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INTERSTATE COMMERCE COMMISSION

LEASE OF EQUIPMENT
No. 2

BETWEEN

FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION

as Trustee for

Security Trust & Savings Bank,

Trusco Leasing, Inc., and

Westinghouse Credit Corporation

AND

TRAILER TRAIN COMPANY

Dated as of June 1, 1974

LEASE OF EQUIPMENT dated as of June 1, 1974, between FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION (hereinafter together with its successors and assigns, being called the Lessor), not in its individual capacity but solely as trustee under a Trust Agreement dated as of June 3, 1974, with SECURITY TRUST & SAVINGS BANK, TRUSCO LEASING, INC. and WESTINGHOUSE CREDIT CORPORATION (hereinafter called the Beneficiaries), and TRAILER TRAIN COMPANY (hereinafter called the Lessee).

WHEREAS the Lessee has entered or will enter into manufacturing agreements (hereinafter collectively called the Manufacturing Agreements), with Pullman Incorporated (Pullman-Standard division), Bethlehem Steel Corporation, ACF Industries. Incorporated and Thrall Car Manufacturing Company (each such party being hereinafter called a Manufacturer), pursuant to which the Lessee has agreed to purchase and take delivery of certain railroad equipment; and

WHEREAS, under assignments of said Manufacturing Agreements, the Lessee is assigning to the Lessor its rights under the Manufacturing Agreements to purchase and take delivery of those units of railroad equipment described in Schedule A hereto (such railroad equipment being hereinafter sometimes called the Equipment); and

WHEREAS the Lessee agrees to lease from the Lessor all the units of the Equipment, or such lesser number of units as are delivered and accepted under the Manufacturing Agreements on or after September 1, 1974, and on or prior to September 30, 1974, at the rentals and for the term and upon the conditions hereinafter provided (each such unit being hereinafter called a Unit); and

WHEREAS the Lessor and the Lessee will enter into an equipment trust agreement (hereinafter called the Equipment Trust Agreement), with a corporate trustee (hereinafter called the Trustee), pursuant to which equipment trust certificates (hereinafter called the Trust Certificates) will be sold to finance a portion of the purchase price of the Equipment, the Lessor will be obligated to make payments of principal and interest thereon out of the rentals received hereunder and security title to the Units and this Lease will be conveyed to the Trustee until the Lessor fulfills all its obligations under the Equipment Trust Agreement;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed

by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions, but subject and subordinate to all the rights and remedies of the Trustee under the Equipment Trust Agreement.

§1. *Delivery and Acceptance of Units.* The Lessor will cause each Unit accepted pursuant to a Manufacturing Agreement within the time period set forth for delivery and acceptance in the preambles hereto to be delivered to the Lessee at the same point or points within the United States of America at which such Unit is delivered to the Lessor under such Manufacturing Agreement, such point or points, however, to be mutually acceptable to the Lessor and the Lessee. Upon such delivery, the Lessee will cause an inspector of the Lessee to inspect the same, and if such Unit is found to be acceptable, to accept delivery of such Unit and to execute and deliver to the Lessor a certificate of acceptance therefor in the form of Annex D to such Manufacturing Agreement, whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee under this Lease and shall be subject thereafter to all the terms and conditions of this Lease.

§2. *Rentals.* The Lessee agrees to pay to the Lessor, as rental for each Unit subject to this Lease, one payment within five business days of the date on which such Unit is settled for under the Manufacturing Agreement in respect of such Unit (such date of settlement for such Unit being hereinafter called a Closing Date) and thereafter 41 consecutive semiannual payments, payable on January 15 and July 15 in each year commencing January 15, 1975. The first rental payment shall be in an amount equal to interest (computed on the basis of a 360-day year of twelve 30-day months) on the Purchase Price (as defined in the Manufacturing Agreements) of each Unit from the thirtieth day following the date of acceptance of such Unit pursuant to §1 hereof to the Closing Date, at a rate per annum equal to the prime rate which Manufacturers Hanover Trust Company, New York, New York, charges for 90-day loans to borrowers of the highest credit standing from time to time in effect for the period such interest is payable; *provided, however,* that changes in such prime rate occurring during the ten business days preceding the Closing Date shall be disregarded; and *provided, further,* that such amount in respect of any Unit shall be not less than the amount of interest on the Purchase Price thereof due the Manufacturer thereof pursuant to the applicable Manufacturing Agreement. The rental payment payable on January 15, 1975, shall be in an amount equal to $\frac{1}{360}$ of the interest rate per annum applicable to the Trust Certificates of the Purchase Price of each Unit then subject to this Lease for each day elapsed from the

Closing Date to January 15, 1975. The remaining 40 semiannual rental payments shall each be in an amount equal to that percentage of the Purchase Price of each Unit subject to this Lease on the date of such payment which is set forth below opposite the interest rate per annum applicable to the Trust Certificates:

Interest Rate	Payments 2 through 7	Payments 8 through 31	Payments 32 through 41
8.500%	2.70000	4.46318	3.375
8.625	2.74000	4.49362	3.375
8.750	2.78000	4.52407	3.375
8.875	2.82000	4.55454	3.375
9.000	2.86000	4.58502	3.375
9.125	2.90000	4.61551	3.375
9.250	2.94000	4.64603	3.375
9.375	2.98000	4.67655	3.375
9.500	3.02000	4.70709	3.375
9.625	3.06000	4.73765	3.375
9.750	3.10000	4.76823	3.375
9.875	3.14000	4.79881	3.375
10.000	3.18000	4.82942	3.375
10.125	3.22000	4.86004	3.375
10.250	3.26000	4.89068	3.375
10.375	3.30000	4.92133	3.375
10.500	3.34000	4.95201	3.375
10.625	3.38000	4.98269	3.375
10.750	3.42000	5.01340	3.375

If the interest rate per annum applicable to the Trust Certificates is not expressly set forth above, the percentages of Purchase Price constituting semiannual rental payments shall be calculated by interpolating or extrapolating the percentages of Purchase Price set forth above. If the Trust Certificates are not issued in an aggregate principal amount of not less than 63.5% of the Purchase Price of the Units on or prior to January 15, 1975, and if the Lessor pays to the Manufacturers more than 36.5% of the Purchase Price of the Units, then the semiannual rental payments commencing January 15, 1975, shall be increased to such amount or amounts as shall, in the reasonable opinion of Itel Leasing Corporation or other competent party acceptable to the Lessee and the Beneficiaries, cause the Beneficiaries' net return to equal the net return (computed on the same

assumptions as utilized by the Beneficiaries in evaluating this transaction as of the date of execution of this Lease) that would have been realized by the Beneficiaries if Trust Certificates in an aggregate principal amount of not less than 63.5% of the Purchase Price of the Units had been issued; and the Casualty Values set forth in §6 hereof shall be similarly adjusted.

If any of the semiannual rental payment dates referred to above is not a business day under the laws of the State of New York the semiannual rental payment otherwise payable on such date shall be payable on the next succeeding business day, and no interest shall accrue for the period from and after the nominal date for payment thereof to such next succeeding business day.

Notwithstanding anything to the contrary contained herein, any and all sums paid by the Lessee pursuant to any guaranty set forth in the Equipment Trust Agreement in respect of the obligations of the Lessor thereunder not attributable to an Event of Default (as hereinafter defined) hereunder or to late payment shall be thereupon deemed to have been paid in reduction or satisfaction, to the extent thereof, of any rental payments then due and payable by the Lessee to the Lessor under this §2.

Unless the Equipment Trust Agreement is not executed and delivered, the Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease (other than the first rental payment and any amount payable in respect of a Unit which has not been settled for pursuant to the Equipment Trust Agreement by reason of such Unit having suffered a Casualty Occurrence [as defined in §6 hereof], which rental payment and amount shall be paid to the Lessor at such place as the Lessor shall specify in writing) at the principal corporate trust office of the Trustee, for the account of the Lessor, in care of the Trustee, with instructions to the Trustee first to apply such payments to satisfy the obligations of the Lessor under the Equipment Trust Agreement known to the Trustee to be due and payable on the date such payments are due and payable hereunder and second, so long as no Event of Default under the Equipment Trust Agreement shall have occurred and be continuing, to pay any balance promptly to the Lessor or to the order of the Lessor in immediately available funds at such place as the Lessor shall specify in writing. If the Equipment Trust Agreement is not executed and delivered, all payments provided for in this Lease shall be made at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in immediately available funds in the city where such payment is to be made.

This Lease is a net lease and, subject to the provisions of the third paragraph of this §2, the Lessee shall not be entitled to any abatement of rent, reduction thereof or set-off against rent, including, but not limited to, abatements, reductions or set-offs due or alleged to be due to, or by reason of, any past, present or future claims of the Lessee against the Lessor under this Lease or otherwise or against the Trustee; 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 damage to or loss of possession or loss of use of or destruction of all or any of the Units from whatsoever cause, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease or lack of right, power or authority of the Lessor to enter into this Lease or the Equipment Trust Agreement, or by reason of any failure by the Lessor to perform any of its obligations herein contained, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease.

§3. *Term of Lease.* The term of this Lease as to each Unit shall begin on the date of the acceptance thereof by the Lessee pursuant to §1 hereof and, subject to the provisions of §§6, 9 and 12 hereof, shall terminate on the date on which the final semiannual payment of rent in respect thereof is due hereunder.

§4. *Identification Marks.* The Lessee will cause each Unit to be kept numbered with the identifying number set forth in Schedule A hereto, or in the case of any Unit not there listed such identifying number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain plainly, distinctly, permanently and conspicuously marked on each side of such Unit, in letters not less than one inch in height, the following words: "OWNED BY A BANK OR TRUST COMPANY UNDER A SECURITY AGREEMENT FILED UNDER THE INTERSTATE COMMERCE ACT, SECTION 20c", or other appropriate words designated by the Lessor or the Trustee, with appropriate changes thereof and additions thereto as from

time to time may be required by law or reasonably requested in order to protect the title of the Lessor and the security title of the Trustee to such Unit and the rights of the Lessor under this Lease and the Equipment Trust Agreement and of the Trustee under the Equipment Trust Agreement. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked on both sides thereof and will replace promptly any such words which may be removed, defaced or destroyed. The Lessee will not change or permit to be changed the identifying number of any Unit unless and until (i) a statement of new numbers to be substituted therefor shall have been filed with the Trustee and the Lessor and filed, recorded and deposited by the Lessee in all public offices where this Lease and the Equipment Trust Agreement shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Trustee and the Lessor an opinion of counsel to the effect that such statement has been so filed, recorded and deposited and that such filing, recordation and deposit is sufficient to protect the title and interest of the Trustee and the Lessor in the Units covered by such statement.

Each Unit may be lettered "Trailer Train Company", "T.T.X.", or in some other appropriate manner for convenience of identification of the interests of the Lessor and the Lessee therein. Except as above provided, the Lessee will not allow the name of any person or entity to be placed on any of the Equipment as a designation which might be interpreted as a claim of ownership.

§5. *Taxes.* All payments to be made by the Lessee hereunder will be free of expense to the Lessor and the Trustee for collection or other charges and will be free of expense to the Lessor and the Trustee with respect to the amount of any local, state, federal or foreign taxes (other than any United States federal income tax [and, to the extent that the Lessor or the Beneficiaries are entitled to credit therefor against its or their United States federal income tax liability, any foreign income tax] payable by the Lessor or the Beneficiaries in consequence of the receipt of payments provided herein and other than the aggregate of all state or local income taxes or franchise taxes measured solely by net income based on such receipt, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided, and other than any taxes payable by the Trustee in

consequence of the receipt by the Trustee of fees or compensation for services rendered under the Equipment Trust Agreement) or license fees, assessments, charges, fines or penalties (all such taxes, license fees, assessments, charges, fines and penalties being hereinafter called impositions) hereafter levied or imposed upon or in connection with or measured by this Lease, the Equipment Trust Agreement or any of the instruments or agreements referred to herein or therein or contemplated hereby or thereby, or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof, the Equipment Trust Agreement or any such instruments or agreements, all of which impositions the Lessee assumes and agrees to pay on demand in addition to the other payments to be made by it provided for herein. The Lessee will also pay promptly all impositions which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom (except as provided above) or upon the Lessor solely by reason of its ownership thereof or upon the Trustee solely by reason of its security title thereto and any impositions upon or on account of the trusts created by the Equipment Trust Agreement or the transactions contemplated thereby (whether or not such transactions shall actually be consummated) or the instruments or agreements referred to therein or contemplated thereby, and will keep at all times all and every part of such Unit free and clear of all impositions which might affect the title of the Lessor and the security title of the Trustee (or the interests of the holders of the Equipment Trust Certificates) therein or result in a lien or security interest upon any such Unit and, upon request, will supply the Lessor and the Trustee with a receipt or other evidence of such payment satisfactory to the Lessor and the Trustee; *provided, however,* that the Lessee shall be under no obligation to pay any impositions so long as it is contesting in good faith and by appropriate legal proceedings such impositions and the nonpayment thereof does not, in the opinion of the Lessor or the Trustee, adversely affect the title, property or rights of the Lessor or the Trustee hereunder or under the Equipment Trust Agreement. If any imposition shall have been charged or levied against the Lessor, any Beneficiary or the Trustee directly and paid by the Lessor, such Beneficiary or the Trustee, the Lessee shall reimburse the Lessor, such Beneficiary or the Trustee, as the case may be, on presentation of an invoice therefor. The Lessor agrees that if, in the opinion of independent tax counsel selected by the Lessor and acceptable to the Lessee (and whose fees and expenses shall be paid by the Lessee), a bona fide claim exists to all or a portion of any imposition in respect of which the

Lessee has made payment to the Lessor or any Beneficiary as aforesaid, the Lessor shall, upon request and at the expense of the Lessee, take all such legal or other appropriate action deemed reasonable by said independent counsel in order to sustain such claim. The Lessor shall not be obligated to take any such legal or other appropriate action unless the Lessee shall first have indemnified 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 shall be entitled to the proceeds of the successful prosecution of any such claim to the extent of payments or reimbursement made by the Lessee pursuant to this §5.

In the event any reports with respect to impositions are required to be made, the Lessee will either make such reports in such manner as to show the interests of the Lessor and the Trustee in the Units if such is necessary or appropriate, or will notify the Lessor and the Trustee of such requirement and will make such reports in such manner as shall be satisfactory to the Lessor and the Trustee.

In the event that, during the continuance of this Lease, the Lessee shall become liable for the payment or reimbursement of any impositions pursuant to this §5, such liability shall continue, notwithstanding the termination of this Lease, until all such impositions are paid or reimbursed by the Lessee.

§6. *Payment for Casualty Occurrences.* Whenever any Unit shall be or become worn out, lost, stolen, destroyed or irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise (such occurrences being herein called Casualty Occurrences) during the term of this Lease, or until such Unit shall have been returned in the manner provided in §12 hereof, the Lessee shall, promptly after it shall have determined that such Unit has suffered a Casualty Occurrence, deliver to the Lessor and the Trustee a certificate of an officer of the Lessee (hereinafter called an Officer's Certificate) fully informing them with respect thereto and complying with the provisions of the Equipment Trust Agreement pertaining to the notification of the Trustee of such Occurrences. On the rental payment date next succeeding the delivery of such Officer's Certificate (or, in the event such rental payment date will occur within 60 days after delivery of such Officer's Certificate, on the following rental payment date, or, in the event the term of this Lease will expire within 60 days after delivery of such Officer's Certificate, on a date within 60 days of such delivery, or, in the event that such Unit shall not have been settled for pursuant to the

Equipment Trust Agreement at the time of such delivery, on the date such Unit would have been so settled for but for such Casualty Occurrence), the Lessee shall pay to the Lessor an amount equal to the accrued rental for such Unit to the date of such payment plus a sum equal to the Casualty Value of such Unit as of such payment date in accordance with the schedule set out below. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue as of the date of such payment, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit. If the date upon which the making of such payment by the Lessee in respect of any Unit is required as aforesaid shall be after the term of this Lease in respect of such Unit has expired, no rental for such Unit shall accrue after the end of such term but the Lessee, in addition to paying the Casualty Value for such Unit, shall pay interest thereon from the end of such term to the date of such payment at the prime rate of interest which Manufacturers Hanover Trust Company charges on the date of such payment for 90-day loans to borrowers of the highest credit standing.

The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

The Casualty Value of each Unit as of any rental payment date shall be the greater of (x) the Fair Value thereof as defined and determined pursuant to the Equipment Trust Agreement and (y) that percentage of the Purchase Price of such Unit as is set forth in the following schedule opposite such rental payment date:

Rental Payment Date	Percentage
Closing Date	89.4479%
January 15, 1975	89.4479
July 15, 1975	91.2993
January 15, 1976	92.9351
July 15, 1976	94.3958
January 15, 1977	95.6377
July 15, 1977	96.7183

Rental Payment Date	Percentage
January 15, 1978	97.6851%
July 15, 1978	96.9505
January 15, 1979	95.9519
July 15, 1979	94.7275
January 15, 1980	93.2848
July 15, 1980	91.6475
January 15, 1981	89.8110
July 15, 1981	87.8033
January 15, 1982	85.6611
July 15, 1982	83.3900
January 15, 1983	80.9910
July 15, 1983	78.5115
January 15, 1984	75.9496
July 15, 1984	73.2577
January 15, 1985	70.4288
July 15, 1985	67.4555
January 15, 1986	64.3433
July 15, 1986	61.1495
January 15, 1987	57.9207
July 15, 1987	54.6431
January 15, 1988	51.3534
July 15, 1988	48.0290
January 15, 1989	45.0594
July 15, 1989	42.1031
January 15, 1990	39.1639
July 15, 1990	37.1811
January 15, 1991	35.1586
July 15, 1991	33.0606
January 15, 1992	30.9150
July 15, 1992	28.6806
January 15, 1993	26.3726
July 15, 1993	23.9662
January 15, 1994	21.4799
July 15, 1994	18.9056
January 15, 1995, and thereafter	16.0400

The foregoing percentages have been computed without regard to recapture of the Investment Credit (as defined in §17 hereof). Consequently, the Casualty Value of any Unit Suffering a Casualty Occurrence on or before the third, fifth and seventh anniversary of the date of delivery and acceptance of such Unit shall be increased by the applicable percentage of the Purchase Price set forth below.

Anniversary of Delivery and Acceptance	Percentage of Purchase Price
Third	14.4360%
Fifth	9.6240
Seventh	4.8120

Except as hereinabove in this §6 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit after delivery to and acceptance thereof by the Lessee hereunder.

§7. *Annual Reports.* On or before April 1 in each year, commencing with the year 1975, the Lessee will furnish to the Lessor and the Trustee, in such number of counterparts or copies as may reasonably be requested, an Officer's Certificate, as of the preceding December 31, (i) showing the amount, description and numbers of all Units then leased hereunder and the amount, description and numbers of all Units 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 Officer's Certificate), and such other information regarding the condition and state of repair of the Units as the Lessor or the Trustee may reasonably request and (ii) stating that, in the case of all Units repaired or repainted during the period covered thereby, the markings required by §4 hereof and the Equipment Trust Agreement have been preserved or replaced. The Lessor shall have the right at its sole cost, risk and expense, by its agents, to inspect the Units and the records of the Lessee with respect thereto at such reasonable times as the Lessor may request during the term of this Lease with respect to any Unit.

Within 30 days after its annual audit has been completed, but in no event later than six months after the close of each fiscal year, the Lessee will promptly furnish to the Lessor, each Beneficiary (at such address as such Beneficiary shall furnish the Lessee in writing) and the Trustee a balance

sheet as of the end of such year and a profit and loss statement for the year then ended prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year and certified by the Lessee's independent certified public accountants.

§8. *Disclaimer of Warranties; Compliance with Laws, Rules and Regulations; Maintenance; Indemnification.* **The Lessor makes no warranty or representation, either express or implied, as to the design or condition of, or as to the quality of the material, equipment or workmanship in, the Units delivered to the Lessee hereunder, and the Lessor makes no warranty of merchantability or fitness of the Units for any particular purpose or as to its title to the Units or any component thereof,** it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the manufacturer of the Units or of the components thereof. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's acceptance of delivery of the Units shall be conclusive evidence as between the Lessee, the Lessor and the Trustee that all Units described in any certificate of acceptance confirming such acceptance are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor or the Trustee based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Trustee, to comply in all respects with all laws of the jurisdictions in which operations involving any Unit subject to this Lease may extend, with the Interchange Rules of the Association of American Railroads, if applicable, and with all lawful rules of the Interstate Commerce Commission, if applicable, the Federal Railroad Administrator and any other legislative, executive, admin-

istrative or judicial body or officer exercising any power or jurisdiction over any such Unit, to the extent such laws and rules affect the operations or use of such Unit; and the Lessee shall and does hereby indemnify the Lessor and the Trustee and agrees to hold the Lessor and the Trustee harmless from and against any and all liability that may arise from any infringement or violation of any such laws or rules by the Lessee, the Lessee's employees or any other person. In the event that such laws or rules require the alteration of any Unit or in case any equipment or appliance on any such Unit 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 Unit in order to comply with such laws and rules, the Lessee agrees to make such alterations, changes, additions and replacements at its own expense and to use, maintain and operate such Unit in full compliance with such laws and rules so long as such Unit is subject to this Lease; *provided, however,* that the Lessee may in good faith contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor or the Trustee, adversely affect the property or rights of the Lessor or the Trustee hereunder or under the Equipment Trust Agreement.

The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit (including any parts installed on or replacements made to any Unit and considered an accession thereto as hereinbelow provided) which is subject to this Lease in good order and proper repair.

Any and all additions to any Unit and any and all parts installed on or replacements made to any Unit (other than any special devices, racks or assemblies at any time attached or affixed to any such Unit, the cost or purchase price of which is not included in the Purchase Price of such Unit and the title to which is in a person or entity other than the Lessor, the Lessee or the Trustee) shall be considered accessions to such Unit and, without cost or expense to the Lessor or the Trustee, there shall immediately be vested in the Lessor and the Trustee the same interests in such accessions as the interests of the Lessor and the Trustee in such Unit. The Lessee may make alterations or modifications to any Unit so long as they do not affect the value of such Unit adversely. The Lessee shall not permit any special device, rack or assembly to be attached or affixed to any Unit which may not be readily removed from such Unit without materially impairing such Unit or the value thereof unless such special device, rack or assembly is to be considered an accession to such Unit.

The Lessee agrees to indemnify and save harmless the Lessor and the Trustee against any charge or claim made against the Lessor or the Trustee and against any expense, loss or liability (including but not limited to strict liability imposed by statute or rule of law, counsel fees and expenses, patent liabilities, penalties and interest) which the Lessor or the Trustee may incur in any manner by reason of the issuance of the Trust Certificates or by reason of entering into or performing the Equipment Trust Agreement, this Lease, any of the instruments or agreements referred to therein or herein or contemplated thereby or hereby or the ownership of, or which may arise in any manner out of or as the result of the ordering, acquisition, purchase, leasing, use, operation, condition, delivery, rejection, storage or return of, any Unit while subject to this Lease or until no longer in the possession of or stored by the Lessee, whichever is later, and to indemnify and save harmless the Lessor and the Trustee against any charge, claim, expense, loss or liability (including but not limited to strict liability imposed by statute or rule of law, counsel fees and expenses) on account of any accident in connection with the operation, use, condition, possession or storage of any Unit resulting in damage to property, or injury to or death of any person. The indemnities contained in this paragraph shall survive payment of all other obligations under this Lease and the termination of this Lease.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of, and furnish a copy to, the Lessor) any and all reports known by the Lessee to be required to be filed by the Lessor, or requested by the Lessor to be filed, with any federal, state or other regulatory authority by reason of the ownership by the Lessor of the Units, the security title of the Trustee to the Units or the leasing of the Units to the Lessee.

§9. *Default.* If, during the continuance of this Lease, one or more of the following events (herein sometimes called Events of Default) shall occur and be continuing:

A. default shall be made in the payment of any part of the rental provided in §2 or §17 hereof and such default shall continue for seven days; or

B. the Lessee shall make or permit any unauthorized assignment or transfer of this Lease or any unauthorized sublease or use of the Units, or any thereof; or

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 Equipment Trust Agreement and such default shall continue for 20 days after written notice from the Lessor to the Lessee specifying the default and demanding that the same be remedied; or

D. any proceeding 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 readjustment 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, under the Equipment Trust Agreement and under any guaranty endorsed on the Trust Certificates 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 (whether or not subject to ratification) for the Lessee or for the property of the Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as 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;

then, in any such case, 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

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and determine 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 Units may be and take possession of all or any of the Units and thenceforth hold, possess and enjoy the same free from any right of the Lessee, its successors or

assigns, to use the Units for any purposes 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 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 Unit, which represents the excess of (x) the present value, at the time of such termination, of the entire unpaid balance of all rentals for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over (y) the then present value of the rentals which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 6% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, (ii) any damages and expenses, including reasonable attorneys' fees, in addition thereto which the Lessor or any Beneficiary shall have sustained by reason of the breach of any covenant or covenants of this Lease other than for the payment of rental and (iii) an amount which, after deduction of all taxes required to be paid by the Lessor or the Beneficiaries in respect of the receipt thereof under the laws of the United States of America or any political subdivision thereof, shall, in the reasonable opinion of the Beneficiaries, cause the Beneficiaries' net return under this Lease to be equal to the net return that would have been available to the Beneficiaries if they had been entitled to utilization of all or such portion of the Investment Credit (as defined in §17 hereof) with respect to the Units, lost, not claimed, not available for claim, disallowed or recaptured by or from the Beneficiaries as a result of the breach of one or more of the representations, warranties and covenants made by the Lessee in §17 or any other provision of this Lease, the inaccuracy of any statement in any letter or document furnished to the Lessor or the Beneficiaries by the Lessee, the termination of this Lease, the Lessee's loss of the right to use any Unit or the sale or other disposition of the Lessor's or the Beneficiaries' interest in any Unit after the occurrence of an Event of

Default, plus such sum as shall, in the reasonable opinion of the Beneficiary, cause the Beneficiaries' net return under this Lease to be equal to the net return that would have been available to the Beneficiaries if they had been entitled to utilization of all or such portion of the ADR Deduction (as defined in §17 hereof) which was lost, not claimed, not available for claim or disallowed or recaptured in respect of a Unit as a result of the breach of one or more of the representations, warranties and covenants made by the Lessee in §17 or any other provision of this Lease, the inaccuracy of any statement in any letter or document furnished to the Lessor or the Beneficiaries by the Lessee, the termination of this Lease, the Lessee's loss of the right to use such Unit or the sale or other disposition of the Lessor's or the Beneficiaries' interests in such Unit after the occurrence of an Event of Default.

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 requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is permitted by law. Subject to the provisions of the third paragraph of §2 hereof, the Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder and agrees to make rental payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon the 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.

§10. *Return of Units Upon Default.* If this Lease shall terminate pursuant to §9 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit returned to the Lessor pursuant to this §10 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, (ii) have attached or affixed thereto any special device, rack or assembly considered an accession thereto as provided in §8 hereof and have removed therefrom any special device, rack or assembly not so considered an

accession thereto and (iii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads, if applicable. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

A. forthwith and in the usual manner and at usual speed, cause such Units to be transported to such point or points as shall reasonably be designated by the Lessor, and

B. arrange for the Lessor to store such Units on any lines of railroad or premises approved by the Lessor until such Units have been sold, leased or otherwise disposed of by the Lessor.

The assembling, delivery, storage and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court 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 to cause the assembly, delivery, storage and transporting of the Units. During any 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 Unit, to inspect the same; *provided, however,* that the Lessee shall not be liable, except in the case of negligence or intentional act of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 10, the Lessee hereby irrevocably appoints the Lessor as the agent and the attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be at the time in possession of such Unit. In connection therewith the Lessee will supply the Lessor with such documents as the Lessor may reasonably request.

§11. *Assignment; Possession and Use.* This Lease shall be assignable in whole or in part by the 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. All the rights of the Lessor hereunder (including but not limited to the rights under §§5, 8, 9 and 17 hereof) shall inure to the benefit of the Lessor's assigns as if named herein as Lessor. Whenever the term Lessor is used in this Lease it shall apply and refer to the Lessor and, where the context so requires, the Beneficiaries and each assignee of the Lessor.

So long as no Event of Default exists hereunder and the Lessee shall have fully complied with the provisions of the fifth paragraph of this §11 and the third paragraph of §17 hereof, the Lessee shall be entitled to the possession of the Units and also to sublease the Units to, or to permit their use under the terms of car contracts by, a sublessee or user incorporated in the United States of America (or any State thereof or the District of Columbia), upon lines of railroad owned or operated by a railroad company or companies incorporated in the United States of America (or any State thereof or the District of Columbia), or over which such railroad company or companies have trackage rights or rights for operation of their trains, and upon connecting and other carriers in the usual interchange of traffic in the continental United States, Canada and Mexico, but only upon and subject to all the terms and conditions of this Lease; *provided, however,* that if the Lessee subleases or permits the use of any Unit in Canada (or any Province or Territory thereof) or in Mexico (or any State or the Federal District thereof), the Lessee shall, except as otherwise provided in §15 hereof, first have (a) taken all necessary action to protect the right, title and interest of the Lessor and the Trustee in the Units to be so subleased or used and (b) furnished the Lessor and the Trustee with an opinion of Canadian or Mexican counsel, as the case may be, satisfactory to the Lessor and the Trustee to the effect that such action is all that is necessary to protect the right, title and interest of the Lessor and the Trustee in such Units; *and provided further,* that any such sublease or use shall be consistent with the provisions of §17 hereof.

Any such sublease may provide that the sublessee, so long as it shall not be in default under such sublease, shall be entitled to the possession of the Units included in such sublease and the use thereof; *provided, however,* that every such sublease shall be subject to the rights and remedies of the Trustee under the Equipment Trust Agreement and the Lessor under this Lease in respect of the Units covered by such sublease upon the occurrence of an Event of Default thereunder or hereunder.

The Lessor shall have the right to declare this Lease terminated in case of any unauthorized assignment or transfer of the Lessee's rights hereunder or in case of any unauthorized transfer or sublease of any of the Units.

The Lessee, at its own expense, will as soon as possible cause to be duly discharged any lien, charge, security interest or other encumbrance (except any sublease as aforesaid and other than an encumbrance resulting from claims against the Lessor or the Trustee not related to the ownership or leasing of, or the security title of the Trustee to, the Units) which may at any time be imposed on or with respect to any Unit including any accession thereto or the interest of the Lessor, the Trustee or the Lessee therein. 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 Units, except to the extent permitted by the provisions of this §11.

§12. *Renewal Option; Right of Refusal; Return of Units upon Termination of Term.* Provided that this Lease has not been earlier terminated, no Event of Default exists hereunder and the Lessee is not otherwise in default hereunder, the Lessee may, by written notice delivered to the Lessor not less than six months prior to the end of the original term of this Lease elect to extend the term of this Lease in respect of all, but not fewer than all, the Units then covered by this Lease, for a five-year period commencing on the scheduled expiration of the original term of this Lease, at a rental payable in 10 semiannual payments, payable on January 15 and July 15 in each year of the extended term, each in an amount equal to the Fair Rental Value of each such Unit at the end of the original term of this Lease.

Fair Rental Value shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's length transaction between an informed and willing lessee (other than a lessee currently in possession), and an informed and willing lessor, under no compulsion to lease and, in such determination, costs of removal from the location of current use shall not be a deduction from such value. If on or before four months prior to the expiration of the term of this Lease or any extended term hereof, the Lessor and the Lessee are unable to agree upon a determination of the Fair Rental Value of the Units, such value shall be determined in accordance with the foregoing definition by a qualified independent Appraiser. The term Appraiser shall mean such independent appraiser as the Lessor and the Lessee may mutually agree upon, or failing

such agreement prior to the 90th day next preceding the expiration of the original term of this Lease, a panel of three independent appraisers, one of whom shall be selected by the Lessor, the second by the Lessee and the third by the first two so selected. The Appraiser shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee. The determination so made shall be conclusively binding upon both the Lessor and the Lessee. The expenses and fee of the Appraiser shall be borne by the Lessee.

The Lessor intends to retain the Units for re-lease at the expiration of the original or extended term of this Lease.

In the event the Lessor elects to sell such Units to third parties at the expiration of the original or any extended term of this Lease, the Lessor shall in a commercially reasonable manner solicit offers to buy such Units, and upon receipt thereof shall exhibit to the Lessee a true copy of the most favorable offer, and the Lessee shall have a right of first refusal exercisable by written notice, delivered within 15 days of the receipt of said copy, to purchase such Units at the sale price set forth in such offer.

As soon as practicable on or after the termination of the original or any extended term of this Lease, and in any event not later than 90 days thereafter, the Lessee will, at its own cost and expense, at the request of the Lessor, cause each Unit to be transported to such point or points as shall be reasonably designated by the Lessor immediately prior to such termination and arrange for the Lessor to store such Unit on any lines of railroad or premises approved by the Lessor for a period not exceeding three months from the date such Unit is first placed in storage pursuant to this §12; the assembly, delivery, storage and transporting of such Unit to be at the expense and risk 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 such Unit, to inspect the same; *provided, however,* that the Lessee shall not be liable except in the case of negligence or intentional act of the Lessee or of its employees or agents and except to the extent otherwise provided by law, for any injury to or the death of any person exercising, either on behalf of the Lessor or any prospective purchaser or Lessee, the rights of inspection granted under this sentence. The assembly, delivery, storage and transporting of the Units as hereinbefore provided are of the

essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to cause the assembly, delivery, storage and transporting of the Units. Each Unit returned to the Lessor pursuant to this §12 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, (ii) have attached or affixed thereto any special device, rack or assembly considered an accession thereto as provided in §8 hereof and have removed therefrom any special device, rack or assembly not so considered an accession thereto and (iii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads, if applicable. If the Lessor shall elect to abandon any Unit which has suffered a Casualty Occurrence or which, within 90 days after expiration of this Lease, the Lessor shall elect to abandon, it may deliver written notice to such effect to the Lessee and the Lessee shall thereupon assume, and hold the Lessor harmless from, all liability arising in respect of any responsibility of ownership thereof, from and after receipt of such notice. The Lessor shall execute and deliver to the Lessee a bill or bills of sale (without warranties) transferring to the Lessee, or upon its order, the Lessor's title to and property in any Unit abandoned by it pursuant to the immediately preceding sentence. The Lessee shall have no liability to the Lessor in respect of any Unit abandoned by the Lessor after termination of this Lease; *provided, however,* that the foregoing clause shall not in any way relieve the Lessee of its obligations pursuant to §6 hereof to make payments provided for therein in respect of any Unit experiencing a Casualty Occurrence during the term of this Lease.

§ 13. *Provisions Concerning Subordinated Notes.* It is the intention of the parties hereto that the obligations of the Lessee under this Lease shall be superior in right of payment to all the Lessee's Thirty Year Subordinated Notes sold or to be sold pursuant to a Note Purchase Agreement dated as of January 1, 1967, between the Lessee and certain of its stockholders. The Lessee covenants and agrees that if an Event of Default exists hereunder or an Event of Default (as defined in the Equipment Trust Agreement) exists under the Equipment Trust Agreement or any event which, with the giving of notice or the lapse of time, or both, would constitute an Event of Default hereunder or under the Equipment Trust Agreement, shall have occurred and be continuing, the Lessee will not voluntarily prepay or retire any of such Notes.

§ 14. *Increase of User Rates.* The Lessee covenants and agrees (i) that, if an Event of Default exists under §9(A) hereof by reason of the failure of the Lessee to pay to the Trustee within the grace period provided in §9(A) hereof all or any part of the rentals due and payable under §2 hereof required for the payment of the principal of or interest on the Trust Certificates (but not including any principal or interest payable by reason of acceleration of the date of payment thereof), the Lessee will, upon written notice by the Lessor so to do, within ten days after receipt of such notice, deliver to all parties to its Form A and Form B car contracts (or such other Forms as may hereafter be used in substitution or in replacement of such Form A and Form B car contracts) due and proper notice of increases in the car user charges under such contracts, (ii) that all car contracts covering any unit or units of railroad equipment of which the Lessee is the owner or the lessee will contain provisions permitting the Lessee to require such increases and (iii) that, except in connection with an assignment or transfer in accordance with the provisions of the Equipment Trust Agreement, the Lessee will not assign or transfer its rights and obligations to require such increases under any such car contracts. Such increases shall commence to accrue and shall be effective on the first day of the first calendar month beginning subsequent to ten days after delivery of such notice by the Lessee to the parties to such car contracts. Such increases shall be in such amounts or percentages as will cause to accrue and be payable to the account of the Lessee in respect of the first calendar month during which they are in effect such additional sums of money as will be needed by the Lessee to enable it to pay as rental hereunder an amount equal to all such overdue principal and interest (with interest on overdue principal and interest at the Penalty Rate [as defined in § 16 hereof], to the extent that it shall be legally enforceable) and to cure any defaults in payment of any principal or interest (or rentals intended to provide for payment thereof) payable under comparable provisions of any other equipment trust, conditional sale or other equipment agreement of the Lessee not guaranteed jointly and severally by its shareholders or a group of its shareholders (except defaults arising by reason of acceleration of the date of payment of instalments of principal, dividends or interest, or rentals intended to provide for payment thereof), whether heretofore or hereafter entered into, based upon the most recent records or information available to the Lessee relating to the use of its cars. If for any reason any such increases so made by the Lessee shall fail to provide in 90 days sufficient cash to enable the Lessee to cure such default or

defaults hereunder and under any other such agreements, or if cash is provided but is not for any reason applied to cure such defaults, the Lessee will, upon receipt of written notice from the Lessor so to do, promptly make such further increases in its user charges as may from time to time be necessary to enable the Lessee to cure all such defaults hereunder and under such other agreements.

§15. *Recording and Expenses.* Prior to the delivery and acceptance of any Unit hereunder, the Lessee will without expense to the Lessor cause this Lease, any supplement relating to such Unit, any assignments hereof and thereof, the Manufacturing Agreements and any supplement thereto relating to such Unit to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. The Lessee will undertake the filing and recording required under the Equipment Trust Agreement and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, reregister, rerecord or redeposit whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Trustee (except as otherwise provided in the Equipment Trust Agreement) for the purpose of proper protection, to the satisfaction of the Lessor and the Trustee, of the Lessor's and the Trustee's respective interests in the Units, or for the purpose of carrying out the intention of this Lease and the Equipment Trust Agreement; *provided, however,* that the Lessee shall not be required to take any such action in respect of any jurisdiction outside the United States if (1) the Lessee deems such action to be unduly burdensome, (2) after giving effect to the failure to take such action, the Lessee has taken all action required by law to protect the title of the Lessor and the Trustee to Units having a fair value of not less than 85% of the aggregate fair value of all the Units then subject to this Lease (such fair value to be determined in the manner provided in the Equipment Trust Agreement), and (3) any Unit at any time located in such jurisdiction shall have been marked with the markings specified in §4 hereof.

The Lessee will promptly furnish to the Lessor and the Trustee evidence of all such filing, registering, recording, depositing, refiling, reregistering, rerecording and/or redepositing and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Lessor and the Trustee.

§16. *Interest on Overdue Rentals.* Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee

promptly to pay also an amount equal to interest at the Penalty Rate (as defined in the Equipment Trust Agreement), or, if the Equipment Trust Agreement shall not have been executed and delivered, at the rate of 10% per annum, on the overdue rentals and other obligations for the period of time during which they are overdue.

§17. *Federal Income Taxes.* The Beneficiaries, as the beneficial owners of the Units, 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 owners of property, including, without limitation, the maximum depreciation deduction with respect to the Purchase Price of the Units authorized under section 167 of the Code utilizing the "class life" prescribed in accordance with section 167(m) of the Code (herein called the ADR Deduction), deductions with respect to interest payable under the Equipment Trust Agreement and the Manufacturing Agreements (herein called the Interest Deduction), and the 7% investment credit (herein called the Investment Credit), with respect to the Purchase Price of the Units pursuant to section 38 and related sections of the Code.

The 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, or which would increase the amount of rentals required to be taken into income by the Beneficiaries over the amounts specified to be payable under this Lease on the dates due hereunder, and that each of such corporations will file such returns, take such actions and execute such documents as may be reasonable and necessary to facilitate accomplishment of the intent hereof.

Notwithstanding anything to the contrary contained in §11 hereof, the Lessee represents and warrants that (i) all the Units constitute property the entire Purchase Price of which qualifies for the Investment Credit under section 50 of the Code; (ii) at the time the Lessor becomes the owner of the Units, the Units 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 the Units, the Units will not have been used by any person so as to preclude "the original use of such property" within the meaning of sections 48(b) and 167(c)(2) of the Code from commencing with the

Lessor; (iii) at all times during the term of this Lease, each Unit will constitute "section 38 property" within the meaning of section 48(a) of the Code and will not be used predominantly outside the United States within the meaning of said section 48(a) (or any exception thereto); and (iv) the Lessee will maintain sufficient records to verify such use.

If (i) prior to the Beneficiaries' receipt of a favorable ruling (herein called the Ruling) from the Internal Revenue Service to the effect that the Beneficiaries are the owners of the Units and have the right to claim the Investment Credit, the ADR Deduction and the Interest Deduction, for any reason (including the inaccuracy in law or in fact of the representations and warranties set forth in the preceding paragraph or any act or omission of the Lessee or the inaccuracy of any statement in any letter or document furnished to the Lessor or the Beneficiaries by the Lessee in connection with any application for the Ruling or otherwise), or (ii) at any time, by reason of any act or omission of the Lessee or the inaccuracy of any statement in any letter or document furnished to the Lessor or the Beneficiaries by the Lessee in connection with any application for ruling of the Internal Revenue Service, the Beneficiaries shall lose, or shall not have, or shall lose the right to claim, or shall suffer a disallowance of or shall be required to recapture (any such event being hereinafter called a Loss), all or any portion of the Investment Credit, the ADR Deduction, or the Interest Deduction with respect to all or part of any Unit, the rental rates for the Units set forth in §2 hereof shall, on the next succeeding rental payment date after written notice to the Lessee by the Lessor of such fact, be increased to such amount or amounts as shall, in the reasonable opinion of Itel Leasing Corporation or other competent party acceptable to the Lessee and the Beneficiaries, cause the Beneficiaries' net return (computed on the same assumptions as utilized by the Beneficiaries in evaluating this transaction as of the date of execution of this Lease) to equal the net return that would have been realized by the Beneficiaries if the Beneficiaries had been entitled to utilize all the Interest Deduction, the Investment Credit and the ADR Deduction, and the Lessee shall forthwith pay to the Lessor as additional rental the amount of any interest and/or penalties which may be assessed by the United States of America against the Lessor or the Beneficiaries attributable to the loss of all or such portion of the Interest Deduction, the Investment Credit or the ADR Deduction; *provided, however,* that such rental rate shall not be so increased and such additional rental shall not be payable if the Beneficiaries shall have lost, or shall not have, or shall have lost the right to claim, or shall have

suffered a disallowance of, or shall have been required to recapture all or any portion of the Investment Credit, the ADR Deduction or the Interest Deduction with respect to all or part of such Unit as a direct result of the occurrence of any of the following events:

(i) a Casualty Occurrence with respect to such Unit, if the Lessee shall have paid to the Lessor the amounts stipulated under §6 hereof;

(ii) a voluntary transfer or other voluntary disposition by any Beneficiary of any interest in such Unit or the voluntary reduction by any Beneficiary of its interest in the rentals from such Unit under the Lease (except an assignment of this Lease to the Trustee), unless, in each case, an Event of Default shall have occurred and be continuing;

(iii) the failure of the Lessor and/or any Beneficiary to claim in a timely manner the Investment Credit, the ADR Deduction or the Interest Deduction; or

(iv) the failure of any Beneficiary to have sufficient liability for Federal income tax against which to credit such Investment Credit or sufficient income to benefit from the ADR Deduction or the Interest Deduction, as applicable.

In the event the rental rates shall be adjusted as hereinbefore provided, the Casualty Values set forth in §6 hereof and the damages and amounts set forth in subparagraph (b) of §9 hereof shall be adjusted accordingly.

The Lessor will apply for and diligently seek the Ruling. The Lessee will furnish such documents, records and representations, including, but not limited to, evidence of the useful life and residual value of the Units sufficient to support the matters claimed in any request for such Ruling as shall be deemed necessary and appropriate for such request by the Lessor.

§18. *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 mails, first-class postage prepaid, addressed as follows:

If to the Lessor, at 79 South Main Street, Salt Lake City, Utah 84111, attention of Trust Department (with a copy to the Itel Leasing Corporation, One Embarcadero Center, San Francisco, California 94111, attention of Contract Administration Department);

If to the Lessee, at 300 South Wacker Drive, Chicago, Illinois 60606, attention of Vice President—Finance and Treasurer;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. Any certificate, document or report required to be furnished by either party hereto to the other party shall be delivered to the address set forth above for such party.

§19. *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 Units and supersedes all other agreements, oral or written, with respect to the Units, other than the Participation Agreement dated as of the date hereof among the Lessee, the Beneficiaries and certain other beneficial owners, the Equipment Trust Agreement, any agreement providing for the purchase of equipment trust certificates issued thereunder and the Manufacturing Agreements. 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.

§20. *Execution.* This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument but the counterpart delivered to the Trustee shall be deemed to be the original counterpart. Although this Lease is dated as of the date first set forth above, for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

§21. *Law Governing.* The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Illinois; *provided, however,* that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act and such additional rights arising out of the filing, recording or depositing hereof and of any assignment hereof or out of the marking on the Units as shall be conferred by the laws of the several jurisdictions in which this Lease or any assignment

hereof shall be filed, recorded or deposited or in which any Unit may be located.

§22. *Obligations of Lessor Under Equipment Trust Agreement; Additional Rentals.* In addition to the rentals specified in §2 hereof the Lessee agrees to pay to the Lessor:

(a) on the business day next preceding the date for prepayment of Trust Certificates pursuant to the Equipment Trust Agreement (other than prepayment in respect of Casualty Occurrences), an amount equal to interest payable on the Trust Certificates to be prepaid on such date; and

(b) on January 15, 1975, an amount equal to interest payable on the Trust Certificates on that portion of the proceeds from the sale thereof as are used for the acquisition of equipment by the Trustee to the date such proceeds are so used.

In the event that the Lessor shall become obligated to make any payment (other than payments in settlement for Equipment whether by advance rental or otherwise pursuant to the Equipment Trust Agreement) or to perform any other obligations pursuant to the Equipment Trust Agreement not covered by the provisions of this Lease, the Lessee shall pay such additional amounts to the Trustee and perform such obligations so that the Lessor's obligations (other than payments in settlement for Equipment whether by advance rental or otherwise pursuant to the Equipment Trust Agreement) pursuant to the Equipment Trust Agreement shall be fully complied with.

§ 23. *No Recourse.* No recourse shall be had in respect of any obligation due under this Lease, or referred to herein, against any incorporator, stockholder, director or officer, as such, past, present or future, of the Lessor or the Lessee, or against the Beneficiaries or any other beneficiary of a trust for which the Lessor is acting as trustee, whether by virtue of any constitutional provision, statute or rule of law or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of incorporators, stockholders, directors, officers, as such, or beneficiaries being forever released as a condition of and as consideration for the execution of this Lease.

IN WITNESS WHEREOF, the parties hereto, each pursuant to due corporate authority, have caused this instrument to be duly executed as of the date first above written.

FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION,
as Trustee,

[CORPORATE SEAL]

by .....
Authorized Officer

Attest:

.....
Authorized Officer

TRAILER TRAIN COMPANY,

[CORPORATE SEAL]

by .....
Vice President—Finance
and Treasurer

Attest:

.....
Assistant Secretary

STATE OF UTAH
COUNTY OF SALT LAKE } ss.:

On this 30th day of August, 1974, before me personally appeared Patricia A. Richards, to me personally known, who, being by my duly sworn, says that he is an Authorized Officer of FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said national banking association, that said instrument was signed and sealed on behalf of said national banking association 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 national banking association.

Debbie J. Rengufeld
Notary Public

[NOTARIAL SEAL]

My Commission expires
July 22, 1978

STATE OF ILLINOIS
COUNTY OF COOK } ss.:

On this 3rd day of September, 1974, before me personally appeared ~~N. V. Reichert~~ R. E. Zimmerman, to me personally known, who, being by me duly sworn, says that he is the ~~Vice President—Finance and Treasurer~~ Assistant Treasurer of TRAILER TRAIN 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.

Jo-Ann Frank
Notary Public

[NOTARIAL SEAL]

My Commission expires

SCHEDULE A

Type	AAR Mechanical Designation	Quantity	Lessee's Car Numbers (Inclusive)
89′4″ 70-ton capacity, standard draft gear, standard level flat car equipped with hitches	FC	~~299~~ 300	255540—255610
			160901—160954
			604005, 604130
			604132, 604138
			604140, 604155
			604161, 604163
			604164, 604166
			604167, 604169
			604171
			604173—604176
			604180, 604181
			604183, 604185
			604186
			604206—604211
			604213, 604214
			604216—604219
			604222, 604223
			604225, 604227
			604229, 604231
			604232
			604234—604236
			604238, 604239
			604241, 604242
			604244, 604247
			604249—604255
			604257
			604261, 604262
			604264
			604267—604271
			604273
			604276—604278

Type	AAR Mechanical Designation	Quantity	Lessee's Car Numbers (Inclusive)
			604282, 604283
			604291, 604293
			604295, 604297
			604299, 604300
			604302—604304
			604432—604477
			604479—604483
			604514
			604521—604525
			604530—604533
			604535, 604550
			604553
			604555—604560
			604562, 604564
			604565, 604568
			604570, 604572
			604573
			604575—604578
			604584—604594
			604596, 604602
89′4″ 70-ton capacity, hydraulic draft gear low level flat car	FC	110 ~~98~~	850090 ~~850102~~—850199
89′4″ 70-ton capacity, hydraulic draft gear, standard level all purpose flat car	FC	160	971940—971999 978000 — 978099
60′ 70-ton capacity, hydraulic draft gear, standard level bulkhead flat car with lading strap anchors	FC	100	97463— 97562
		~~557~~ 670	