATION
COMPANY

By *Robert J. McLean*
Vice President
and Treasurer LESSEE

(CORPORATE SEAL)

ATTEST:

CE Egan
Assistant Secretary

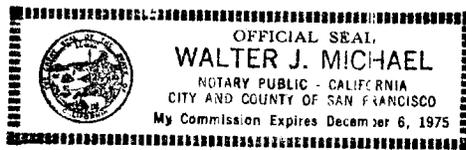
STATE OF CALIFORNIA)
) SS
CITY AND COUNTY OF SAN FRANCISCO)

On this 26th day of July, 1972, before me personally appeared Peter Meser, to me personally known, who being by me duly sworn, says that he is Vice President of TRUST COMPANY FOR USL, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Walter J. Michael
Notary Public

[SEAL]

My Commission Expires:



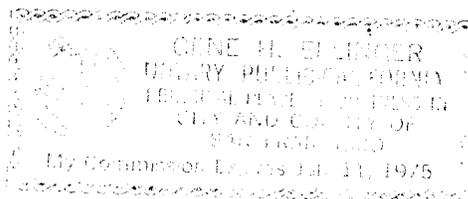
STATE OF CALIFORNIA }
CITY AND } SS
COUNTY OF SAN FRANCISCO }

On this 26th day of July, 1972, before me personally appeared Robert J. McLean, to me personally known, who being by me duly sworn, says that he is Vice President and Treasurer of SOUTHERN PACIFIC TRANSPORTATION COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Gene H. Ellinger
Notary Public

[SEAL]

My Commission Expires:



SCHEDULE A-1

MANUFACTURER: Gunderson, Inc.

DESCRIPTION OF EQUIPMENT: 59 70-ton, 50 ft. 7 in., single sheath boxcars with hydra-cushion underframes

ROAD NUMBERS: Lettered SP and numbered 241941 to 241999, both inclusive

PRICE: \$17,375.00 per car

TOTAL PRICE: \$1,025,125.00 for all 59 cars

OUTSIDE DELIVERY DATE: December 20, 1972

DELIVER TO: Southern Pacific Transportation Company (as designated by the Railroad)

RENT PERIOD: Twenty (20) years, commencing with the first rental payment

PERIODIC RENTAL PAYMENTS: Forty (40) semiannual rental payments, in arrears, payable as follows:

First 12 at \$498.23 per car or
\$29,395.57 for all 59 cars

Last 28 at \$877.18 per car or
\$51,753.62 for all 59 cars

INTERIM DAILY RENTAL: as provided in Section 2.1(b)
; of the Lease

In the event the price of any cars covered by this Schedule is greater or less than the amount shown above, the Periodic Rent for such cars shall be ratably increased or reduced accordingly.

TRUSTOR: The Chase Manhattan Bank

LESSEE: Southern Pacific Transportation Company - S.P. Trust No. 2

SCHEDULE A-2

MANUFACTURER: PACCAR Inc

DESCRIPTION OF EQUIPMENT: 200 70-ton, 50 ft. 6 in. insulated boxcars with bulkheads and hydraulic cushion underframes

ROAD NUMBERS: Lettered SP and numbered 694430 to 694629, both inclusive *changed to*
~~694430 to 694629~~

PRICE: \$22,759.00 per car

TOTAL PRICE: \$4,551,800.00 for all 200 cars

OUTSIDE DELIVERY DATE: December 20, 1972

DELIVER TO: Southern Pacific Transportation Company (as designated by the Railroad)

RENT PERIOD: Twenty (20) years, commencing with the first rental payment

PERIODIC RENTAL PAYMENTS: Forty (40) semiannual rental payments, in arrears, payable as follows:
First 12 at \$652.61 per car or \$130,522.00 for all 200 cars
Last 28 at \$1,148.99 per car or \$229,798.00 for all 200 cars

INTERIM DAILY RENTAL: as provided in Section 2.1(b) of the Lease

In the event the price of any cars covered by this Schedule is greater or less than the amount shown above, the Periodic Rent for such cars shall be ratably increased or reduced accordingly.

TRUSTOR: The Chase Manhattan Bank

LESSEE: Southern Pacific Transportation Company - S.P. Trust No. 2

SCHEDULE A-3

MANUFACTURER: PACCAR Inc

DESCRIPTION OF EQUIPMENT: 200 70-ton 50 ft. 6 in. insulated boxcars with bulkheads, sidewall fillers, and hydra-cushion underframes

ROAD NUMBERS: Lettered SP and numbered 694230 to 694429, both inclusive

PRICE: \$23,591.00 per car

TOTAL PRICE: \$4,718,200.00 for all 200 cars

OUTSIDE DELIVERY DATE: December 20, 1972

DELIVER TO: Southern Pacific Transportation Company (as designated by the Railroad)

RENT PERIOD: Twenty (20) years, commencing with the first rental payment

PERIODIC RENTAL PAYMENTS: Forty (40) semiannual rental payments, in arrears, payable as follows:

First 12 at \$676.47 per car or \$135,294.00 for all 200 cars

Last 28 at \$1,190.99 per car or \$238,198.00 for all 200 cars

INTERIM DAILY RENTAL: as provided in Section 2.1(b) of the Lease

In the event the price of any cars covered by this Schedule is greater or less than the amount shown above, the Periodic Rent for such cars shall be ratably increased or reduced accordingly.

TRUSTOR: The Chase Manhattan Bank

LESSEE: Southern Pacific Transportation Company - S.P. Trust No. 2

SCHEDULE A-4

MANUFACTURER: Gunderson, Inc.

DESCRIPTION OF EQUIPMENT: 38 100-ton, drop bottom gondola cars

ROAD NUMBERS: Lettered SP and numbered 341273 to 341310, both inclusive

PRICE: \$33,254.00 per car

TOTAL PRICE: \$1,263,652.00 for all 38 cars

OUTSIDE DELIVERY DATE: December 20, 1972

DELIVER TO: Southern Pacific Transportation Company (as designated by the Railroad)

RENT PERIOD: Twenty (20) years, commencing with the first rental payment

PERIODIC RENTAL PAYMENTS: Forty (40) semiannual rental payments, in arrears, payable as follows:

First 12 at \$953.56 per car or
\$36,235.28 for all 38 cars

Last 28 at \$1,678.83 per car or
\$63,795.54 for all 38 cars

INTERIM DAILY RENTAL: as provided in Section 2.1(b) of the Lease

In the event the price of any cars covered by this Schedule is greater or less than the amount shown above, the Periodic Rent for such cars shall be ratably increased or reduced accordingly.

TRUSTOR: The Chase Manhattan Bank

LESSEE: Southern Pacific Transportation Company - S.P. Trust No. 2

SCHEDULE OF CASUALTY VALUE

CASUALTY VALUE: The following per cent of original cost to Lessor of a boxcar, including all taxes and delivery charges, is to be paid on a rental payment due date pursuant to Section 11 of the Equipment Lease as the result of an Item of Equipment becoming the subject of a Casualty Occurrence, depending upon when the Casualty Value is paid:

<u>After Rental Payment No.</u>	<u>Payable on Date and in Lieu of Payment No.</u>	<u>Casualty Value Payable Per Item [in lieu of rental payment for such item due on such date]</u>
0	1	106.750
1	2	108.250
2	3	109.625
3	4	110.750
4	5	111.625
5	6	112.625
6	7	113.375
7	8	114.000
8	9	114.300
9	10	114.625
10	11	114.750 -
11	12	114.750
12	13	114.500
13	14	112.125
14	15	109.500
15	16	106.750
16	17	103.875
17	18	101.000
18	19	97.875
19	20	94.750
20	21	91.750
21	22	88.750
22	23	85.625
23	24	82.500
24	25	79.375
25	26	76.125

<u>After Rental Payment No.</u>	<u>Payable on Date and in Lieu of Payment No.</u>	<u>Casualty Value Payable Per Item [in lieu of rental payment for such item due on such date]</u>
26	27	72.750
27	28	69.375
28	29	65.875
29	30	62.375
30	31	58.750
31	32	55.125
32	33	51.375
33	34	47.500
34	35	43.625
35	36	39.750
36	37	35.625
37	38	31.625
38	39	27.375
39	40	23.250
40	And thereafter	15.000

