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INTERSTATE COMMERCE COMMISSION

EQUIPMENT LEASE
Dated as of May 1, 1973

AMONG

TRUST COMPANY FOR USL, INC.,
as Lessor

UNITED STATES LEASING INTERNATIONAL, INC.,
as Agent

and

THE WESTERN PACIFIC RAILROAD COMPANY,
as Lessee

(Western Pacific Trust No. 1)

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EQUIPMENT LEASE

RE: THE WESTERN PACIFIC RAILROAD COMPANY
(Western Pacific Trust No. 1)

THIS EQUIPMENT LEASE dated as of May 1, 1973 among TRUST COMPANY FOR USL, INC., not in its individual capacity but solely as Trustee under a Trust Agreement dated as of May 1, 1973 (the "Lessor"), UNITED STATES LEASING INTERNATIONAL, INC., a California corporation as Agent for Lessor (the "Agent") and THE WESTERN PACIFIC RAILROAD COMPANY, a California corporation (the "Lessee");

W I T N E S S E T H:

SECTION 1. MANUFACTURE AND DELIVERY OF EQUIPMENT.

1.1. Intent to Lease and Hire. The Lessor is acquiring certain equipment (collectively the "Equipment" and individually "Item of Equipment") described in Schedules A-1, A-2, A-3, A-4, A-5 and A-6 attached hereto and made a part hereof and, upon delivery of each Item of Equipment by the Manufacturer or Manufacturers thereof (hereinafter referred to collectively as "Manufacturer"), the Lessor shall lease and let such Item of Equipment to the Lessee and the Lessee shall hire such Item of Equipment from the Lessor for the rental and on and subject to the terms and conditions herein set forth.

1.2. Inspection and Acceptance. Upon delivery of each Item of Equipment by the Manufacturer thereof the Lessee will inspect such Item of Equipment and if such Item of Equipment tendered for delivery appears to meet the specifications, the Lessee will accept delivery thereof and execute and deliver to such Manufacturer and Lessor duplicate Certificates of Acceptance, substantially in the form of Exhibit 1 attached hereto and made a part hereof.

1.3. Certificate of Acceptance. The Lessee's execution and delivery to the Lessor of the Certificates of Acceptance with respect to each 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,

each Item of Equipment is acceptable to and accepted by the Lessee under this Lease, notwithstanding any defect with respect to design, manufacture, condition or in any other respect, and that each Item of Equipment is in good order and condition and appears to conform to the specifications applicable thereto and all applicable United States Department of Transportation and the Interstate Commerce Commission requirements and specifications, if any. The Lessee represents that it has no knowledge of any such defect as of the date of such acceptance.

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 thirty (30) semiannual installments of Periodic Rent payable in arrears in the amounts provided for each respective Item of Equipment in Schedules A-1, A-2, A-3, A-4, A-5 and A-6 hereto.
- (b) Daily Interim Rent. For each Item of Equipment, the amount, per day provided for such Item of Equipment respectively in Schedules A-1, A-2, A-3, A-4, A-5 and A-6 hereto for the period, if any, from the date of payment of the invoice by the Lessor for the purchase of such Item of Equipment to and including the Term Lease Commencement Date for such Item of Equipment as defined in Section 2.2 hereof.

2.2. Rent Payment Dates. The Term Lease Commencement Date (hereinafter "Term Lease Commencement Date") for all Items of Equipment shall be January 3, 1974. The total amount of Daily Interim Rent for all Items of Equipment described in any one schedule shall be due and payable on the Term Lease Commencement Date for such Items. The installments of Periodic Rent for each Item of Equipment shall be due and payable semiannually commencing six months following the Term Lease Commencement Date for such Item of Equipment.

2.3. Place of Rent Payment. All payments provided for in

this Lease to be made to the Lessor shall be made to the Lessor at 1211 West 22nd Street, Oak Brook, Illinois 60521, or at such other place as the Lessor, or its assigns pursuant to Section 16 hereof shall specify in writing.

2.4. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent or reduction thereof, including, but not limited to, abatements or reductions due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise or against the Manufacturers of the Equipment, nor except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee 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 destruction of all or any of the Equipment from whatsoever cause, the taking or requisitioning of the Equipment by condemnation or otherwise, the lawful prohibition of the Lessee's use 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 Section 11 hereof, or until, pursuant to Section 13 hereof, the Equipment is placed and ready for delivery to Lessor on the Lessee's lines, or is stored for the Lessor on the Lessee's lines, or leaves the Lessee's lines for off-line delivery to the Lessor.

SECTION 3. TERM OF THE LEASE.

The term of this Lease as to each Item of Equipment shall begin on the date of delivery to and acceptance by the Lessee of such Item of Equipment and subject to the provisions of Section 11 hereof shall terminate 15 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, A-4, A-5 and A-6 and will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting color upon each side of each Item of Equipment in letters not less than one inch in height as follows:

"Leased through United States Leasing International, Inc., as Agent for 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 of the Lessor to such Item of Equipment, its 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 required 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 number 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 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 its affiliates on transportation equipment used by it of the same or a similar type for convenience of identification or 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 Agent, the Trustors (as defined in Section 23.4 hereof) 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, (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 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 of this Lease 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 Agent and the Trustors and their successors and assigns from and against:

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

(b) any claim, cause of action, damages, liability, cost of expense (including counsel fees and costs in connection therewith) which may be incurred in any manner by or for the account of any of them (i) relating to the Equipment or any part thereof, including without limitation the construction, purchase, delivery, installation, ownership, leasing or return of the Equipment or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects are latent or discoverable by the Lessor or by the Lessee), (ii) 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, (iii) as a result of claims for patent infringements or (iv) as a result of claims for negligence or strict liability in tort.

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 hereof 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 assumptions of liability shall not apply in respect of any matters referred to in subsection (a) or clause (i), (ii) or (iv) of subsection (b) of Section 6.1 hereof, occurring after the termination of this Lease except for any such matters occurring after the termination arising in connection with the Lessee's assembling, delivering, storing or transporting of the Equipment as provided in Sections 13 or as the case may be, 15, hereof. The foregoing does not guarantee a residual value.

SECTION 7. RULES, LAWS AND REGULATIONS.

The Lessee agrees to comply with all governmental laws, regulations, requirements and rules (including the rules of the Interstate Commerce Commission, United States Department of Transportation and the current Interchange Rules or supplements thereto of the Mechanical Division, Association of American Railroads) 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 changes, 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. Except as provided in Section 7 hereof, Lessee shall not modify any Item of Equipment without the written authority and approval of the Lessor which 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, except that this shall not apply to special equipment installed in any Item of Equipment by the Lessee provided such special equipment is removed by the Lessee before the Item of Equipment is returned to the Lessor and damage, if any, resulting from such installation and removal is repaired by the Lessee and provided **further** that the removal of such equipment does not affect the serviceability or use in unrestricted interchange of such Item of Equipment.

SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee shall pay or satisfy and discharge any and all claims against, through or under the Lessee and its successors or assigns which, if unpaid, might constitute or become a lien or a charge upon the Equipment, and any liens or charges 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 legal proceedings contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor to the Equipment. The Lessee's obligations under this Section 9 shall survive termination of the Lease.

SECTION 10. FILING, PAYMENT OF FEES AND TAXES.

10.1. Filing. Prior to the delivery and acceptance of the first Item of Equipment, the Lessee will, at its sole expense, cause this Lease to be duly filed, registered or recorded 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 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 and record (and will re-file, re-register, or re-record whenever required) any and all further instruments required by law or reasonably requested by the Lessor, for the purpose of protecting the Lessor's title to, or such assignee's security interest in, the Equipment to the satisfaction of the Lessor'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 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 and re-recording of any such instruments or incident to the taking of such action.

10.2. Payment of Taxes. The Lessee, or if the Lessee fails to do so after written notice from the Lessor, then the Lessor, at Lessee's expense, shall report, pay and discharge when due all license and registration fees, assessments, sales, use and property taxes, gross receipts taxes arising out of receipts from use or operation of the Equipment, and other taxes, fees, penalties and governmental charges similar or in lieu of the foregoing (excluding (i) any net income tax of the Lessor or of any other person, including any Trustor, other than (a) a net income tax imposed by a foreign government for which the Lessor or such other person does not receive a credit on its federal, state or city income tax, and (b) a net income tax or franchise tax measured by net income imposed by a state or locality other than that in which the principal office of any Trustor is located, and (ii) that portion of any tax which the Lessee is otherwise obligated to pay under the terms of this Section which is in direct substitution for, or which relieves the Lessor or any other person, including any Trustor, from any net income tax, provided, that the Lessee agrees to pay that portion of any net income tax which is in direct substitution for, or which relieves the Lessee from, a tax which the Lessee would otherwise be obligated to pay under the terms of this Section), together with any penalties or interest thereon, imposed by any state, federal, local or foreign government upon or with respect to any Item of Equipment or the rent payable under this Lease and whether or not the same shall be assessed against or in the name of the Lessor, the Agent, the Lessee, or any Trustor; provided, however, that the Lessee shall not be required to pay or discharge any such tax or assessment (i) so long as it shall, in good faith and by appropriate legal proceeding contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor to the Equipment; however, the Lessee shall reimburse the Lessor for any damages or expenses resulting from such failure to pay or discharge, or (ii) as to assessments against or in the name of anyone other than the Lessee, until 20 days after written notice thereof shall have been given to the Lessee.

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, in the opinion of the Lessee, irreparably damaged, or shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise during the term of this Lease (any such occurrence, except for any requisition which by its

terms does not exceed the remaining term of this Lease in respect of such Item, 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 Items of Equipment having suffered a Casualty Occurrence (exclusive of Items of Equipment having suffered Casualty Occurrence with respect to which a payment shall have been made to the Lessor pursuant to this Section 11) shall exceed \$100,000, the Lessee, on the next succeeding Rent Payment Date with respect to such Item or Items of Equipment, shall pay to the Lessor a sum equal to the Casualty Value of such Item or Items of Equipment as of the date of such payment; provided that notwithstanding the foregoing the Lessee shall on the last Rent Payment date of 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 during such calendar year except the last 30 days thereof, or any prior 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 or Items of Equipment, the obligation to pay rent for such Item or Items of Equipment (including the Periodic Rent installment due on the Casualty Value payment date) shall terminate, but the Lessee shall continue to pay rent for all other Items of Equipment. The Lessee shall pay when due all rent payments as to an Item or Items due prior to the date on which Casualty Value thereof is payable.

11.4. Disposition of Equipment. The Lessee shall, as agent for the Lessor, dispose of such Item or Items of Equipment which have suffered a Casualty Occurrence as soon as it is able to do so for the best price obtainable. Any such disposition shall be on an "as-is", "where-is" basis without representation or warranty, express or implied. As to each separate Item of Equipment so disposed of the Lessee may retain all amounts of such price and 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. In disposing of such Item or Items of Equipment, the Lessee shall take such action as the Lessor shall reasonably request to terminate any contingent liability which the Lessor might have arising after such disposition from or connected with such Item or Items of Equipment.

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 15 days or more prior to the Term Lease Commencement Date for such Item, the Casualty Value for such Item or Items shall be an amount equal to 101% of its cost plus the Interim Rent therefor to the date of payment of such Casualty Value, which date shall be not more than 15 days after the date of notice to the Lessor of such Casualty Occurrence. If the Lessee shall have notified the Lessor that an Item or Items of Equipment have suffered a Casualty Occurrence 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.

11.6. Casualty Value. The Casualty Value of each Item of Equipment shall be an amount determined as of the date the Casualty Value is paid to Lessor under Section 11.2 hereof (and not the date of the Casualty Occurrence) equal to that percentage of the original cost to the Lessor of such Item of Equipment as set forth 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 obligations hereunder in the event of any Casualty Occurrence to any Item of Equipment after the date hereof.

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 the power of eminent domain or otherwise for a period which does not exceed the remaining term of this Lease in respect of such Item, the Lessee's duty to pay rent shall continue for the duration of such requisitioning or taking. 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 requisition or taking of possession to an amount equal to the rent paid or payable 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 August 1 in each year, commencing with the year 1974, the Lessee will furnish to the Lessor or its assigns an accurate statement, as of the

preceding June 30 (a) showing an amount, description and numbers of the Items of Equipment then leased hereunder, the amount, description and numbers of all Items of Equipment that may have suffered a Casualty Occurrence 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 or repair of the Equipment as Lessor 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 shall have been preserved or replaced.

12.2. Lessor's Inspection Rights. The Lessor or its assigns shall have the right, at its sole cost and expense, by its authorized representative, 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 or its assigns 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 of this Lease with respect to any Item of Equipment, 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 day period to any reasonable place on the lines of a railroad within 25 miles radius 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 of any such Item, to inspect the same; provided that the Lessee shall not be liable for any injury to or death of any person, including, without limitation, the representative of the Lessor or of the prospective purchaser, on account of the Lessor's exercise of its rights hereunder unless the same shall be caused by the sole negligence of the Lessee. The assembling, delivering, storage and transporting of the Equipment as hereinbefore provided are to 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 ("Events of Default") shall occur:

(a) Default shall be made in the payment of any part of the rental provided in Section 2 hereof and such default shall continue for 5 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 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 the Lessee herein or in any statement or certificate furnished to the Lessor, the Agent or any assignee referred to in Section 16 hereof proves untrue in any material respect as of the date of issuance or making thereof;

(e) 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, if instituted against the Lessee, is consented to or is not dismissed within

60 days after such petition shall have been filed, 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; or

(f) Any other 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, if instituted against the Lessee, are consented to or are not dismissed within 60 days after such proceedings shall have been commenced, 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 proceeding shall have been commenced 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 of a warranty; or

(b) By notice in writing to the Lessee, terminate this Lease, whereupon all right of the Lessee to the use of the Equipment 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 any of the Equipment may be located, and take possession of all or any of such Equipment and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Equipment for any purpose whatever, 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 accrued 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 (1) as damages for loss of the bargain and not as a penalty, a sum with respect to each Item of Equipment 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 of this Lease over the then present worth of the then fair rental value of such Item for such period computed by discounting from the end of such term to the date of such termination rentals which the Lessor reasonably estimates to be obtainable for the use of the Item during such period, such present worth to be computed on each case on a basis of a 3-1/2% per annum discount, compounded

semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, and (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 (i) an amount which, after deduction of all taxes required to be paid by the Lessor in respect of the receipt thereof under the laws of the United States or any political subdivision thereof, shall be equal to any portion of the percentage of investment credit (hereinafter called the "Investment Credit"), allowed by Section 38 and related sections of the Internal Revenue Code of 1954, as amended (hereinafter called the Code), which was lost, not claimed, not available for claim, disallowed or recaptured in respect of an Item of Equipment, by or from the Lessor 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 provision of the Lease, the termination of this Lease, the Lessor's loss of the right to use such Item of Equipment, any action or inaction by the Lessor or the sale or other disposition of the Lessor's interest in any Item of Equipment after the occurrence of an Event of Default, and (ii) an amount which after deduction of all taxes required to be paid by the Lessor in respect of the receipt thereof under the laws of the United States or any political subdivision thereof, such sum as, in the reasonable opinion of the Lessor, will cause the Lessor's net return under this lease to be equal to the net return that would have been available to the Lessor if it had been entitled to utilization of all or such portion of the maximum depreciation deduction authorized with respect to an Item of Equipment under Section 167 of the Code utilizing the "lower limit" of the "asset depreciation range" of 12 years for each Item of Equipment prescribed in accordance with Section 167(m) of said Code and the Regulations promulgated thereunder, for an asset described in Asset Guideline Class No. 00.25 as described in Revenue Procedure 72-10, 1972 IRB 8 (hereinafter called the Depreciation Deduction), which was lost, not claimed, not available for claim, disallowed or recaptured in

respect of an Item of Equipment as a result of a breach of one or more of the representations, warranties and covenants made by the Lessor in Section 22 or any other provision of this Lease, the termination of this Lease, the Lessor's loss of the right to use such Item of Equipment, any action or inaction by the Lessor or the sale or other disposition of the Lessor's interest in such Item of Equipment after the occurrence of an Event of Default, and (iii) the deductions in each taxable year of the Lessor for all interest accrued during such year on the Notes (as defined in the Loan Agreement referred to in the Trust Agreement) computed in accordance with Section 163 of the Code (hereinafter called the "Interest Deduction") which was lost, not claimed, not available for claim, disallowed or recaptured in respect of an Item of Equipment as a result of a breach of one or more of the representations, warranties and covenants made by the Lessor in Section 22 or any other provision of this Lease, the termination of this Lease, the Lessor's loss of the right to use such Item of Equipment, any action or inaction by the Lessor or the sale or other disposition of the Lessor's interest in such Item of Equipment after the occurrence of an Event of Default.

Anything in this Section 14.2(c) to the contrary notwithstanding, any default in the observance or performance of any covenant, condition or agreement on the part of the Lessee which results solely in the loss by the Lessor of, or the loss by the Lessor of the right to claim, or the disallowance with respect to the Lessor of, all or any portion of the above-mentioned deductions, credits or other benefits, shall be, for all purposes of this Lease, deemed to be cured if the Lessee shall, on or before the next rental payment date after written notice from the Lessor of the loss, or the loss of the right to claim, or the disallowance of such deductions, credits or other benefits in respect of such Item of Equipment agree to pay to the Lessor the revised rental rate in respect of such Items of Equipment determined as provided in the second paragraph of Section 22 of this Lease.

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 hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims of any right to assert any off-set against the rent payments due hereunder and agrees to make the rent payments regardless of any off-set or claim which may be asserted by the Lessee on its behalf in connection with the lease of the Equipment.

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 Equipment 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 Equipment on such tracks for a period not exceeding 180 days after written notice to the Lessor specifying the place of storage and the road numbers of the Items so stored;and

(c) Transport any Items of Equipment, at any time within such 180 days' period, to any place on the lines of a railroad within a 25 mile radius 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 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 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. ASSIGNMENTS BY LESSOR.

This Lease shall be assignable in whole or in part by Lessor without the consent of Lessee, but 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 the rent and other sums payable by the Lessee which are the subject matter of the assignment shall be paid to the assignee. Without limiting the foregoing, the Lessee further acknowledges and agrees that (i) 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 Lessor's title, or any interruption from whatsoever cause (other than from a wrongful act of the 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 the assignee, the Lessee shall be unconditionally and absolutely obligated to pay the assignee all of the rents and other sums which are the subject matter of the assignment, and (ii) the assignee shall have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of the assignee) which by the terms of this Lease are permitted or provided to be exercised by the Lessor.

SECTION 17. ASSIGNMENTS 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, 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, 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"), a majority of whose voting stock (i.e., 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 (including as to locomotives the right to operate upon lines of connecting railroads in ordinary switching operations) 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, lease temporarily or to permit 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 five counterparts of the written opinion of counsel for the Lessee addressed to the Lessor, the Agent and to any assignee under Section 16 of which the Lessee has notice, in scope and substance satisfactory to the Lessor, 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 California;

(b) The Lessee has the corporate or other power and authority 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 the Lease;

(c) This Lease and the Agreement to Acquire and Lease of even date herewith, among the Lessor, the Agent and the Lessee have been duly authorized, executed and delivered by the Lessee and constitute the valid, legal and binding agreements of the Lessee enforceable in accordance with their respective terms, subject to the effect of any applicable bankruptcy, insolvency, re-organization and moratorium laws 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 Agreement to Acquire and Lease or this Lease;

(f) The execution and delivery by Lessee of the Agreement to Acquire and Lease 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, 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 Lessee, except as contemplated and permitted hereby; provided, however, that such liens may attach to the rights of the Lessee hereunder in and to the Items of Equipment, subject, however, to the terms and conditions of the Lease; and

(g) As to any other matter which the Lessee 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 due hereunder, or amounts expended by the Lessor on behalf of the Lessee, shall result in the obligation on the part of the Lessee to pay also an amount equal to 9-1/4% per annum (or the lawful rate, whichever is less) of the overdue rentals and amounts expended for the period of time during which they are overdue or expended and not repaid.

SECTION 20. OPTIONS TO PURCHASE AND RENEW.

20.1. Option to Purchase. Provided that the Lessee is not in default, 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 Equipment described in the Schedules hereto at the expiration of the term at a price equal to the "fair market value" (as

defined). The Lessee shall give the Lessor written notice 180 days prior to the end of the 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 in funds there current 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 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. The Lessor shall not be required to make any representation or warranty as to the condition of the Equipment or any other matters.

(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, 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. The fair market value as finally determined shall bear interest for the period, if any, from the date of expiration of this Lease to the date of payment at the rate of 8-1/4% per annum.

(c) Unless the Lessee has given the Lessor 180 days notice as required in connection with exercise of the foregoing option, all the Equipment then leased hereunder shall be returned to the Lessor in accordance with Section 13 hereof.

Notwithstanding any election of the Lessee to purchase, the provisions of Section 11 hereof shall continue in full force and effect until the date of purchase and the passage of ownership of the Equipment purchased by the Lessee upon the date of purchase unless the purchase price has been agreed upon by the parties pursuant to this Section 20, in which event such purchase price shall govern.

20.2. Option to Renew. Provided that the Lessee is not in default, the 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 described in the Schedules hereto for two additional renewal terms of five years each upon and subject to the terms and conditions herein contained for the original 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 defined) of such Equipment. 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 of 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; provided 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 election to purchase, the same shall be determined by American Appraisal Company.

SECTION 21. CONCERNING THE LESSOR AND THE AGENT.

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 the Agent, or any incorporator or any past, present or future subscriber to the capital stock of, the Trustee or the Agent, 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. INDEMNITY IN RESPECT OF TAX MATTERS.

This Lease, the Trust Agreement and the Acquisition Agreement (as defined in the Trust Agreement) have been entered into on the basis that the Lessor shall be entitled to such deductions, credits and other benefits as are provided by the Internal Revenue Code of 1954, as amended, to the date hereof (hereinafter called the Code) to an owner of property including (without limitation), an allowance for the Depreciation Deduction and the Interest Deduction (as defined in Section 14.2(c) of this Lease) and the Investment Tax Credit (as defined in Section 14.2(c) of the Lease).

With respect to any Item of Equipment, if (other than for the reasons set forth below) the Lessor shall lose or shall not have or shall lose the right to claim, or if (other than for the reasons set forth below) there shall be disallowed with respect to the Lessor, all or any portion of, the Investment Credit or the Depreciation Deduction or the Interest Deduction with respect to any Item of Equipment in computing taxable income under the accelerated methods of depreciation provided in Section 167(b) of the Code for the period this Lease is in effect, then, after written notice thereof to the Lessee by the Lessor, the rental rate applicable to such Item of Equipment set forth in Section 2 of this Lease shall be increased by an amount for such Item of Equipment which, after deduction of all taxes required to be paid by the Lessor in respect of the receipt thereof under the laws of the United States or any political subdivision thereof, in the reasonable opinion of the Lessor, will cause the Lessor's net return in respect of such Item of Equipment under this Lease to equal the net return that would have been available if the Lessor had been entitled to utilization of all or such portion of the Investment Credit or the Depreciation Deduction or the Interest Deduction which was not claimed or was disallowed and the Lessee shall forthwith pay to the Lessor as additional rental the amount of any interest or penalty which may be assessed by the United States against the Lessor attributable to the loss of all or any portion of the Investment Credit or Depreciation Deduction, provided, however, that such rental rate shall not be so increased if the Lessor shall have lost, or shall not have or shall have lost the right to claim, or if there shall have been disallowed with respect to the Lessor all or any portion of, the Investment Credit or the Depreciation Deduction or the Interest Deduction with respect to such Item of Equipment as a direct result of the occurrence of any of the following events:

(a) a Casualty Occurrence with respect to such Item of Equipment, if the Lessee shall have paid to the Lessor the amounts stipulated under Section 11 hereof;

(b) a voluntary transfer by the Lessor (other than as contemplated by the Security Agreement) of legal title to such Item of Equipment, the disposition by the Lessor of any interest in such Item of Equipment or the reduction by the Lessor of its interest in the rentals from such Item of Equipment under the Lease unless, in each case, an Event of Default shall have occurred and be continuing;

(c) the failure of the Lessor to claim the Investment Credit or the Depreciation Deduction or the Interest Deduction in its income tax return for the appropriate year or the failure of the Lessor to following proper procedure in claiming the Investment Credit or the Depreciation Deduction or the Interest Deduction with respect to such Item of Equipment;

(d) the failure of the Lessor to have sufficient liability for the tax against which to credit such Investment Tax Credit or sufficient income to benefit from the Depreciation Deduction or the Interest Deduction as applicable;

(e) an amendment to the Security Agreement (as defined in the Trust Agreement), the Trust Agreement or the Loan Agreement (as defined in the Trust Agreement) without the prior written consent of the Lessee; or

(f) the Lessor fails to take timely action in contesting a claim made by the Internal Revenue Service with respect to the disallowance of such Investment Tax Credit or Depreciation Deduction or Interest Deduction, if the failure to take such action in a timely manner shall have precluded the right of the Lessee to contest any such claim after a timely request to conduct such contest has been given by the Lessee to the Lessor (provided that the Lessee shall upon demand of the Lessor pay to the Lessor the expenses of any such contest as a condition of prosecuting the same); or the release, waiver, compromise or settlement of any action or proceeding taken in accordance with this subparagraph (f) by the Lessor without the prior written consent of the Lessee.

The Lessor agrees that if, in the opinion of its or the Lessee's independent tax counsel (herein referred to as Counsel), a bona fide claim to all or a portion of the Investment Credit or a bona fide claim to all or a portion of the Depreciation Deduction or the Interest Deduction on any Item of Equipment, exists in respect of which the Lessee is required to pay increased rental and interest and/or penalty as aforesaid to the Lessor as above provided, the Lessor shall, upon request and at the expense of the Lessee, take all such legal or other appropriate action deemed reasonable by Counsel in order to sustain such claim. The Lessor may take such action prior to making the payment of the amount claimed pursuant to a notice of disallowance or make such payment and then sue for a refund. In the latter event, if the final determination shall be adverse to the Lessor, the Lessee shall pay to the Lessor interest on the amount of the tax paid attributable to the Depreciation Deduction and/or the Interest Deduction and/or Investment Credit disallowed, at the rate of 8-1/4% per annum, from the date of payment of such tax to the date the Lessee shall reimburse the Lessor for such tax in accordance with the provisions of this Section 22. The Lessor shall not be obligated to take any such legal or other appropriate action unless the Lessee shall first have agreed in writing to indemnify the Lessor for all liabilities and expenses which may be entailed therein and shall have furnished the Lessor with such reasonable security therefor as may be requested.

The Lessee's agreement to pay any sums which may become payable pursuant to this Section 22 shall survive the expiration or other termination of this Lease.

The Lessee represents and warrants that (i) none of the Items of Equipment constitute property the construction, reconstruction or erection of which was begun before April 1, 1971; (ii) at the time the Lessor becomes the owner of the Items of Equipment, such Items of Equipment will constitute "new section 38 property" within the meaning of Section 48(b) of the Code and at the time the Lessor becomes the owner of all Items of Equipment, the Items of Equipment will not have been used by any person so as to preclude "the

original use of such property" within the meaning of Section 48(b) and 167(c)(2) of the Code from the commencing with the Lessor and (iii) at all times during the term of this Lease, each Item of Equipment will constitute "section 38 property" within the meaning of Section 48(a) of the Code.

SECTION 23. MISCELLANEOUS.

23.1. 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 Western Pacific
Trust No. 1
1211 West 22nd Street
Oak Brook, Illinois 60521

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

Attn: Vice President - Lease
Underwriting Group

If to the Lessee: Western Pacific Railroad Company
526 Mission Street
San Francisco, California

Attn: Vice President - Finance

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

23.2. 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.

23.3. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of

the State of California; 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.

23.4. Trustor Defined. The term "Trustors" as used herein means Bank of Montreal (California) and Crocker National Bank, as Trustors under the Trust Agreement dated as of May 1, 1973 (the "Trust Agreement") among the Trustors and the Lessor and their respective successors in interest and assigns under said Trust Agreement.

23.5. 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 exclusively and completely states 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.

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 Western Pacific
Trust No. 1

(CORPORATE SEAL)

By *Ben Mauchardt*
Its President LESSOR

Attest:

Joanne L. Miller
Assistant Secretary

THE WESTERN PACIFIC RAILROAD COMPANY

(CORPORATE SEAL)

By *L. J. [Signature]*
Its Vice President Finance LESSEE

Attest:

Katherine M. Guffin
Assistant Secretary

UNITED STATES LEASING INTERNATIONAL,
INC.

By *David A. Hooley*
Its Vice President

AGENT FOR LESSOR

(CORPORATE SEAL)

Attest:

James L. Miller
Assistant Secretary

STATE OF CALIFORNIA

CITY AND COUNTY OF SAN FRANCISCO

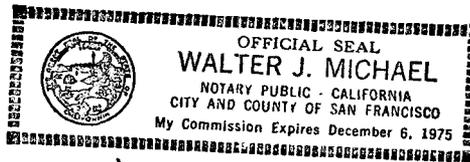
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On this 29th day of May, 1973, before me personally appeared Sen Drouboud, to me personally known, who being by me duly sworn, says that he is the _____ President of TRUST COMPANY FOR USL, INC., that one of the seals affixed to the foregoing instrument 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 COUNTY OF SAN FRANCISCO

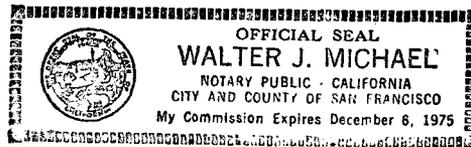
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On this 29th day of May, 1973, before me personally appeared David A. Warless to me personally known, who being by me duly sworn, says that he is a Vice President of UNITED STATES LEASING INTERNATIONAL, INC., that one of the seals affixed to the foregoing 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:

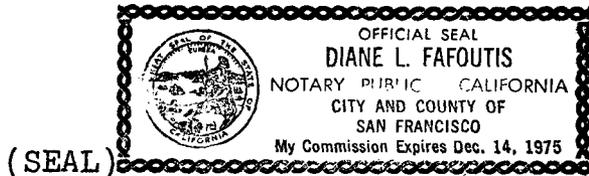


STATE OF CALIFORNIA

CITY AND COUNTY OF SAN FRANCISCO

} SS.

On this 30th day of May, 1973, before me personally appeared F. A. TEGFLER, to me personally known, who being by me duly sworn, says that he is a VICE President of THE WESTERN PACIFIC RAILROAD 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.



Diane L. Fafoutis
Notary Public

My Commission Expires: December 14, 1975.

CERTIFICATE OF ACCEPTANCE
UNDER EQUIPMENT LEASE

TO: Trust Company for USL, Inc., as Trustee under Trust Agreement
dated as of May 1, 1973

UNITED STATES LEASING INTERNATIONAL, INC., as Agent for the
Trustee,

I, duly appointed inspector and authorized representative of The Western Pacific Railroad Company ("Lessee"), for the purpose of the Agreement to Acquire and Lease and the Equipment Lease, both dated as of May 1, 1973 between Trust Company for USL, Inc., Trustee under the Trust Agreement dated May 1, 1973, as Lessor, United States Leasing International, Inc., as Agent for the Trustee, and the Lessee, do hereby certify that I have inspected, received, approved and accepted delivery, on behalf of Lessee and under said Agreement, of the following pieces of Equipment:

TYPE OF EQUIPMENT:

PLACE ACCEPTED:

DATE ACCEPTED:

NUMBER OF UNITS:

NUMBERED:

I do further certify that the foregoing Equipment is in good order and condition, and conforms with the specifications applicable thereto and to all applicable United States Department of Transportation and Interstate Commerce Commission requirements and specifications and that at the time of delivery to the Lessee there was plainly, distinctly, permanently and conspicuously marked in contrasting colors upon each side of each Item of Equipment the following legend in letters not less than one inch in height:

"Leased through United States Leasing International, Inc.,
as Agent for Owner-Trustee, and subject to a Security
Interest Recorded with the I.C.C."

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

DATED: , 1973

Inspector and Authorized Representative of The Western Pacific
Railroad Company

SCHEDULE A-1

MANUFACTURER: GREENVILLE STEEL CAR COMPANY

DESCRIPTION OF EQUIPMENT: 7 excess height, 60-foot hi-cube box cars

ROAD NUMBERS: Lettered WP and numbered 3761 to 3767, both inclusive

ESTIMATED PRICE: \$30,000 per car

ESTIMATED TOTAL PRICE \$210,000 for all 7 cars

OUTSIDE DELIVERY DATE: OCT 31 1973

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

RENT PERIOD: Fifteen (15) years, commencing with the first rental payment

PERIODIC RENTAL PAYMENTS: Thirty (30) semi-annual rental payments, in arrears, payable as follows:

\$1,329.75 per car or
\$9,308.25 for all 7 cars

INTERIM DAILY RENTAL: \$6.8750 per item per day

In the event the price of any car covered by this Schedule is greater or less than the amount shown above, the Periodic Rents and the Daily Interim Rental for such car shall be rataly increased or reduced accordingly.

TRUSTORS: Bank of Montreal (California) and Crocker National Bank

LESSEE: Western Pacific Railroad Company - Trust No. 1

LENDER: New England Mutual Life Insurance Company

SCHEDULE A-2

MANUFACTURER: GENERAL MOTORS CORPORATION
(ELECTRO-MOTIVE DIVISION)

LOCOMOTIVES: 3 1500 H.P., four axle, four motor,
diesel switching locomotive units

ROAD NUMBERS: Lettered WP and numbered 1501 to
1503, both inclusive

ESTIMATED PRICE: \$220,000 per unit, or

ESTIMATED TOTAL PRICE: \$660,000 for all 3 units

OUTSIDE DELIVERY DATE: OCT 3, 1973, 1974

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

RENT PERIOD: Fifteen (15) years, commencing with
the first rental payment

PERIODIC RENTAL PAYMENTS: Thirty (30) semi-annual rental
payments, in arrears, payable as
follows:
\$ 9,751.50 per unit or
\$29,254.50 for all 3 Items

INTERIM DAILY RENTAL: \$50.4167 per Item per day

In the event the price of any locomotive covered by this Schedule is greater or less than the amount shown above, the Periodic Rents and the Daily Interim Rental for such locomotive shall be ratably increased or reduced accordingly.

TRUSTORS: Bank of Montreal (California) and Crocker National Bank

LESSEE: Western Pacific Railroad Company - Trust No. 1

LENDER: New England Mutual Life Insurance Company

SCHEDULE A-3

MANUFACTURER: THE MAXON CORPORATION

DESCRIPTION OF EQUIPMENT: 30 100-ton center dump hopper cars

ROAD NUMBERS: Lettered WP and numbered 10201 to 10230, both inclusive

ESTIMATED PRICE: \$18,666 per car

ESTIMATED TOTAL PRICE: \$560,000 for all 30 cars

OUTSIDE DELIVERY DATE: OCT 31 1973

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

RENT PERIOD: Fifteen (15) years, commencing with the first rental payment

PERIODIC RENTAL PAYMENTS: Thirty (30) semi-annual rental payments, in arrears, payable as follows:

\$ 827.37 per car or

\$24,821.10 for all 30 cars

INTERIM DAILY RENTAL: \$4.2776 per Item per day

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

TRUSTORS: Bank of Montreal (California) and Crocker National Bank.

LESSEE: Western Pacific Railroad Company - Trust No. 1

LENDER: New England Mutual Life Insurance Company

SCHEDULE A-4

MANUFACTURER: THRALL CAR MANUFACTURING COMPANY

DESCRIPTION OF EQUIPMENT: 5 100-ton, hi cube gondola cars

ROAD NUMBERS: Lettered WP and numbered 6011 to 6015, both inclusive

ESTIMATED PRICE: \$24,000 per car

ESTIMATED TOTAL PRICE: \$120,000 for all 5 cars

OUTSIDE DELIVERY DATE: OCT 31 1973

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

RENT PERIOD: Fifteen (15) years, commencing with the first rental payment

PERIODIC RENTAL PAYMENTS: Thirty (30) semi-annual rental payments, in arrears, payable as follows:

\$ 1,063.80 per car or

\$ 5,319.00 for all 5 cars

INTERIM DAILY RENTAL: \$5.5000 per Item per day

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

TRUSTORS: Bank of Montreal (California) and Crocker National Bank

LESSEE: Western Pacific Railroad Company - Trust No. 1

LENDER: New England Mutual Life Insurance Company

SCHEDULE A-5

MANUFACTURER: THRALL CAR MANUFACTURING COMPANY
DESCRIPTION OF EQUIPMENT: 40 100-ton hi cube gondola cars
ROAD NUMBERS: Lettered WP and numbered 7701 to 7740, both inclusive
ESTIMATED PRICE: \$18,500 per car
ESTIMATED TOTAL PRICE: \$740,000 for all 40 cars
OUTSIDE DELIVERY DATE: OCT 31 1973
DELIVER TO: Western Pacific Railroad Company
(as designated by the Railroad)
RENT PERIOD: Fifteen (15) years, commencing with the first rental payment
PERIODIC RENTAL PAYMENTS: Thirty (30) semi-annual rental payments, in arrears, payable as follows:
\$ 820.01 per car or
\$32,800.40 for all 40 cars
INTERIM DAILY RENTAL: \$4.2396 per Item per day

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

TRUSTORS: Bank of Montreal (California) and Crocker National Bank
LESSEE: Western Pacific Railroad Company - Trust No. 1
LENDER: New England Mutual Life Insurance Company

SCHEDULE A-6

MANUFACTURER: THRALL CAR MANUFACTURING COMPANY

DESCRIPTION OF EQUIPMENT: 25 86-foot hi cube boxcars

ROAD NUMBERS: Lettered WP and numbered 86103 to 86127, both inclusive

ESTIMATED PRICE: \$38,000 per car

ESTIMATED TOTAL PRICE: \$950,000 for all 25 cars

OUTSIDE DELIVERY DATE: OCT 31 1973

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

RENT PERIOD: Fifteen (15) years, commencing with the first rental payment

PERIODIC RENTAL PAYMENTS: Thirty (30) semi-annual rental payments, in arrears, payable as follows:
\$ 1,684.35 per car or
\$42,108.75 for all 25 cars

INTERIM DAILY RENTAL: \$8.7083 per Item per day

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

TRUSTORS: Bank of Montreal (California) and Crocker National Bank

LESSEE: Western Pacific Railroad Company - Trust No. 1

LENDER: New England Mutual Life Insurance Company

SCHEDULE B

SCHEDULE OF CASUALTY VALUE

CASUALTY VALUE: The following per cent of original cost to Lessor of an Item of Equipment, 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	105.375
1	2	105.250
2	3	105.125
3	4	104.875
4	5	104.125
5	6	103.375
6	7	102.500
7	8	101.625
8	9	101.250
9	10	100.875
10	11	100.500
11	12	99.000
12	13	97.250
13	14	95.375
14	15	87.750
15	16	70.250
16	17	66.625
17	18	62.875
18	19	58.875
19	20	54.750
20	21	50.375
21	22	46.000
22	23	42.000
23	24	39.125
24	25	36.125
25	26	33.000
26	27	29.750
27	28	26.375
28	29	22.750
29	30	19.000
30	And thereafter	15.000