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INTERSTATE COMMERCE COMMISSION

November 11, 1977

9077

Interstate Commerce Commission  
Washington, D.C.

7-318A095

Date NOV 14 1977

Fee \$ 150

NOV 14 1977 10 55 AM  
INTERSTATE COMMERCE COMMISSION

Gentlemen:

ICC Washington, D. C

Enclosed for recordation under the provisions of Section 20(c) of the Interstate Commerce Act, as amended, are the two counterparts each of (i) an Equipment Lease dated as of October 1, 1977 between Wells Fargo Bank, N.A. and United States Lease Financing, Inc. (ii) an Equipment Lease dated as of October 1, 1977 between United States Lease Financing, Inc. and William M. Gibbons, Trustee of the Property of Chicago, Rock Island and Pacific Railroad Company and (iii) a Security Agreement dated as of October 1, 1977 from Wells Fargo Bank, N.A.

A general description of the railroad rolling stock or other equipment covered by the enclosed documents is set forth in Exhibit A attached to this letter and made a part hereof.

The names and addresses of the parties are:

Secured Party:

The Sumitomo Bank of California  
365 California Street  
San Francisco, California 94104

Debtor and Lessor:

Wells Fargo Bank, N.A.  
475 Sansome Street  
San Francisco, California 94111

Lessee and Sub Lessor:

United States Lease Financing, Inc.  
633 Battery Street  
San Francisco, California 94111

Sub Lessee:

William M. Gibbons, Trustee of  
the Property of Chicago, Rock  
Island and Pacific Railroad Company  
322 South Michigan Avenue  
Chicago, Illinois 60605

*Transmitted by St. Raphael*

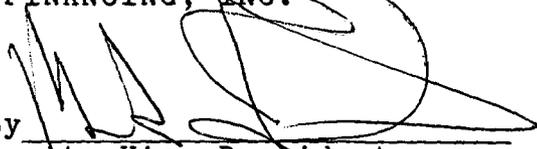
The undersigned is the Lessee and Sub Lessor mentioned in the enclosed documents and has knowledge of the matters set forth therein.

Please return one counterpart of each of the Leases and the Security Agreement to Charles T. Kappler, Esq., personally or at 200 Trade Center Building, Washington, D. C. 20006. Mr. Kappler is agent of all the parties mentioned for the purpose of making these recordations.

Also enclosed is a check in the amount of \$150.00 covering the required recording fee.

Very truly yours,

UNITED STATES LEASE  
FINANCING, INC.

By   
its Vice President

LESSEE AND SUB LESSOR AS AFORESAID

Enclosures

EXHIBIT A TO FINANCING STATEMENT

I. The following described equipment:

<u>Quantity</u>	<u>*Description</u>
4	Pettibone Speed Swing per bulletin P1717 and the following options 4-53 GM diesel-rops cab-heater-defroster-west coast mirrors-farr air cleaner- 13 x 24 x 16 ply tires spare tire and wheels-3 yd. snow bucket-1-1/4 yd. bucket-track cleaning bucket-forks-tote hook-pedestal 30" magnet-generator and hyrail gear- to meet Rock Island Specifications. Manufactured by Pettibone Corp.
1	Mark I Model EA Tamper-fail safe brakes- and per Rock Island specs. Manufactured by Can Ron Rail Group.
3	Railway Track Work Tie Handlers w/24' articulating boom- fail safe brakes-running lights- TR 1000 single head-TG 3000 tie grapple head- to meet Rock Island Specifications. Manufactured by Railway Track Work.
2	Rexnord Rail Gang Spikers with gauging attachments as per Rexnord bulletin 386 and to meet Rock Island specifications. Manufactured by Rexnord Inc.
2	Model 34-3 Scarifier Inserters as per bulletin No. 1-34-3/974 with extended reaching arm all machines to meet Rock Island specifications. Manufactured by Kershaw; supplied by Donald J. Hogan Co.

- 2 Model 39-2 Kershaw Tie Injector as per bulletin L-398-8-76 and Rock Island specifications.  
Manufactured by Kershaw;  
supplied by Donald J. Hogan Co.
- 2 W68 Series C Hydraulic Tie Removers per bulletin No. 788- optional set off- and turn table to meet Rock Island specifications.  
Manufactured by Fairmont Railway Motors.
- 4 Model Mark I EA-TD-G Tampers and the following options 4 wheel drive- auto up-feed switch-automatic shutdown- fail safe brakes-emergency hand pump- 1 extra set tamping bars- to meet Rock Island specifications.  
Manufactured by Can Ron Rail Group.
- 1 Injector- Nordberg OMSI as per bulletin No. 404 and to meet Rock Island specs.  
Manufactured by Rexnord Inc.

\* parts and accessories also included.

**Interstate Commerce Commission**  
**Washington, D.C. 20423**

11/14/77

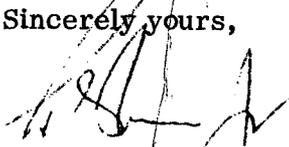
OFFICE OF THE SECRETARY

**Charles T. Kappler, Esq.**  
**200 Trade Center Building**  
**Washington, D.C. 20006**

Dear **Sir:**

The enclosed document(s) was recorded pursuant to the provisions of Section 20(c) of the Interstate Commerce Act, 49 U.S.C. 20(c), on **11/14/77** at **10:55am** and assigned recordation number(s) **9077, 9078, 9079**

Sincerely yours,

  
H.G. Homme, Jr.  
Acting Secretary

Enclosure(s)

SE-30-T  
(6/77)

DUPLICATE

REGISTRATION NO. 9077  
NOV 14 1977 - 10 25 AM

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INTERSTATE COMMERCE COMMISSION

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EQUIPMENT LEASE  
Dated as of October 1, 1977

Between

WELLS FARGO BANK, N.A.,  
not in its individual capacity,  
but solely as trustee under a  
Trust Agreement dated as of  
October 1, 1977 between it and  
Michigan National Bank of Detroit,  
as Lessor

and

UNITED STATES LEASE FINANCING, INC.,  
as Lessee

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DUPLICATE

EQUIPMENT LEASE

THIS EQUIPMENT LEASE, dated as of October 1, 1977 (the Lease), between WELLS FARGO BANK, N.A., a national banking association, not in its individual capacity, but solely as trustee (the Lessor) under a Trust Agreement dated as of October 1, 1977 between it and Michigan National Bank of Detroit, (the Beneficiary), and UNITED STATES LEASE FINANCING, INC., a California corporation (the Lessee).

W I T N E S S E T H :

SECTION 1. Definitions; Construction of References.

In this Lease, unless the context otherwise requires:

(a) All references in this instrument to designated Sections and other subdivisions are to designated Sections and their subdivisions of this Lease, and the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Section or other subdivision;

(b) The terms defined in this Section 1 or elsewhere in this Lease shall have the meanings assigned to them in this Section 1 or elsewhere and include the plural as well as the singular;

(c) Except as otherwise indicated, all the agreements or instruments hereinafter defined shall mean such agreements or instruments as the same may from time to time be supplemented or

amended or the terms thereof waived or modified to the extent permitted by, and in accordance with, the terms thereof;

(d) The following terms shall have the following meanings for all purposes of this Lease;

(1) Appraisal shall mean a procedure whereby two independent appraisers, neither of whom shall be a manufacturer of the Item of Equipment for which Appraisal is required, one chosen by the Lessee and one by the Lessor, shall mutually agree upon the amount in question. The Lessor or the Lessee, as the case may be, shall deliver a written notice to the other party appointing its appraiser within 15 days after receipt from the other party of a written notice appointing that party's appraiser. If within 15 days after appointment of the two appraisers as described above, the two appraisers are unable to agree upon the amount in question, a third independent appraiser, who shall not be a manufacturer of such Item, shall be chosen within five days thereafter by the mutual consent of such first two appraisers or, if such first two appraisers fail to agree upon the appointment of a third appraiser, such appointment shall be made by an authorized representative of the American Arbitration Association or any organization successor thereto. The decision of the third appraiser so appointed and chosen shall be given within 10 days after the selection of such third appraiser and such decision shall be binding and conclusive on the Lessor and the Lessee. Except as provided in Section 16 hereof, the Lessor and the Lessee

shall pay the fees and expenses of the respective appraisers appointed by them and shall share equally the fees and expenses of the third appraiser, if any.

(2) Basic Rent, Supplemental Rent and Rent shall have the meanings set forth in Section 3 hereof.

(3) Rent Commencement Date, Basic Rent Dates, Basic Lease Rate Factor, Expiration Date, First Delivery Date, Final Delivery Date, First Basic Rent Date, Last Basic Rent Date, Depreciation Method, Net Salvage Value, Investment Credit, Overdue Rate, Lease Extension Periods, Return of Equipment and Equipment Marking shall have the meanings with respect to each Item of Equipment set forth in Exhibit C hereto.

(4) Business Day shall have the meaning set forth in the Participation Agreement.

(5) Casualty Value and Termination Value shall have the meanings with respect to each Item of Equipment set forth in Exhibit D hereto.

(6) Certificate of Acceptance shall mean a certificate of acceptance substantially in the form of Exhibit B hereto.

(7) Closing Date shall have the meaning set forth in the Participation Agreement.

(8) Equipment, and individually an Item of Equipment, shall mean the items of equipment accepted for lease under this Lease pursuant to Section 2 hereof.

(9) Fair Market Value of an Item of Equipment shall be determined on the basis of, and shall mean the aggregate amount which would be obtainable in, an arm's-length transaction between an informed and willing buyer or user (other than: (i) a lessee currently in possession, or (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell, and in such determination costs of removal from the location of current use shall not be a deduction from such value and all alternative uses in the hands of such buyer or user, including without limitation, the further leasing of such Item of Equipment, shall be taken into account in making such determination. If the Lessor and the Lessee are unable to agree upon a determination of Fair Market Value with respect to a particular Item of Equipment, such Fair Market Value shall be determined in accordance with the procedure for Appraisal.

(10) First Termination Date shall have the meaning with respect to each Item of Equipment set forth in Exhibit C hereto.

(11) Lessor's Cost shall have the meaning set forth in the Certificate of Acceptance with respect to each Item of Equipment.

(12) Notes shall mean those promissory notes defined as Notes in the Participation Agreement issued in connection with the purchase of the Equipment.

(13) Guarantor shall mean United States Leasing

International, Inc.

(14) Participation Agreement shall mean the agreement, dated as of the date hereof, among the Lessee, the Lessor, the Guarantor, the Beneficiary and The Sumitomo Bank of California, as Lender (the Lender).

(15) Purchase Documents shall mean those documents defined as purchase documents in the Participation Agreement.

(16) Railroad shall mean William M. Gibbons, Trustee of the Property of Chicago, Rock Island and Pacific Railroad Company.

(17) Security Agreement shall mean the Security Agreement dated as of the date hereof granted by the Lessor to the Lender pursuant to the Participation Agreement and each and every Supplement.

(18) Supplement shall mean each supplement to the Security Agreement.

SECTION 2. Lease of Equipment.

Subject to the terms and conditions of this Lease, the Lessor hereby agrees to lease to the Lessee and the Lessee hereby agrees to lease from the Lessor such Items of Equipment as shall be described in one or more Certificates of Acceptance executed and delivered on behalf of the Lessor with respect thereto and as shall have been delivered and accepted on or after the First Delivery Date but on or before the Final Delivery Date (Equipment, and individually an Item of Equipment). Subject to the provisions of the Participation Agreement, upon delivery of

each Item of Equipment to the Lessor, the Lessee will cause an authorized representative of the Lessee to inspect the same and, if such Item of Equipment is found to be in good order, to accept such Item of Equipment and to execute and deliver a Certificate of Acceptance with respect thereto, whereupon, but also subject to the provisions of the Participation Agreement, such Item of Equipment shall be deemed to have been delivered to and accepted by the Lessee and shall be subject to the terms and conditions of this Lease.

SECTION 3. Term and Rent.

(a) The term of this Lease as to each Item of Equipment shall begin on its date of acceptance, as set forth in the Certificate of Acceptance executed and delivered with respect thereto, and shall end on the Expiration Date, unless this Lease shall have been terminated, or the term of this Lease with respect to such Item of Equipment shall have been extended, by the terms hereof.

(b) The Lessee shall pay to the Lessor as Basic Rent (herein referred to as Basic Rent) for each Item of Equipment subject to this Lease, the following:

(1) on the First Basic Rent Date, an amount equal to the Basic Lease Rate Factor, multiplied by the Lessor's Cost of such Item; and

(2) on each Basic Rent Date thereafter to and including the Last Basic Rent Date, an amount equal to the Basic Lease Rate Factor, multiplied by the Lessor's Cost of such Item.

(c) The Lessee shall pay to the Lessor the following amounts (herein referred to as Supplemental Rent and, together with all Basic Rent, as Rent):

(1) on demand, any amount payable hereunder (other than Basic Rent, Casualty Value and Termination Value, if any) which the Lessee assumes the obligation to pay, or agrees to pay, under this Lease to the Lessor or others;

(2) on the date provided herein, any amount payable hereunder as Casualty Value or Termination Value, if any; and

(3) to the extent permitted by applicable law, interest (computed on the basis of a 360-day year of twelve 30-day months) at the Overdue Rate on any payment of Basic Rent, Casualty Value or Termination Value, if any, not paid when due for any period for which the same shall be overdue and on any payment of Supplemental Rent (including, without limitation, interest payable under this clause (3), but excluding payment of Casualty Value or Termination Value, if any) not paid when demanded hereunder for the period from the date of such demand until the date on which the same shall be paid.

(d) Subject to the provisions of the Participation Agreement, all payments of Rent hereunder shall be made so that the Lessor shall have immediately available funds on the date payable hereunder, and shall be paid to the Lessor at its address set forth herein or at such other address as the Lessor may direct by notice in writing to the Lessee.

SECTION 4. Net Lease.

This Lease is a net lease and the Lessee acknowledges

and agrees that the Lessee's obligations to pay all Rent hereunder, and the rights of the Lessor in and to such Rent, shall be absolute and unconditional and shall not be subject to any abatement, reduction, set-off, defense, counterclaim or recoupment (Abatement) for any reason whatsoever, including, without limitation, Abatements due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise, or against the manufacturer or seller of any Item of Equipment. Except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the respective obligations of the Lessor or the Lessee be affected, by reason of any defect in or damage to, or any loss or destruction of, the Equipment or any Item thereof from whatsoever cause, or the interference with the use thereof by any private person, corporation or governmental authority, or 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 for any other cause, whether similar or dissimilar to the foregoing, any present or future law or regulation to the contrary notwithstanding, it being the express intention of the Lessor and the Lessee that all Rent payable by the Lessee hereunder shall be, and continue to be, payable in all events unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease.

SECTION 5. Return of Equipment.

Upon the expiration or termination of this Lease with respect to the Equipment, the Lessee, at its own risk and

expense, will return the Items of Equipment then subject to this Lease to the Lessor pursuant to the Lessor's instructions set forth under the heading Return of Equipment in Exhibit C to this Lease and in the condition in which such Equipment is required to be maintained pursuant to Section 9 hereof. Such Equipment, upon redelivery pursuant hereto, shall be free and clear of all mortgages, liens, security interests, charges, encumbrances and claims (Liens), other than Liens either (a) resulting from voluntary action by the Lessor without the prior approval of the Lessee and not taken as the result of any default by the Lessee, or (b) resulting from claims against the Lessor not related to the Lessor's ownership of the Equipment (Liens described in clauses (a) and (b) above being herein referred to as Lessor's Liens).

SECTION 6. Warranties of the Lessor.

(a) The Lessor warrants that during the term of this Lease, if no Event of Default has occurred, the Lessee's use of the Equipment shall not be interrupted by the Lessor or anyone claiming solely through or under the Lessor.

(b) The warranties set forth in paragraph (a) of this Section are in lieu of all other warranties of the Lessor, whether written, oral or implied with respect to this Lease or the Equipment; and the Lessor shall not be deemed to have made, and the LESSOR HEREBY DISCLAIMS ANY OTHER REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, THE DESIGN OR CONDITION OF THE EQUIPMENT, ITS MERCHANTABILITY OR ITS FITNESS FOR ANY PARTICULAR

PURPOSE, THE QUALITY OF THE MATERIAL OR WORKMANSHIP OF THE EQUIPMENT OR CONFORMITY OF THE EQUIPMENT TO THE PROVISIONS AND SPECIFICATIONS OF ANY PURCHASE ORDER OR ORDERS RELATING THERETO, NOR SHALL THE LESSOR BE LIABLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING STRICT LIABILITY IN TORT), but the Lessor authorizes the Lessee, at the Lessee's expense, to assert for the Lessor's account, during the term of this Lease, so long as no Event of Default shall have occurred hereunder and be continuing, all of the Lessor's rights under any applicable manufacturer's or seller's warranty and the Lessor agrees to cooperate with the Lessee in asserting such rights; provided, however, that the Lessee shall indemnify and shall hold the Lessor harmless from and against any and all claims, and all costs, expenses, damages, losses and liabilities incurred or suffered by the Lessor in connection with, as a result of, or incidental to, any action by the Lessee pursuant to the above authorization. Any amount received by the Lessee as payment under any such warranty shall be applied to restore the Equipment to the condition required by Section 9 hereof.

SECTION 7. Liens.

The Lessee will not mortgage, encumber or directly or indirectly create, incur, assume or suffer to exist any Liens on or with respect to the Leased Equipment, the Lessor's title thereto or any interest therein (and the Lessee will promptly, at its own expense, take such action as may be necessary to duly discharge any such Lien), except (a) the respective rights of the Lessor and the Lessee as herein provided, (b) Lessor's Liens, (c)

Liens for taxes either not yet due or being contested in good faith and by appropriate proceedings, if counsel for the Lessor shall have determined that the nonpayment of any such tax or the contest of any such payment in such proceedings do not, in the opinion of such counsel, adversely affect the title, property, or rights of the Lessor, (d) inchoate materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business of the Lessee and not delinquent, (e) Liens granted by the Lessor to any assignee or security assignee of the Lessor, and (f) the sublease of the Equipment by the Lessee to the Railroad made with the approval of the Lessor and the Lender.

SECTION 8. Taxes.

The Lessee agrees to pay and to indemnify the Lessor for, and hold the Lessor harmless from and against, all income, franchise, sales, use, personal property, ad valorem, value added, leasing, leasing use, stamp or other taxes, levies, imposts, duties, charges, or withholdings of any nature, together with any penalties, fines or interest thereon (Impositions), arising out of the transactions contemplated by this Lease and imposed against the Lessor, the Lessee or the Equipment by any federal, state, local or foreign government or taxing authority upon or with respect to the Equipment or upon the sale, purchase, ownership, delivery, leasing, possession, use, operation, return or other disposition thereof, or upon the rentals, receipts or earnings arising therefrom, or upon or with respect to this Lease (excluding, however, federal taxes on, or measured by, the net

income of the Lessor and taxes, fees or other charges of any other jurisdiction solely based on, or solely measured by, the net income of the Lessor and (i) imposed by the jurisdiction in which the principal office of the Lessor is located or (ii) imposed by any other jurisdiction in which the Lessor would, without having entered into this Lease, be subject to such taxes, fees or other charges as a result of business or transactions similar to leasing) unless, and only to the extent that, the Lessee shall have given to the Lessor written notice of any such Imposition, which notice shall state that such Imposition is being contested by the Lessee in good faith and by appropriate proceedings and counsel for the Lessor shall have determined that the nonpayment thereof or the contest thereof in such proceedings does not, in the opinion of such counsel, adversely affect the title, property or rights of the Lessor. If a claim is made against the Lessee or the Lessor for any Imposition, the party receiving notice of such claim shall promptly notify the other. In case any report or return is required to be made with respect to any obligation of the Lessee under this Section 8 or arising out of this Section 8, the Lessee will either (after notice to the Lessor) make such report or return in such manner as will show the ownership of the Equipment in the Lessor and send a copy of such report or return to the Lessor or will notify the Lessor of such requirement and make such report or return in such manner as shall be satisfactory to the Lessor. The Lessor agrees to cooperate fully with the Lessee in the preparation of any such report or return.

SECTION 9. Use, Maintenance and Operation;  
Identifying, Marks.

(a) The Lessee agrees that the Equipment will be used and when redelivered to the Lessor will be in compliance with any and all statutes, law, ordinances and regulations of any governmental agency applicable to the use of the Equipment, and, subject to the provisions of Section 14 hereof, will at all times be used solely in the conduct of its business and be and remain in the possession and control of the Lessee. Throughout the term of this Lease, the possession, use and maintenance of the Equipment shall be at the sole risk and expense of the Lessee.

(b) The Lessee shall use the Items of Equipment only in the manner for which they were designed and intended and will, at its own cost and expense, install or otherwise provide all mechanisms, modifications and improvements required for the Equipment to be in compliance with Section 9(a) hereof and repair and maintain each Item of Equipment so as to keep it in as good condition as when delivered to the Lessee hereunder, ordinary wear and tear excepted.

(c) The Lessee will not, without the prior written consent of the Lessor, affix or install any accessory, equipment or device on any Item of Equipment leased hereunder which will either impair the originally intended function or use of any such item or constitute an improvement or addition to such Item of Equipment which is not, within the meaning of any law, regulation or procedure then in effect, readily removable (non-removable addition). The Lessor shall be deemed to have

consented in advance to any non-removable addition which is required by the terms of Section 9(b) hereof. The Lessee agrees that any addition or improvement to the Equipment which has been furnished, attached or affixed to any Item with the consent of the Lessor shall upon attachment or affixation become the property of the Lessor and thereupon all such accessories, equipment and devices shall become a part of the Equipment leased hereunder. The Lessee agrees that each such Item is, and shall continue to be throughout the term of this Lease, personal property under applicable law and the Lessee agrees to take such action as shall be required from time to time by the Lessor to protect the Lessor's title to each such Item and the right of the Lessor to remove the same.

(d) The Lessee agrees, at its own cost and expense, to (1) cause each Item of Equipment to be kept numbered with the identification or serial number therefor as specified in the Certificate of Acceptance therefor and (2) maintain the Equipment Marking on each Item of Equipment and such other markings as from time to time may be required by law or otherwise deemed necessary by the Lessor in order to protect the title of the Lessor to such Item of Equipment, the rights of the Lessor under this Lease and the Lien granted by the Lessor in financing the Lessor's Cost of the Equipment. The Lessee will not place any Item of Equipment in operation or exercise any control or dominion over the same until such Equipment Marking has been placed thereon. The Lessee will replace promptly any such Equipment Marking which may be removed, defaced or destroyed.

(e) The Lessee represents that it has no present intention to make any non-removable addition and that it does not presently foresee that any such non-removable addition will be required by the terms of this Lease. The Lessee agrees that the cost of any non-removable addition shall be treated as income for tax purposes by the Lessor and the cost thereof shall be an "Additional Expenditure" for purposes of Section 15 hereof.

SECTION 10. Inspection.

The Lessor shall have the right, but not the duty, to inspect the Equipment. Upon the request of the Lessor, the Lessee shall confirm to the Lessor the location of each Item of Equipment and shall, at any reasonable time, make the Equipment, and the Lessee's records pertaining to the Equipment, available to the Lessor for inspection.

SECTION 11. Loss or Destruction; Requisition of Use.

(a) In the event that any Item of Equipment shall be or become damaged, worn out, destroyed, lost, stolen, or permanently rendered unfit for its original intended use for any reason whatsoever, or title thereto shall be requisitioned or otherwise taken by any governmental authority under power of eminent domain or otherwise (Requisition of Use), or any Item of Equipment is returned to the manufacturer or seller thereof pursuant to the patent indemnity provisions of the Purchase Documents, such fact shall promptly be reported by the Lessee to the Lessor.

(b) The Lessee shall determine, within 45 days after the date of occurrence of any such damage or wearing out, whether such Item of Equipment can be repaired or replaced.

(c) In the event Lessee determines that such Item cannot be repaired or replaced or in the event of such damage, wearing out, destruction, loss, theft, unfitness for its original intended use, Requisition of Use for a stated period which exceeds the term of this Lease, or return of such Item to the manufacturer or seller thereof without replacement thereof (any of such occurrences being referred to as an Event of Loss), the Lessee shall promptly notify the Lessor of such Event of Loss. On the Basic Rent Date next following the date of such Event of Loss, or, if such Event of Loss occurs after the Last Basic Rent Date, on the Expiration Date, the Lessee shall pay to the Lessor the Casualty Value of such Item, determined as of such rent payment date, together with any Rent then due. In the event the Lessee determines that such Item can be repaired or replaced, the Lessee shall continue to make all payments of Basic Rent due with respect to such Item and shall (1) cause such Item to be repaired or replaced within 90 days after the occurrence of such damage or wearing out, and (2) in the event of replacement, take such action as may be required under and pursuant to the Security Agreement to perfect, protect and preserve any security interests created by the Lessor under and pursuant to the Security Agreement; provided, however, that if the Lessee shall, within such 90-day period, have commenced the repair or replacement of such Item and be diligently pursuing such repair or replacement, but is prevented from completing such repair or replacement within such 90-day period due to causes beyond the Lessee's control, then the time for repair or replacement shall be

extended by the number of days necessary to complete such repair or replacement up to a maximum of 30 additional days, and further provided, that if the Lessee shall fail to repair or replace such Item within such repair or replacement period (including any extension thereof) the Lessee shall, on the rent payment date next following the end of such repair or replacement period, pay to the Lessor the Casualty Value of such Item, determined as of such rent payment date, together with any Rent then due. If at such time no more Basic Rent is or will become payable under this Lease, the Casualty Value shall be paid within 30 days following, as appropriate, the Event of Loss or the repair or replacement period and the Lessee shall pay the Lessor interest at the Overdue Rate on an amount equal to the Casualty Value, as of the Expiration Date, from the Expiration Date to the date the Casualty Value is paid. Notwithstanding the foregoing, the Lessee, pursuant to the provisions of Section 15 hereof, shall still be required to indemnify the Lessor for any Loss, as defined in Section 15 hereof, due to the Lessee's act of replacing an Item of Equipment authorized hereof. Upon making such Casualty Value payment in respect of such Item and all Rent due and owing with respect thereto, the Lessee's obligation to pay further Basic Rent for such Item shall cease, but the Lessee's obligation to pay Supplemental Rent, if any, for such Item, and to pay Rent for all other Items of Equipment shall remain unchanged. Except in the case of loss, theft, destruction, or return to the manufacturer or seller, the Lessor shall be entitled to recover possession of such Item, unless

possession of such Item is required to be delivered to an insurance carrier (other than the Lessee) in order to settle an insurance claim arising out of the Event of Loss. The Lessor shall be entitled to retain any salvage value collected by such insurance carrier in excess of the amount paid to the Lessor by said insurance carrier. The Lessor shall be under no duty to Lessee to pursue any claim against any governmental authority, but the Lessee may at its own cost and expense pursue the same on behalf of the Lessor in such manner as may be satisfactory to the Lessor. Any replacement Item installed by the Lessee in accordance with the provisions of this Section 11(c) shall be in as good operating condition as, and shall have a value and utility at least equal to, the Item replaced, assuming the Item replaced was in the condition and state of repair required to be maintained by the terms hereof.

(d) Following payment of the Casualty Value of an Item of Equipment in accordance with the provisions of Section 11(c), the Lessee shall, as agent for the Lessor, dispose of such Item 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 so disposed of, the Lessee may, after paying the Lessor the amounts specified in Section 11(c), retain all amounts of such price, plus damages received by the Lessee by reason of such Event of Loss, up to the Casualty Value plus the Lessee's reasonable costs and expenses of disposition attributable thereto plus the present value of income lost for

the use of such Item by the Lessee for the balance of the term hereof as the result of such Event of Loss, and shall remit the excess, if any, to the Lessor. As to each Item of Equipment returned to the manufacturer or seller thereof in the manner described in Section 11(a) and not replaced or modified by the manufacturer or seller pursuant to the patent indemnity provisions of the Purchase Documents, the Lessor agrees that the Lessee shall receive and retain all amounts payable to the Lessor by the manufacturer or seller for the return of such Item, up to the Casualty Value paid by the Lessee hereunder plus the Lessee's expenses and loss of income, and any excess shall be paid over to or retained by the Lessor. As to each Item of Equipment modified and each replacement Item installed by the manufacturer or seller pursuant to the patent indemnity provisions of the Purchase Documents, the Lessor and the Lessee agree that such modified Item or replacement Item shall be delivered to the Lessee and shall, without any further act of the Lessor or the Lessee, be considered an Item for all purposes of this Lease.

(e) Except as hereinabove in this Section 11 provided, the Lessee shall bear the risk of loss and shall not be released from its obligations hereunder in the event of any damage or Event of Loss to any Item of Equipment after delivery to and acceptance by the Lessee hereunder.

(f) In the case of a Requisition of Use of any Item of Equipment for a stated period which does not exceed the term of this Lease, such Requisition of Use shall not terminate this Lease with respect to such Item, and each and every obligation of

the Lessee with respect thereto shall remain in full force and effect. So long as no Event of Default shall have occurred and be continuing under this Lease, the Lessee shall be entitled to all sums received by reason of any such Requisition of Use.

SECTION 12. Insurance.

At its own expense, the Lessee will cause to be carried and maintained casualty insurance with respect to each Item of Equipment in an amount not less than the Casualty Value of the Equipment from time to time (with a deductible not exceeding \$1,000,000) and public liability insurance in an amount equal to at least \$15,000,000, each occurrence (with a deductible not exceeding \$2,000,000). Any policies with respect to such insurance shall be with an insurance carrier acceptable to the Lessor and, if requested by the Lessor, shall name the Lessor, the Lender (as assignee and secured party), the Lessee and the Beneficiary as assureds and loss payees, as their interests may appear, and shall provide for at least 30 days' prior written notice by the insurance carrier to the Lessor in the event of cancellation or expiration. The Lessee shall, upon request of the Lessor, furnish appropriate evidence of such insurance.

SECTION 13. Indemnification.

The Lessee agrees to assume liability for, and does hereby agree to indemnify, protect, save and keep harmless the Lessor from and against any and all liabilities, obligations, losses, damages, penalties, claims (including, without limitation, claims involving strict or absolute liability), actions, suits, costs, expenses and disbursements (including,

without limitation, legal fees and expenses) of any kind and nature whatsoever (Claims) which may be imposed on, incurred or asserted against the Lessor, whether or not the Lessor shall also be indemnified as to any such Claim by any other person, in any way relating to or arising out of this Lease or any document contemplated hereby or the performance or enforcement of any of the terms hereof or thereof, or in any way relating to or arising out of the manufacture, purchase, acceptance, rejection, ownership, delivery, lease, sublease, possession, use, operation, maintenance, condition, registration, sale, return, storage or disposition of any Item of Equipment or any accident in connection therewith (including, without limitation, latent and other defects, whether or not discoverable and any Claim for patent, trademark or copyright infringement); provided, however, that the Lessee shall not be required to indemnify the Lessor for (a) any Claim in respect of any Item of Equipment arising from acts or events which occur after possession of such Item of Equipment has been redelivered to the Lessor, (b) any Claim resulting from acts which would constitute the willful misconduct or gross negligence of the Lessor or (c) any Claim arising from an act or omission of the Lessor under the Notes or the Security Agreement. To the extent that the Lessor in fact receives indemnification payments from the Lessee under the indemnification provisions of this Section 13, the Lessee shall be subrogated, to the extent of such indemnity paid, to the Lessor's rights with respect to the transaction or event requiring or giving rise to such indemnity; provided, however,

that the Lessee shall not enforce any such rights by legal proceedings without the Lessor's approval, which approval shall not be unreasonably withheld. The Lessee agrees that the Lessor shall not be liable to the Lessee for any Claim caused directly or indirectly by the inadequacy of any Item of Equipment for any purpose or any deficiency or defect therein or the use or maintenance thereof or any repairs, servicing or adjustments thereto or any delay in providing or failure to provide any thereof or any interruption or loss of service or use thereof or any loss of business, all of which shall be the risk and responsibility of the Lessee. The rights and indemnities of the Lessor hereunder are expressly made for the benefit of, and shall be enforceable by, the Lessor notwithstanding the fact that the Lessor is either no longer a party to this Lease, or was not a party to this Lease at its outset.

SECTION 14. Sublease.

The Lessee may sublease the Equipment to the Railroad and any Item of Equipment returned to the possession or control of Lessee for any reason to any person, firm or corporation, provided (a) the rights of the sublessee thereunder are expressly subject and subordinate to the rights of the Lessor and any security assignee of the Lessor, and (b) the Items of Equipment to be subleased shall be located only in the State of Louisiana and those jurisdictions in the continental United States which shall have adopted and shall have in effect the Uniform Commercial Code. No sublease, other relinquishment of the possession of any of the Equipment, or assignment by the Lessee

of any of its rights hereunder shall in any way discharge or diminish any of the Lessee's obligations to the Lessor hereunder.

SECTION 15. Tax Idemnification.

(a) This Lease has been entered into on the basis that the Lessor shall be entitled to such deductions, credits and other benefits as are provided to an owner of property including, without limitation:

(i) the investment tax credit (Investment Credit) allowed by section 38 and related sections of the Internal Revenue Code of 1954, as amended (Code), in an amount equal to the percentage set forth in Exhibit C hereto of the Lessor's Cost of each Item of Equipment;

(ii) the deduction for accelerated depreciation (Depreciation Deduction) on each Item of Equipment under various sections of the Code based upon the Depreciation Method set forth in Exhibit C hereto;

(iii) the deduction under section 163 of the Code (Interest Deduction) in the full amount of any interest paid or accrued by the Lessor in accordance with the Lessor's method of accounting for tax purposes with respect to any indebtedness incurred by the Lessor to the Lender pursuant to the Participation Agreement.

(b) If the Lessor shall lose, shall not have or shall lose the right to claim, or if there shall be disallowed or recaptured with respect to the Lessor, all or any portion of the Investment Credit, the Interest Deduction or the Depreciation Deduction as is provided to an owner of property with respect to

any Item of Equipment (Loss), then the Basic Lease Rate Factor applicable to such Item of Equipment shall, on and after the next succeeding Basic Rent Date, after written notice to the Lessee by the Lessor that a Loss has occurred, be increased by such amount for such Item which, in the reasonable opinion of the Lessor, will cause the Lessor's net return over the term of the Lease in respect of such Item to equal the net return that would have been available if the Lessor had been entitled to the utilization of all of the Investment Credit, the Interest Deduction and the Depreciation Deduction with respect to such Item. In the event that such Loss occurs after the Last Basic Rent Date, the Lessor shall notify the Lessee in writing of such Loss and the Lessee shall, on the date occurring 30 days after the date of such Loss, pay to the Lessor such sum as will, in the reasonable opinion of the Lessor, cause the Lessor's net return over the term of the Lease in respect of such Item to equal the net return that would have been available if the Lessor had been entitled to the utilization of all of the Investment Credit, the Interest Deduction and the Depreciation Deduction with respect to such Item. The Lessee shall forthwith pay to the Lessor the amount of any interest which may be assessed by the United States or any State against the Lessor attributable to the Loss.

(c) For purposes of this Section 15, a Loss shall occur upon the earliest of (1) the happening of any event (such as a disposition or change in the use of any Item of Equipment) which may cause such Loss, (2) the payment by the Lessor to the Internal Revenue Service of the tax increase resulting from such

Loss, or (3) the adjustment of the tax return of the Lessor to reflect such Loss. With respect to any Item of Equipment, the Lessor shall be responsible for, and shall not be entitled to a payment under this Section 15 on account of any one or more of the following events: (i) a disqualifying disposition due to the sale of such Item of Equipment or the lease thereof by the Lessor, provided an Event of Default has not occurred and is continuing hereunder, or (ii) a failure of the Beneficiary to timely or properly claim the Investment Credit, Interest Deduction or Depreciation Deduction for such Item of Equipment in the tax return of the Lessor, or (iii) a disqualifying change in the nature of the Beneficiary's business or the liquidation thereof, or (iv) a foreclosure by any person holding through the Lessor of a lien on such Item of Equipment, which foreclosure is not the result of an Event of Default hereunder, or (v) any event which by the terms of this Lease requires payment by the Lessee of the Casualty Value or Termination Value of such Item, if such Casualty Value or Termination Value is thereafter actually paid by the Lessee, to the extent that such payment reimburses the Lessor for amounts otherwise payable by the Lessee pursuant to this Section 15, or (vi) any change in the Code or regulations of the Treasury thereunder, which is effective after delivery of the Item or Items to the Lessor to which the Loss relates, or (vii) the failure of the Lessor to have sufficient liability for tax against which to apply such Investment Credit or taxable income against which to apply such Depreciation Deduction or Interest Deduction.

(d) When the cost of any non-removable addition made by the Lessee to any Item of Equipment (hereinafter called Additional Expenditure) is included in the gross income of the Lessor or the Beneficiary for federal income tax purposes at any time prior to the time such Item is disposed of in a taxable transaction, then the Rent for the Item affected, on the next succeeding Basic Rent Date after the date on which the Lessor or the Beneficiary pays additional income taxes with respect thereto, shall be increased to such amount or amounts, or if such payment of additional income taxes is made after the Last Basic Rent Date, the Lessee shall pay the Lessor such a lump sum amount, as shall, in the reasonable opinion of the Beneficiary (after taking into account any present or future tax benefits that the Beneficiary reasonably anticipates it will derive from its additional investment in the Item by reason of such inclusion, including, without limitation, any current deductions, future depreciation deductions and investment tax credit) cause the Beneficiary's cash flow and net after-tax rate of return (calculated on the same basis as used by the Beneficiary in originally evaluating this transaction) to equal the net cash flow and after-tax rate of return that would have been realized by the Beneficiary if the cost of such Additional Expenditure had not been includible in the Beneficiary's gross income.

(e) All of the Lessor's rights and privileges arising from the indemnities contained in this Section 15 shall survive the expiration or other termination of this Lease with respect to any or all Items of Equipment and such indemnities are expressly

made for the benefit of and shall be enforceable by the Lessor, its successors and assigns.

SECTION 16. Lease Extension, Purchase Option.

(a) Provided that this Lease has not been terminated and provided that no Event of Default has occurred and is continuing hereunder, the Lessee shall have the option to extend the term of this Lease with respect to the Equipment for such Lease Extension Periods as are provided for in Exhibit C hereto for a rental equal to the Fair Market Rental Value thereof determined as the end of term or last extended term of this Lease or at the end of the term or any extended term of this Lease to purchase the Equipment from the Lessor at a price equal to the Fair Market Value thereof.

(b) Not less than 270 days prior to the Expiration Date or end of the last renewal period, the Lessee may indicate, by written notice to the Lessor, the Lessee's interest in exercising the Lessee's lease extension or purchase option described above, which notice shall set forth the Lessee's estimate of the Fair Market Rental Value or Fair Market Value of the Equipment as of such date. If, on or before a date 180 days prior to such date, the Lessor and the Lessee are unable to agree upon a determination of the Fair Rental Value or Fair Market Value, such amount shall be determined in accordance with the procedure for Appraisal. After a determination has been made in accordance with the procedure described above, the Lessee may exercise its option to extend the term of this Lease or purchase the Equipment by delivering written notice of such exercise to the

Lessor not less than 120 days prior to the Expiration Date or end of the last renewal period. If the procedure for Appraisal has been used and the Lessee does not elect the option for which such procedure was used, the Lessee shall pay the fees and expenses of all appraisers involved in the procedure.

(c) Fair Market Rental Value shall be determined on the basis of and shall mean the aggregate amount which would be obtainable in an arm's length transaction between an informed and willing lessee and an informed and willing lessor under no compulsion to lease.

SECTION 17. Events of Default.

The term Event of Default, wherever used herein, shall mean any of the following events under the Lease (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or come about or be affected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) The Lessee shall fail to make any payment of Rent within 10 days after the same shall become due; or

(b) The Lessee shall fail to perform or observe any other covenant, condition, or agreement to be performed or observed by it under this Lease or any agreement, document or certificate delivered by the Lessee in connection herewith, and such failure shall continue for 20 days after written notice thereof from the Lessor to the Lessee; or

(c) Any representation or warranty made by the Lessee

in this Lease or the Participation Agreement or in any document or certificate furnished to the Lessor in connection herewith shall prove to have been incorrect in any material respect when any such representation or warranty was made or given; or

(d) A petition in bankruptcy shall be filed by the Lessee, or the Lessee shall make an assignment for the benefit of creditors or consent to the appointment of a trustee or receiver; or a trustee or a receiver shall be appointed for the Lessee, for any Item of Equipment or for a substantial part of its property without its consent and shall not be dismissed within a period of 60 days; or bankruptcy, reorganization or insolvency proceedings shall be instituted against the Lessee and shall not be dismissed for a period of 60 days; or

(e) The Lessee shall be in default under any material obligation for the payment of borrowed money or for the deferred purchase price of, or for the payment of any rent under any lease agreement covering, material real or personal property, and the applicable grace period with respect thereto shall have expired and the obligations shall not be contested in good faith; or

(f) The Lessee shall attempt to remove, sell, transfer, encumber, part with possession of, assign or sublet (except as expressly permitted by the provisions of this Lease) any Item of Equipment.

#### SECTION 18. Remedies.

(a) Upon the occurrence of any Event of Default and so long as the same shall be continuing, the Lessor may, at its option, declare this Lease to be in default by written notice to

such effect given to the Lessee, and at any time thereafter, the Lessor may exercise one or more of the following remedies, as the Lessor in its sole discretion shall lawfully elect:

(1) Proceed by appropriate court action, 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;

(2) By notice in writing terminate this Lease, whereupon all rights of the Lessee to the use of the Equipment shall absolutely cease and terminate but the Lessee shall remain liable as hereinafter provided; and thereupon the Lessee, if so requested by the Lessor, shall at its expense promptly return the Equipment to the possession of the Lessor at such place as the Lessor shall designate and in the condition required upon the return thereof pursuant to and in accordance with the terms hereof, or the Lessor, at its option, may enter upon the premises where the Equipment is located and take immediate possession of and remove the same by summary proceedings or otherwise. The Lessee shall, without further demand, forthwith pay to the Lessor an amount equal to any unpaid Rent due and payable for all periods up to and including the Basic Rent Date following the date on which the Lessor has declared this Lease to be in default, plus, as liquidated damages for loss of a bargain and not as a penalty whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum with respect to each Item which

represents the excess of (i) the present value at the time of such termination, of the entire unpaid balance of all Basic Rent for such Item which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Item over (ii) the then present value of the rentals which the Lessor reasonably estimates to be obtainable for the Item 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 Basic Rent would have been payable hereunder had this Lease not been terminated, together with any damages and expenses, including reasonable attorneys' fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant, representation or warranty of this Lease other than for the payment of Basic Rent; or (y) an amount equal to the excess, if any, of the Casualty Value as of the Basic Rent Payment Date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value (after deduction of all estimated expenses of such sale) of such Item at such time; provided, however, that in the event the Lessor shall have sold any Item, the Lessor, in lieu of collecting any amounts payable under the preceding clauses (x) and (y) of this part (2) with respect to such Item, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as

a penalty an amount equal to the excess, if any, of the Casualty Value or such Item, as of the Basic Rent payment date on or next preceding the date of termination, over the net proceeds of such sale.

(b) The Lessee shall be liable for all costs, charges and expenses, including reasonable legal fees and disbursements, incurred by the Lessor by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto.

(c) No remedy referred to herein is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to the Lessor at law or in equity. No express or implied waiver by the Lessor of any default or Event of Default hereunder shall in any way be, or be construed to be, a waiver of any future or subsequent default or Event of Default. The failure or delay of the Lessor in exercising any 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 and any single or partial exercise of any particular right by the Lessor shall not exhaust the same or constitute a waiver of any other right provided herein.

SECTION 19. Voluntary Termination.

(a) So long as no Event of Default shall have occurred and be continuing, the Lessee shall have the right, at any time on or after the First Termination Date, on at least 180 days'

prior written notice to the Lessor, to terminate this Lease on any Basic Rent Date thereafter with respect to any Item of Equipment if such Item shall have become obsolete or surplus to the Lessee's requirements. Such termination shall be effective on the Basic Rent Date specified in such notice (hereinafter called the Termination Date). During the period from the giving of such notice until the Termination Date, the Lessee, as agent for the Lessor, shall use its best efforts to obtain bids for the purchase of such Item. The Lessee shall certify to the Lessor in writing the amount of each bid received by the Lessee and the name and address of the party (who shall not be the Lessee or any person, firm or corporation affiliated with the Lessee) submitting such bid. The Lessee may utilize agents for purposes of fulfilling its obligations set forth in this Section 19. On the Termination Date, the Lessor shall sell such Item without recourse or warranty, for cash, to whomsoever shall have submitted the highest bid prior to such date, and thereupon the Lessee shall deliver such Item so sold to the purchaser in the condition specified in this Lease. If no sale of such Item takes place on the Termination Date, this Lease shall continue in full force and effect as to such Item.

(b) The total sale price realized at any such sale shall be retained by the Lessor, and, in addition, the Lessee shall pay to the Lessor the amount of Basic Rent due on such Basic Rent Date, plus the excess, if any, of (A) the Termination Value for such Item, over (B) the proceeds of such sale less all expenses incurred by the Lessor in connection with such sale or

with the collection or distribution of such payment. The obligation of the Lessee to pay Basic Rent with respect to such Item (including the installment of Basic Rent due on the Termination Date) shall continue undiminished until payment of the sale proceeds and all or any portion of the Termination Value, if any, payable hereunder to the Lessor. Upon the receipt of such payment the obligation of the Lessee to pay Basic Rent hereunder with respect to such Item shall cease. The Lessor shall have the right, but shall be under no duty, to solicit bids, to inquire into the efforts of the Lessee to obtain bids, or otherwise to take any action in connection with any such sale, other than as expressly provided herein.

(c) Paragraph (a) of this Section 19 to the contrary notwithstanding, if no Event of Default shall have occurred and be continuing and the Lessor shall not have terminated this Lease pursuant to any other provision hereof, the Lessee may, upon written notice delivered to Lessor at least 30 days prior to the Termination Date, rescind its election to terminate this Lease, in which case this Lease shall continue in full force and effect as though no such notice of termination had been given by the Lessee.

SECTION 20. Titling and Registrating Vehicles.

With respect to each Item of Equipment which is a vehicle of the type for which a Certificate of Title is required, or which is registerable, under the laws of any jurisdiction, the Lessee will, as applicable, undertake the following:

(a) The Lessee will, on behalf of the Lessor and at

the Lessee's expense, obtain from the appropriate governmental agency of the jurisdiction where such Item is to be accepted, as set forth in the Certificate of Acceptance therefor, an application for the first Certificate of Title of such Item. Such application shall contain such information as shall be required from time to time by such governmental agency and shall be in form and substance satisfactory to the Lessor. The Certificate of Title for each such Item of Equipment shall reflect the Lessor as owner and the Lender as first lienholder and shall be held by the Lessee as agent for the Lender or be delivered to such other person as the Lender shall designate by notice in writing to the Lessee. Unless such Item of Equipment shall have been scrapped, dismantled or destroyed and the Casualty Value thereof shall have been paid by the Lessee to the Lessor as required by this Lease, the Lessee shall take such action as shall be necessary from time to time to avoid suspension or revocation of such Certificate of Title.

(b) The Lessee will obtain a Certificate of Registration with respect to such Item of Equipment, which Certificate may be issued in the name of the Lessee, unless not permitted by applicable law, in which case such Certificate of Registration shall be issued in the name of the Lessor, and will affix to such Item of Equipment the number plates issued by the appropriate governmental agency of the jurisdiction in which such Item is to be accepted, as set forth in the Certificate of Acceptance therefor. Unless such Item of Equipment shall have been scrapped, dismantled or destroyed and the Casualty Value

thereof shall have been paid by the Lessee to the Lessor as required by this Lease, the Lessee shall take such action as shall be necessary from time to time to renew and maintain such Certificate of Registration and will pay all fees with respect thereto.

(c) The Lessor hereby appoints the Lessee its attorney-in-fact for the purpose of carrying out the Lessee's obligations pursuant to this Section 20.

(d) In the event that the Lessee is required by applicable law or otherwise to obtain any new Certificate of Title or Certificate of Registration with respect to any Item of Equipment, the Lessee shall, after prior written notice to the Lessor and the Lender, obtain such new Certificate of Title or Certificate of Registration in the manner provided and subject to the terms of paragraphs (a) and (b) of this Section 20. If the Lessee obtains a new Certificate of Registration with respect to any Item of Equipment in any jurisdiction other than the jurisdiction in which such Item was previously registered, the Lessee shall also obtain a Certificate of Title in such other jurisdiction with respect to such Item in the manner provided and subject to the terms of paragraph (a) of this Section 20; provided, that if the notation of a lien on a Certificate of Title is not the exclusive means of perfecting a security interest in such other jurisdiction, the Lessee will, at its own expense, make such filings as are necessary to perfect the lien of the Lender in such other jurisdiction.

SECTION 21. Notices.

All communications and notices provided for herein shall be in writing and shall become effective when deposited in the United States mail, with proper postage for first-class mail prepaid, addressed

(a) if to Lessor at:

475 Sansome Street  
San Francisco, California 94111  
Attention: Corporate Trust Department

with copies to:

Michigan National Bank of Detroit  
c/o Michigan National Leasing Corporation  
38200 West 10 Mile Road  
Farmington Hills, Michigan 48024  
Attention: Richard Zamojski  
Lease Officer

(b) if to Lessee at:

633 Battery Street  
San Francisco, California 94111  
Attention: Vice President

with copies to the Guarantor at the same address.

SECTION 22. Amendments and Miscellaneous.

(a) The terms of this Lease shall not be waived, altered, modified, amended, supplemented or terminated in any manner whatsoever except by written instrument signed by the Lessor and the Lessee; provided that no such waiver, alteration, modification, amendment or supplement shall make any change, and no termination shall be made, which is prohibited by the Security Agreement or any Supplement.

(b) This Lease, including all agreements, covenants, representations and warranties, shall be binding upon and insure to the benefit of (1) the Lessor and its successors, assigns,

agents, servants and personal representatives; and, where the context so requires, (i) the Beneficiary and (ii) the Lender, as assignee and secured party, and the successors, assigns, agents, servants and personal representatives of the Beneficiary and the Lender as assignee and secured party, and (2) the Lessee and its successors and, to the extent permitted hereby, assigns. With respect to the provisions of Sections 6, 8, 13 and 15 hereof, the Beneficiary, the Lender as assignee and secured party, any holder of obligations of the Lessor issued in connection with this Lease, and the successors, assigns, agents, servants and personal representatives of the foregoing shall each be indemnified thereunder.

(c) All agreements, indemnifications, covenants, representations and warranties contained in this Lease or in any document or certificate delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Lease and the expiration or other termination of this Lease.

(d) Any provision of this Lease which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be 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. To the extent permitted by applicable law, the Lessee hereby waives any provision of law

which renders any provision hereof prohibited or unenforceable in any respect.

(e) This Lease shall constitute an agreement of lease and nothing herein shall be construed as conveying to the Lessee any right, title or interest in or to the Equipment, except as lessee only.

(f) The single executed original of this Lease marked "Original" shall be the "Original" and all other counterparts hereof shall be marked and be "Duplicates." To the extent that this Lease constitutes chattel paper, as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction, no security interest in this Lease may be created through the transfer or possession of any counterpart other than the "Original."

(g) This Lease shall be construed in accordance with, and shall be governed by, the laws of the State of California.

(h) Section headings are for convenience only and shall not be construed as part of this Lease.

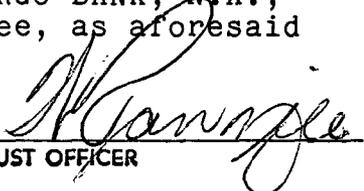
(i) This Lease has been executed by the Lessor not in its individual, corporate or personal capacity but solely as trustee under a Trust Agreement dated as of October 1, 1977 between it and the Beneficiary; neither the Lessor nor the Beneficiary, shall be liable hereunder except to the extent of the assets of the Trust Estate under said Trust Agreement.

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

LESSOR:

WELLS FARGO BANK, N.A.,  
as Trustee, as aforesaid

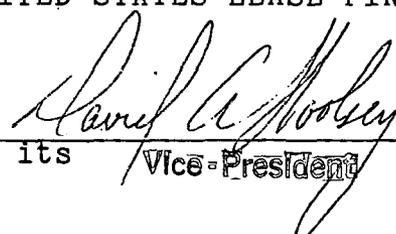
By

  
its TRUST OFFICER

LESSEE:

UNITED STATES LEASE FINANCING, INC.

By

  
its Vice-President

DUPLICATE

EXHIBIT A  
to  
EQUIPMENT LEASE

DESCRIPTION OF EQUIPMENT

<u>Quantity</u>	<u>*Description</u>	<u>Estimated Lessor's Cost (Per Item)</u>
4	Pettibone Speed Swing per bulletin P1717 and the following options 4-53 GM diesel-rops cab-heater-defroster-west coast mirrors-farr air cleaner- 13 x 24 x 16 ply tires spare tire and wheels-3 yd. snow bucket-1-1/4 yd. bucket-track cleaning bucket-forks-tote hook-pedestal 30" magnet-generator and hyrail gear- to meet Rock Island Specifications. Manufactured by Pettibone Corp.	\$ 92,300.00 each
1	Mark I Model EA Tamper-fail safe brakes- and per Rock Island specs. Manufactured by Can Ron Rail Group.	62,338.00
3	Railway Track Work Tie Handlers w/24' articulating boom- fail safe brakes-running lights- TR 1000 single head-TG 3000 tie grapple head- to meet Rock Island Specifications. Manufactured by Railway Track Work.	22,698.00 each
2	Rexnord Rail Gang Spikers with gauging attachments as per Rexnord bulletin 386 and to meet Rock Island specifications. Manufactured by Rexnord Inc.	60,550.00 each
2	Model 34-3 Scarifier Inserters as per bulletin No. 1-34-3/974 with extended reaching arm all machines to meet Rock Island specifications. Manufactured by Kershaw; supplied by Donald J. Hogan Co.	33,320.00 each
2	Model 39-2 Kershaw Tie Injector as per bulletin L-398-8-76 and Rock Island specifications. Manufactured by Kershaw; supplied by Donald J. Hogan Co.	55,671.00 each

2	W68 Series C Hydraulic Tie Removers per bulletin No. 788- optional set off- and turn table to meet Rock Island specifications. Manufactured by Fairmont Railway Motors.	14,254.80 each
4	Model Mark I EA-TD-G Tampers and the following options 4 wheel drive- auto up-feed switch-automatic shutdown- fail safe brakes-emergency hand pump- 1 extra set tamping bars- to meet Rock Island specifications. Manufactured by Can Ron Rail Group.	109,813.00 each
1	Injector- Nordberg OMSI as per bulletin No. 404 and to meet Rock Island specs. Manufactured by Rexnord Inc.	<u>98,000.00</u>
21 Items      TOTALS		\$1,364,475.60

\* Parts and accessories also included. Equipment shall include such additional quantities of Items of Equipment specifically described above as the Lessee shall include in a Certificate of Acceptance; provided, however, that in no event shall the maximum Lessor's Cost of \$1,400,000 be exceeded.

EXHIBIT B TO  
EQUIPMENT LEASE

CERTIFICATE OF ACCEPTANCE NO. \_\_\_\_\_

Equipment Lease dated as of October 1, 1977 (the Lease) between WELLS FARGO BANK, N.A., not in its individual capacity but solely as trustee under a Trust Agreement dated as of October 1, 1977 between it and Michigan National Bank of Detroit, as lessor (the Lessor) and UNITED STATES LEASE FINANCING, INC., as lessee (the Lessee).

1. Items of Equipment

The Lessee hereby certifies that the the Items of Equipment set forth and described in Schedule 1 hereto (which Schedule includes the amount of the Lessor's Cost of each such Item), have been delivered to the location indicated below, tested and inspected by the Lessee, found to be in good order and accepted as Items of Equipment under the Lease, all on the date indicated below:

Jurisdiction in Which  
Such Items are Accepted:

Date of Acceptance:

2. Representations by the Lessee

The Lessee hereby represents and warrants to the Lessor, the Beneficiary and the Lender as such terms are defined in the Lease, that on the Date of Acceptance with respect to each Item of Equipment:

(1) the representations and warranties of the Lessee set forth in the Participation Agreement, as such term is defined in the Lease, are true and correct in all material respects on and as of such date as though made on and as of such date;

(2) the Lessee has satisfied or complied with all requirements set forth in the Participation Agreement and in the Lease to be satisfied or complied with on or prior to such date;

(3) no Event of Default under the Lease or event which, with the giving of notice or the lapse of time, or both, would become such an Event of Default has occurred and is continuing; and

(4) the Lessee has obtained, and there are in full force and effect, such insurance policies with respect to such

Item of Equipment required to be obtained under the terms of the Lease.

UNITED STATES LEASE  
FINANCING, INC.  
as Lessee

By \_\_\_\_\_  
its

Dated: \_\_\_\_\_

Accepted on the Date of Acceptance  
set forth in paragraph 1 above on  
behalf of the Lessor:

WELLS FARGO BANK, N.A.,  
not in its individual capacity,  
but solely as trustee under a  
Trust Agreement dated as  
of October 1, 1977 between it and  
Michigan National Bank of Detroit,  
as Lessor

By \_\_\_\_\_  
Authorized Representative

EXHIBIT B TO  
EQUIPMENT LEASE

SCHEDULE 1 TO  
CERTIFICATE OF ACCEPTANCE NO. \_\_\_\_\_

Description of Equipment and Lessor's Cost

Description

Lessor's Cost

EXHIBIT C

First Delivery Date: November 15, 1977.

Final Delivery Date: January 30, 1978.

Rent Commencement Date: February 15, 1978.

Expiration Date: February 15, 1985.

Basic Lease Rate Factor: 7.38437%

First Basic Rent Date: August 15, 1978.

Basic Rent Dates: Each August 15 and February 15.

Last Basic Rent Date: February 15, 1985.

Overdue Rate: 12%

Return of Equipment: Any location in the continental United States requested by the Lessor; provided, however, that the Lessee shall not be obligated to incur any expenses in excess of the expense of returning the Equipment to the Lessor in Chicago, Illinois.

First Termination Date: August 15, 1981.

Lease Extension Periods: Five (5) one-year terms.

Equipment Marking: Property of Wells Fargo Bank, N.A., as Owner Trustee, Lessor; and subject to a security interest.

Investment Credit: 10% of Lessor's Cost.

Net Salvage Value: An amount equal to 10% of the Lessor's Cost of the Equipment.

Depreciation Method: Double declining balance method, switching, when most advantageous to Lessor or Beneficiary, to the straight-line method without the prior consent of the Commissioner of Internal Revenue, facts and circumstances method and taking into account the Net Salvage Value of the Equipment.

EXHIBIT D TO  
EQUIPMENT LEASE

EXHIBIT D

The Casualty Value and Termination Value of each Item of Equipment shall be the percentage of Lessor's Cost of such Item set forth opposite the applicable rent payment:

<u>Rent Commencement Date and Rent Payment Number</u>	<u>Casualty Value</u>	<u>Termination Value</u>
2/15/78	102.568%	102.454%
8/15/78 (1)	99.841	99.387
2/15/79 (2)	96.621	95.863
8/15/79 (3)	93.037	91.990
2/15/80 (4)	89.123	87.795
8/15/80 (5)	84.948	83.336
2/15/81 (6)	74.131	72.223
8/15/81 (7)	69.516	67.300
2/15/82 (8)	64.729	62.182
8/15/82 (9)	59.788	56.885
2/15/83 (10)	48.325	45.029
8/15/83 (11)	43.165	39.437
2/15/84 (12)	37.946	33.733
8/15/84 (13)	32.408	27.747
2/15/85 (14)	20.000	15.000
Thereafter	20.000	15.000

In the event the Basic Lease Rate Factor is increased, pursuant to the tax indemnification provisions set forth in Section 15 of the Lease or pursuant to the Participation Agreement, Casualty Values and Termination Values will be adjusted accordingly.

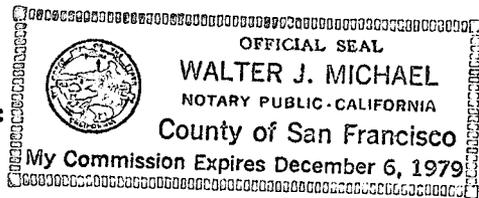
STATE OF CALIFORNIA )  
 ) SS  
CITY AND COUNTY OF SAN FRANCISCO )

On this 10<sup>th</sup> day of November, 1977, before me personally appeared David A. Woolsey, to me personally known, who being by me duly sworn, says that he is the Vice President of United States Lease Financing, Inc., that said instrument was signed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Walter J. Michael

(SEAL)

My commission expires:



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

On this 10<sup>th</sup> day of November, 1977, before me personally appeared W. VAN ZILE, to me personally known, who being by me duly sworn, says that he is the TRUST OFFICER ~~President~~ of Wells Fargo Bank, N.A., that said instrument was signed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Walter J. Michael

(SEAL)

My commission expires:

