



IPCC Capital Corp.

GREENWICH OFFICE PARK I, GREENWICH, CONN. 06830, PHONE 203 629-3000

12203
SEP 18 1980-10:50 AM
RE INTERSTATE COMMERCE COMMISSION

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FEE OPERATION DR.

Also
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0-262A028
No.

Date SEP 18 1980

Fee \$ 60.00

ICC Washington, D. C.

Agatha L. Mergenovich, Secretary
Interstate Commerce Commission
Washington, DC 20423

RE: The San Diego and Arizona Eastern Transportation Company
Lease Financing Dated as of the 31st day of January, 1980
Final Rental due June 15, 1995

Dear Ms. Mergenovich:

Pursuant to 49 U.S.C. §11303 and the Commission's rule and regulations thereunder, as amended, I enclose herewith on behalf of International Paper Credit Corporation, as Lessor, for filing and recordation an original and two certified true copies of the originals of the following documents:

New Number

(1) (a) Master Lease Agreement dated as of the 31st day of January, 1980 by and between International Paper Credit Corporation, as Lessor, and The San Diego and Arizona Eastern Transportation Company, as Lessee, together with Master Lease Schedule thereto, and

-A

(b) Master Lease Agreement Amendment dated as of the 31st day of January, 1980 by and between International Paper Credit Corporation, as Lessor, and The San Diego and Arizona Eastern Transportation Company, as Lessee.

-B

(2) Letter Agreement of Assignment by International Paper Credit Corporation, as Lessor, and Assignor, of all its right, title, and interest in the above-mentioned Master Lease Agreement, as amended, together with the Schedule thereto, to IPCC Capital Corp., as Assignee.

The names and addresses of the parties to the above-mentioned Agreements are as follows:

(1) Lessor and Assignor:

International Paper Credit Corporation
51 Weaver Street
Greenwich, CT 06830

*Greenwich
A. H. H. H.*

(2) Lessee:

The San Diego and Arizona Eastern Transportation Company
Room 221, World Trade Center
San Francisco, CA 94111

(3) Lessor's Assignee:

IPCC Capital Corp.
51 Weaver Street
Greenwich, CT 06830

Please file and record the documents referred to in this letter and index them under the names of the Lessor and Assignor, the Lessee, and the Lessor's Assignee.

The Equipment covered by the above-mentioned documents consists of the following:

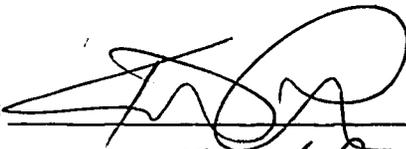
Four (4) SD & AE Locomotives numbered #101, #102, #103, and #104 consecutively.

Also enclosed is our check for \$60 payable to the Interstate Commerce Commission, for the fee for recording the Master Lease Agreement, Master Lease Agreement Amendment, and Assignment.

Please stamp the original and the two certified true copies of the enclosed documents with your official recording stamp. It is requested you then return the original set of documents to the undersigned at our address stated above in the enclosed self-addressed stamped envelope.

Respectfully,

IPCC CAPITAL CORP.

By: 

Title: SR. V.P.

Enclosures

Interstate Commerce Commission
Washington, D.C. 20423

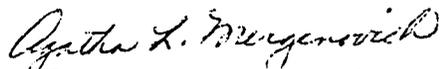
OFFICE OF THE SECRETARY

IPCC Capital Corporation
Greenwich Office Park I
Greenwich, Conn. 06830

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 9/18/80 at 10:50AM, and assigned re-
recording number(s). 12203, 12203-A, & 12203-B

Sincerely yours,


Agatha L. Mergenovich
Secretary

Enclosure(s)



MASTER LEASE AGREEMENT

Lease No.:

THIS MASTER LEASE AGREEMENT (hereinafter referred to as "Agreement" or "Lease"), by and between INTERNATIONAL PAPER CREDIT CORPORATION, a corporation organized and existing under the laws of the State of Delaware, with an office address at ... 51 Weaver Street, Greenwich, Ct 06830 (hereinafter referred to together with its assigns, if any, as the "Lessor") and ... The San Diego and Arizona Eastern Transportation Company, a (corporation, ~~INCORPORATED IN CALIFORNIA~~) organized and existing under the laws of the State of California with its residence, mailing address and chief place of business at Room 221 World Trade Center, San Francisco, California 94111..... (hereinafter referred to as the "Lessee");

WITNESSETH:

1. **LEASING:** Subject to the terms and conditions set forth below, Lessor agrees to lease to Lessee and Lessee agrees to hire from Lessor such unit or units of equipment (hereinafter referred to as "Equipment" and units or parts thereof sometimes hereinafter referred to as an "Item" or "Item of Equipment."), described in any Schedule now or hereafter from time to time executed by the parties hereto, any and all such Schedules being deemed a part hereof.

2. **TERM, RENT AND PAYMENT:** (a) The lease of, and rent for, Equipment shall commence on the day specified in the Schedule pertaining thereto and shall continue for the period specified as the "term" in said Schedule. If any term be extended, the word "term" as used herein shall be deemed to refer to all extended terms, and all provisions of this Agreement shall apply during any extended terms, except as may be otherwise specifically provided in this Agreement or in any subsequent written agreement of the parties.

(b) Lessee shall have no liability whatsoever for taxes imposed by the United States of America or any state or political subdivision thereof which are on or measured by the net income of Lessor. Lessee shall report and pay promptly any and all other taxes, fees and assessments due, assessed or levied against Equipment or the purchase, ownership, delivery, leasing, possession, use or operation thereof or upon the rentals or receipts with respect to this Lease and/or any Schedule hereto, including without limitation, all license and registration fees and all sales, use, personal property, excise, gross receipts, franchise, stamp or other taxes, imposts, duties and charges, together with any penalties, fines or interest thereon, imposed against this Lease and any Lease Schedules, Lessor, Lessee or any Equipment by any foreign, Federal, state, or local government or taxing authority during or relating to the Lease term (all hereinafter referred to as "Taxes"), and in addition, Lessee shall reimburse Lessor or its assigns upon receipt of written request for reimbursement for any Taxes charged to or assessed against Lessor or its assigns, and Lessee will, on request of Lessor, submit to Lessor written evidence of Lessee's payment thereof. Unless and until Lessor shall elect itself to file or make any report or return with respect to any Tax, Lessee, to the extent possible, will make such report or return in such manner as will show the ownership of Equipment by Lessor, and send a copy thereof to Lessor.

(c) Rent shall be paid to Lessor at its office address stated above, except as otherwise directed by Lessor, and shall not be prorated for any cause or reason except as herein specifically provided. Advance rental shall be due in the specified amount upon acceptance by Lessor of each Schedule providing for such rental. In no event shall any advance rental or any other rent payments be refunded to Lessee. Lessor shall apply advance rentals received upon acceptance of Schedules to the first rental payment for the Equipment to which such Schedule applies, and the balance of the advance rental shall be applied to the final rental payment or payments for said Equipment. Subsequent rent payments shall be due periodically as specified in the applicable Schedule but if not specified then periodically in advance on the same day and in the same months as the subsequent rent payments are due under the Schedule with the earliest commencement date, except that in the event any month in which a subsequent rent payment is due does not contain a numbered day equal to said same day, rent shall be paid on the last day of such month. If any rent is not paid within ten (10) days after due date, Lessee agrees to pay a late charge of five cents (5¢) per dollar on, and in addition to, the amount of such rent, but not exceeding the lawful maximum, if any.

3. **SECURITY DEPOSIT:** Security deposit shall be due in the specified amount upon acceptance by Lessor of each Schedule providing therefor. Security deposit shall be security for the full payment and performance of all terms, conditions, and obligations of the Lessee hereunder and under any and all Schedules. Such deposit shall not excuse the performance at the time and in the manner prescribed of any obligation of Lessee or prevent default thereof. Lessor may, but shall not be required to, apply such security deposit towards discharge of any overdue obligation of Lessee. The balance, if any, of that portion of the security deposit received by Lessor with respect to a particular Schedule, provided that Lessee has fully complied with and performed all its obligations under such Schedule and is not and has not been in default hereunder or under any Schedule hereunder, shall be refunded to Lessee upon expiration of the Lease term with respect to such schedule.

4. **FORCE MAJEURE: NO ABATEMENT:** Equipment shall be shipped directly from the supplier thereof to the Lessee. Lessee agrees to accept such shipments and agrees that its obligations under this Agreement shall not be affected by any delay by suppliers caused by circumstances beyond their control, including but not limited to acts of God, fire, flood, war, government regulations, directions or request, accidents or labor trouble. Lessee further agrees that Lessor shall not be liable for any loss or damage by reason of delay in shipment or delivery caused by any of the foregoing or any other circumstances. Lessee agrees to lease Equipment for the term and at the rental set forth in the Schedules and to pay rent when due without abatement, irrespective of any claims, demands, set-offs, actions, suits or proceedings that it may have or assert against Lessor or any supplier or manufacturer of Equipment or any part thereof, or any one or more others. Lessor shall have no liability to Lessee in the event any supplier, manufacturer or one or more others fails to perform any obligations at any time due to Lessor, Lessee, persons in privity with Lessor or Lessee and any other persons, or any one or more of the foregoing.

5. **USE AND OPERATION:** (a) Lessee shall not assign, sublet, mortgage, hypothecate or alter any of the Equipment leased hereunder or any interest in this Agreement, nor shall Lessee remove any of the Equipment from the specified place of Equipment location, without the prior written consent of Lessor, and any attempt to so assign, sublet, mortgage, hypothecate, alter or remove shall constitute an act of default hereunder and such assignment, sublease, mortgage or hypothecation shall be void and without effect. Lessee shall keep items leased hereunder free and clear from all claims, liens and encumbrances whatsoever.

(b) Lessee will not, without the prior written consent of Lessor, affix or install any accessory, equipment, or device on any Equipment leased hereunder if such addition will impair the originally intended function or use of any such Equipment. All additions, repairs, parts, supplies, accessories, equipment and devices furnished, attached or affixed to any Equipment shall thereupon become the property of Lessor (except such as may be removed without in any way affecting or impairing the originally intended function, condition or

use of such unit). Further, Lessee will not, without the prior written consent of Lessor and subject to such conditions as Lessor may impose for its protection, affix or install any Equipment leased hereunder to or in any other personal property or to or in any real property.

6. **MAINTENANCE AND SERVICE:** (a) Lessee will at its sole expense at all times maintain Equipment in good operating order, repair, condition and appearance and keep Equipment protected from the elements, except during use in the normally contemplated manner. Lessee shall, if at any time requested to do so by Lessor, affix in a prominent position on each Item of Equipment plates, tags or other identifying labels showing ownership of Equipment by Lessor.

(b) Any alterations or modifications with respect to the Equipment that may at any time during the term of this Lease or any Schedule hereunder be required to comply with any applicable law or any governmental rule or regulation shall be made by Lessee as required and at the sole expense of Lessee.

7. **REPORTS:** (a) Lessee agrees that Lessor shall not be responsible for any loss or damage to Lessee, its customers or any other third parties, caused by Equipment, failure or defect of Equipment, or otherwise. Nevertheless, Lessee will immediately notify Lessor of each accident arising out of the alleged or apparent improper manufacturing, functioning or operation of any Equipment, the time, place and nature of the accident and damage, the names and addresses of parties involved, persons injured, witnesses and owners of property damaged, and such other information as may be known, and promptly advise Lessor of all correspondence, papers, notices and documents whatsoever received by Lessee in connection with any claim or demand involving or relating to improper manufacturing, operation or functioning of any Equipment or charging Lessor with liability.

(b) Lessee will notify Lessor in writing within ten (10) days after any day in which any tax or other lien shall attach to any Equipment of the full particulars thereof and of the then location of such Equipment on such day.

(c) Lessee will notify Lessor forthwith in writing of the location of any Equipment moved by Lessee from the place where delivered to Lessee or from the location specified in this Agreement or any subsequent agreement executed by the parties.

(d) Lessee will within 90 days of the close of each of its fiscal years deliver to Lessor Lessee's balance sheet and profit and loss statement certified to by a recognized firm of certified public accountants. Upon request Lessee will deliver to Lessor within 90 days of the close of each of its fiscal quarters Lessee's quarterly financial report (which shall be in reasonable detail) certified to by the chief fiscal officer of Lessee.

(e) Lessee will permit Lessor to inspect and examine Equipment at such times and from time to time as Lessor may wish and without any requirement for advance notice.

8. **RISK OF LOSS:** Lessee assumes and shall be solely responsible for the entire risk of use and operation, and for each and every cause or hazard, and all loss and damage to any and all Equipment, whether arising through operation or otherwise. In the event of damage to any Item of Equipment, Lessee, at its cost and expense, shall promptly repair the Item, restoring it to its previous condition and the condition in which it was required to be assuming Lessee had met all its obligations for maintenance of the Equipment. In the event of the total loss, destruction, theft or damage beyond repair to the Equipment or any Item, Lessee shall pay to Lessor with respect thereto the sum of (a) all rent and amounts theretofore accruing and unpaid thereon, plus (b) the present value of the total rental and other amounts payable thereon for and with respect to the unexpired portion of the term of the Lease, plus (c) the reversionary value thereof, which value shall be an amount equal to ten (10%) per cent of the total cost originally paid by Lessor for the Equipment or Item involved. In the event a Stipulated Loss Value appendix shall be applicable to the Equipment or Item which has suffered a total loss, destruction, theft or damage beyond repair, then Lessee shall, instead of the amount required by part (b) of this sentence, pay to Lessor the value of the Equipment or Item involved calculated in accordance with such appendix. Upon payment by the Lessee in accordance with the provisions of this Paragraph and payment of the amounts, if any, necessary to satisfy Lessee's obligations pursuant to Paragraph 11 hereof with respect to the Equipment or Item involved, this Lease with respect thereto shall terminate. For the purposes hereof, the "present value" of the total rental and other amounts payable for the unexpired portion of the Lease term shall be computed for the period commencing the date of such payment and ending on the scheduled expiration date of the Lease with respect to the Equipment or Item involved at the prime lending rate in effect on the date of payment by Lessee to Lessor for short-term commercial borrowings at Chemical Bank in New York City for its most credit-worthy customers. Provided Lessee is not in breach or default of this Lease, any proceeds of insurance received by Lessor with respect to any such loss shall be paid to Lessee to the extent necessary to reimburse Lessee costs incurred and paid by Lessee in repairing damaged Equipment or as a credit against the total amount payable by Lessee with respect to the Equipment involved, as the case may be, all as in this Lease provided.

9. **INSURANCE:** ~~Lessee, at its own cost and expense shall obtain, maintain and shall keep the Equipment insured against all risks of loss or damage from every cause whatsoever in an amount not less than the greater of actual cash value or the aggregate amount of all unpaid rentals as at any time for the then entire unexpired portion of the term of this Lease, without deductible and without~~ Lessee shall also so obtain and maintain for the term of this Lease public liability insurance covering liability for bodily injury, including death, and property damage resulting from the purchase, ownership, leasing, maintenance, use, operation or return of the Equipment in an amount of at least \$100,000, \$300,000, \$100,000 with respect to each separate Schedule hereto, or in such greater amounts as Lessor may from time to time require. Lessor shall be the sole named loss-payee with respect to damage or loss to the Equipment and shall be a named co-insured on the public liability insurance. All insurance shall be with insurers and in form satisfactory to Lessor; shall provide for at least thirty (30) days' advance written notice to Lessor before any cancellation or material modification thereof; shall waive any claim for premium against Lessor; and shall not be invalidated or the insurer's liability to or for or on behalf of Lessor be diminished or affected by any breach of warranty or representation or act or omission of the Lessee. Lessee shall deliver to Lessor the original policy or policies of insurance, certificates of insurance or other evidence satisfactory to Lessor evidencing the insurance required hereby along with proof satisfactory to Lessor of the payment of the premium therefor.

10. **ACCEPTANCE AND RETURN OF EQUIPMENT:** ~~Lessee warrants and approves that by reason of its acceptance of delivery of Equipment, that the Equipment is in proper operating order and appearance, conforms to the specifications and requirements of Lessee and that, as between Lessee and Lessor, the Item was delivered in good repair and that Lessee has unconditionally accepted it as of the date of delivery.~~ Acceptance Date for an Item of Equipment described in this Agreement or a Schedule hereof. Upon termination of the Lease by expiration of the term thereof or upon termination for any other cause, Lessee will, at its own cost and expense, promptly return Equipment to Lessor at an address specified by Lessor, in the same condition as received, reasonable wear and tear excepted. Lessee will pay for any repairs required to place Equipment in such condition. Lessee shall without unreasonable delay cause Equipment to be assembled, crated and delivered to Lessor at such location as Lessor shall direct, all at Lessee's expense. In the event Lessee shall not surrender up and redeliver the Equipment to Lessor as herein required, the term of the Lease with respect to such Equipment shall continue on a month-to-month basis terminable by Lessor upon thirty (30) days advance written notice at a rent per month equal to the highest monthly rent for the Equipment payable during the Lease term.

11. **COMPLIANCE WITH LAWS; PAYMENT OF TAXES; INDEMNIFICATIONS:** (a) Lessee shall comply with all laws and regulations relating to, and shall promptly pay when due, all license fees, registration fees, sales taxes, use and property taxes, assessments, charges and other taxes, municipal, state and federal, which may now or hereafter be imposed upon the ownership, possession, leasing, renting, operation, control, use, maintenance, delivery and/or return of the Equipment (excluding, however, any taxes payable in respect of Lessor's net income) and shall save Lessor harmless against actual or asserted violations and pay all costs and expenses of every character in connection therewith or arising therefrom.

(b) With respect to Federal income tax (and to state and local taxes to the extent applicable), by reason of ~~but not limited to~~ any act or omission of the Lessee or the inaccuracy of any statement in any letter or document furnished to the Lessor by the Lessee in connection with the Equipment, the Lessor 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 all or any portion of the Investment Tax Credit claimed by Lessor with respect to all or any part of the Equipment (provided Lessor does not pass through the Investment Tax Credit to Lessee pursuant to the Code), or the Depreciation

duction claimed by Lessor with respect to all or any part of the Equipment, or if any item of income, loss or deduction with respect to any item is treated as derived from, or allocable to, sources without the United States under the Code (any such loss, disallowance, recapture or treatment being hereinafter called a "Loss"), then the rentals for the Equipment set forth in the applicable Schedule, beginning with the next succeeding rental payment date after written notice to the Lessee by the Lessor of such fact, shall be increased to such amount or amounts as shall, in the reasonable opinion of the Lessor cause the Lessor's net after-tax return to equal that net return that would have been realized by the Lessor if such Loss had not occurred, and the Lessee shall forthwith pay to the Lessor, as additional rent, the amount of any interest and/or penalties which may be asserted against the Lessor attributable to such Loss, but if the term of such Schedule shall have then expired, the Lessee shall pay such total amount as required hereby within 30 days after Lessor's written demand therefor; provided, however, that such rental rate shall not be so increased or such amount be due to the extent that the Lessor shall have suffered such Loss with respect to all or part of the Equipment as a direct result of the occurrence of any of the following events:

(i) a voluntary transfer or other voluntary disposition by the Lessor of any interest in the Equipment or Schedule involved or the voluntary reduction by the Lessor of its interest in the rentals from the Equipment thereunder unless, in each case, an event of default shall have occurred;

(ii) the failure of the Lessor to claim in a timely or proper manner the Investment Tax Credit or the Depreciation Deduction;

(iii) the failure of the Lessor to have sufficient liability for Federal income tax against which to credit all such Investment Tax Credit or sufficient taxable income to benefit from the Depreciation Deduction, as applicable.

(c) If for any reason whatsoever and to the extent that all or part of the cost of any improvement and/or addition to, or any expenditure by the Lessee in respect of, any Item or Items of Equipment or this Lease, hereinafter called "Capital Expenditure", made by the Lessee under and pursuant to the terms of the Lease or otherwise, is required to be included in the gross income of the Lessor for income tax purposes, then the rent under the applicable Schedule, beginning as of and with the next succeeding rental payment date after the date on which the Lessee is required to furnish written notice to the Lessor, as hereinbelow provided, shall be increased to such amount or amounts as shall, in the reasonable opinion of the Lessor, after taking into account any present or future tax benefits that the Lessor reasonably anticipates it will derive from the Capital Expenditure by reason of such inclusion (including, but without limitation, any available current deductions, current and future depreciation deductions and investment tax credit), cause the Lessor's net after-tax return to equal that net return that would have been realized by the Lessor if the amount of the Capital Expenditure had not been includable in the Lessor's gross income. Notwithstanding the foregoing, if the term of the applicable Schedule shall have then expired, the Lessee shall pay to the Lessor the amounts hereby required within thirty (30) days after the Lessor's written demand therefor. Lessee shall within fifteen (15) days after making any Capital Expenditure give written notice thereof to the Lessor describing the Capital Expenditure in reasonable detail.

(d) For the purposes hereof the term "Lessor" shall include any affiliated group within the meaning of Section 1504 of the Code, of which the Lessor is a member if consolidated returns are filed for such affiliated group for Federal tax purposes, the term "Code" means the Internal Revenue Code of 1954 as amended from time to time, and a Loss shall be deemed to have occurred upon the earliest of (1) the happening of any event which may cause such Loss, (2) the payment by the Lessor to the taxing authority of the tax increase resulting from such Loss, or (3) the adjustment of the tax return of Lessor to reflect such Loss.

(e) Lessee hereby agrees to indemnify, save and keep harmless Lessor, its agents, employees, successors and assigns, from and against any and all losses, damages, (including indirect, special or consequential) penalties, injuries, claims, actions and suits including legal expenses, of whatsoever kind and nature, ~~including costs and expenses incurred by Lessor in defending itself in or out of court or through arbitration by Lessee in violation of or contrary to the provisions of this Agreement in contract or tort, whether caused by the negligence or negligence of Lessor or otherwise and including but not limited to, Lessor's strict liability in tort,~~ and Lessee shall at its own expense defend any and all such actions, arising out of the selection, modification, purchase, acceptance or rejection of any Item of Equipment, the ownership of any Item of Equipment during the term of the Lease, and the delivery, lease, possession, maintenance, use, condition (including, without limitation, latent and other defects, whether or not discoverable by Lessor or Lessee, and any claim for patent, trademark or copyright infringement), return of, or operation of any Item of Equipment by whomsoever used or operated or arising out of or resulting from the condition of any Item of Equipment sold or disposed of after use by Lessee, any sublessee or employees of Lessee. The indemnities and assumptions of liability herein provided for shall continue in full force and effect notwithstanding the termination of this Lease whether by expiration of time, operation of law or otherwise.

(and such default not be cured within 10 days

12. **DEFAULT; REMEDIES:** If (a) Lessee shall default in the payment of any rent or in making any other payment hereunder when due, or (b) Lessee shall default in the payment when due of any indebtedness of Lessee whether or not to Lessor, arising independently of this Lease, or (c) Lessee shall default in the performance of any other covenant contained herein (including any Schedule hereto) and such default shall continue for five (5) days after written notice thereof to Lessee by Lessor, or (d) Lessee shall become insolvent or make an assignment for the benefit of creditors, or (e) Lessee shall apply for or consent to the appointment of a receiver, trustee or liquidator for a substantial part of its property or such receiver, trustee or liquidator is appointed without the application or consent of Lessee, or (f) a petition shall be filed by or against Lessee under the Federal bankruptcy laws (including, without limitation, a petition for reorganization, arrangement or extension) or under any other insolvency law or law providing for the relief of debtors, or (g) if Lessor shall deem the Equipment or rentals insecure, or (h) if Lessee shall fail or refuse to execute a Schedule hereto which Lessee is required to execute pursuant to Lessor's request made under any Application to Lease made by Lessee to Lessor or otherwise, then, to the extent permitted by applicable law, Lessor shall have the right to exercise any one or more of the following remedies one or more times: (A) declare this Agreement in default, such declaration being applicable to all Schedules hereunder except as specifically excepted by Lessor; (B) declare the entire amount of unpaid total rent (including Basic Rent and Additional Rent) for the balance of the term of each Schedule hereunder due and payable, in addition to any unpaid rent due on or before Lessor declaring this Agreement in default; ~~(C) declare the amount payable in addition to any unpaid rent due on or before Lessor declaring this Agreement in default, as liquidated damages for loss of bargain and not as a penalty, an amount calculated in accordance with the provisions of Paragraph 9 as though the Equipment had suffered a total loss, destruction, theft or damage beyond repair, as of the date of Lessor declaring this Agreement in default;~~ (D) declare due and payable the amount of any indemnification hereunder if then determinable, with interest as provided herein; (E) without demand or legal process enter into premises where the Equipment may be found and take possession of and remove the same, whereupon all rights of Lessee in the Equipment shall terminate absolutely, and (i) retain the Equipment and all prior payments of rent made hereunder; or (ii) retain all prior payments of rent and sell the Equipment at public or private sale, with or without notice to Lessee, with or without having the Equipment at the sale, at which sale Lessor may purchase all or any of the Equipment, the proceeds of such sale, less expenses of retaking, storage, repairing and reselling, and reasonable attorneys' fees incurred by Lessor, to be applied to the payment of the unpaid total rent for the balance of the term of this Lease, Lessee remaining liable for the balance of said unpaid total rent, and any surplus thereafter remaining to be returned by Lessor or to return the Equipment and all prior payments of rent, crediting Lessee with the reasonable value of the Equipment, ~~less reasonable attorneys' fees incurred by Lessor, it being agreed that the amounts to be returned by Lessor and the balance to be paid by Lessee under this subsection shall not be as a penalty but as liquidated damages for the breach hereof and as reasonable return for the use of the Equipment and for the depreciation thereof;~~ (F) pursue any other remedy available to Lessor at law or in equity. Lessee hereby covenants and agrees to notify Lessor immediately of the occurrence of any default specified in this Paragraph 12.

13. **REMEDIES CUMULATIVE:** Time of performance of Lessee's obligations hereunder is of the essence. All remedies of Lessor hereunder are cumulative, and may, to the extent permitted by law, be exercised concurrently or separately, and the exercise of any one remedy shall not be deemed to be an election of such remedy to the exclusion of any other remedy or to preclude the exercise of any other remedy at any other time. Failure on the part of the Lessor to exercise, or delay in exercising, any right or remedy hereunder or Lessor's failure at any time to require strict performance by Lessee of any of the provisions hereof shall not operate as a waiver thereof; nor shall any single or partial exercise by Lessor of any right or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right or remedy.

- (a) in excess of \$50,000.00
- (b) delivered to Lessee

14. **ASSIGNMENT:** Lessee acknowledges and understands that Lessor may assign this Agreement or any Schedule or part thereof to a bank or any other lending institution or any other person, organization or agency, and Lessee shall (a) recognize any such assignment, (b) accept the lawful demands of such assignee, (c) surrender assigned Equipment only to such assignee, (d) pay all rent payable hereunder and do any and all things required of Lessee hereunder, notwithstanding any default of the Lessor or the existence of any claim, defense or offset between Lessee and Lessor, and (e) not require any assignee of the Agreement to perform any duty, covenant or condition required to be performed by Lessor under the terms of this Agreement provided that Lessor shall remain liable for such performance.

15. **DISCLAIMER:** Lessee acknowledges that it alone selects the Equipment and the supplier(s) thereof. LESSOR MAKES NO REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, WITH RESPECT TO EQUIPMENT. LESSEE UNDERSTANDS AND AGREES THAT NO WARRANTY IS TO BE IMPLIED WITH RESPECT TO THE CONDITION OF THE EQUIPMENT, ITS MERCHANTABILITY, THE FITNESS OF THE EQUIPMENT FOR A PARTICULAR PURPOSE, OR WITH RESPECT TO INFRINGEMENT OR THE LIKE. Nothing herein contained shall be construed to deprive the Lessee of whatever rights Lessee may have against parties other than the Lessor such as the supplier and the manufacturer of any equipment and Lessee agrees to look solely to such third parties with respect to any and all claims concerning the equipment. So long as Lessee is not in breach or default of this Lease, Lessee may pursue such claims for the mutual benefit of Lessor and Lessee.

16. **MISCELLANEOUS:** (a) Nothing herein contained shall give or convey to Lessee any right, title or interest in and to any Equipment leased hereunder except as a Lessee. Any obligations of Lessor hereunder shall be suspended to the extent that it is hindered or prevented from complying therewith because of labor disturbances (including strikes and lockouts), war, acts of God, fires, storms, accidents, governmental regulations or interference or any cause whatever beyond its control. No obligation of Lessor hereunder shall survive the term of the lease of any Equipment or sooner termination of this Agreement and should Lessor permit the use of any Equipment beyond the term specified therefor, the obligations of Lessee hereunder shall continue (including the obligation to pay the rent specified in each applicable Schedule) and such permissive use shall not be construed as a renewal of the term thereof nor as a waiver of any right or continuation of any obligation of Lessor hereunder, and Lessor may take possession of any such Equipment at any time upon notice as provided in Paragraph 10 hereof. Any cancellation or termination by Lessor, pursuant to the provisions of this Agreement, any Schedule, supplement or amendment hereto or the lease of any Equipment hereunder, shall not release Lessee from any then outstanding obligations to Lessor hereunder and obligations of the Lessee which either expressly or by reasonable inference survive the expiration or termination of the Lease shall so survive. Equipment shall at all times remain personal property of Lessor regardless of the degree of its annexation to any real property and shall not by reason of any installation in or affixation to real or personal property become a part thereof.

(b) Lessee agrees to execute any instrument or instruments necessary or expedient for filing, recording, perfecting, or notifying of the interest of Lessor upon request of, and as determined by, Lessor. Lessor may give notice to Lessee or make a request of Lessee by depositing such notice or request in the U.S. mail, first class postage prepaid, addressed to the Lessee at its address above, an address furnished by Lessee to Lessor, a mailing address of Lessee or a place of business of Lessee. Lessee waives all right to trial by jury in any litigation arising herefrom or in relation hereto. All notices required to be given by Lessee hereunder shall be deemed adequately given if sent by registered or certified mail to Lessor at the address of Lessor stated herein, or at such other place as Lessor may designate to Lessee in writing. This Agreement, any addendum hereto attached and signed by the parties, any supplement now or hereafter signed by the parties and the Schedule(s) hereto constitute the entire agreement of the parties with respect to the subject matter hereof. No agent or employee of any supplier or manufacturer is authorized to bind Lessor to this Agreement or any Schedule, or to waive, alter or add to the terms and conditions printed herein and in any Schedule. THIS AGREEMENT, ANY VARIATION OR MODIFICATION OF THIS AGREEMENT, ANY WAIVER OF ANY OF ITS PROVISIONS OR CONDITIONS AND ALL SCHEDULES SHALL NOT BE VALID UNLESS IN WRITING AND SIGNED BY AN AUTHORIZED OFFICER OR MANAGER OF LESSOR.

(c) In case of failure of Lessee to comply with any provision of this Agreement, Lessor shall have the right, but shall not be obligated, to effect such compliance in whole or in part, and all moneys spent and expenses and obligations incurred or assumed by Lessor in effecting such compliance (including but not limited to, attorneys' fees and costs incurred in attempting to effect compliance against Lessee and/or others) shall constitute additional rent due to Lessor five (5) days after the date Lessor sends notice to Lessee requesting payment. Lessor's effecting such compliance shall not be a waiver of Lessee's default. Interest on any payments made by Lessor hereunder or amounts due after Lessor declares default under Paragraph 12 and interest on any overdue payment under Paragraph 11 shall be at the rate of 1/30th of 1% per day but not to exceed the maximum lawful rate. Any provisions in this Agreement and any Schedule which are in conflict with any statute, law or rule applicable shall be deemed omitted, modified or altered to conform thereto.

(d) This Lease and the rights of the parties (except for local recording or filing statutes) shall be construed and governed in accordance with the law of the State of New York. If any provision of this Agreement shall contravene or be invalid under applicable law or regulation (including Federal law and regulation), such contravention or invalidity shall not affect the entire Agreement, the provisions held to be invalid to be deemed deleted or modified and the Agreement interpreted and construed as though such invalid provision or provisions were not part hereof or conformed thereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the 31 day of January ~~XXXX~~ 1980

San Diego & Arizona Eastern Transportation Co

INTERNATIONAL PAPER CREDIT CORPORATION, Lessor

By: *[Signature]*
Title: *Operations Manager*

[Signature]
.....
Lessee
.....
Lessee
.....
President

Attest/Witness
By: *[Signature]*
.....
Title: *Secretary*



Schedule 1
to Master Lease Agreement
dated January 30, 1980
between

The San Diego and Arizona Eastern Transportation Company
and
International Paper Credit Corporation

This Schedule 1 refers to IPCC's lease financing for SD & AE of four reconstructed locomotives. The Schedule contemplates five different beginning interim rental dates, with payment of interim rent to be made May 15, 1980, and a beginning standard monthly payment date of June 15, 1980. The standard monthly payment rate will be 1.1017% of total equipment cost per month; the interim daily payment rate will be .03672% of equipment cost per day. The actual payments will be derived as follows:

1. \$300,000 (4 hulks X \$75,000)
X .03672% X # days from payment
for the hulks until and including
May 14, 1980 = \$ _____

 2. Rebuilt locomotive #1 =(total
cost minus \$75,000) X .03672%
X # days from acceptance by
lessee until and including
May 14, 1980 = \$ _____

 3. Rebuilt locomotive #2 =
(total cost minus \$75,000)
X .03672% X # days from acceptance
by lessee until and including
May 14, 1980 = \$ _____

 4. Rebuilt locomotive #3 = (total
cost minus \$75,000) X .03672%
X # days from acceptance by lessee
until and including May 14, 1980 = \$ _____

 5. Rebuilt locomotive #4= (total
cost minus \$75,000) X .03672%
X # days from acceptance by
lessee until and including
May 14, 1980 = \$ _____
- Total of interim rents 1 through
5 due May 15, 1980 = \$ _____
- Standard monthly rental payment will be
sum of total cost of locomotives #1
through #4 X 1.1017%. (Payments to
be made for 180 months.) \$ _____

Note: In all cases total costs include applicable sales tax.

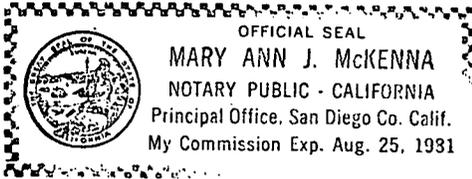
Charles W. Cowden
[Signature]

Annexed to and made a part of:

Master Lease Agreement dated as of the 31st day of January, 1980 by and between International Paper Credit Corporation, as Lessor, and The San Diego and Arizona Eastern Transportation Company, as Lessee.

State of California)
: ss.
County of San Diego)

On this 21 day of August, 1980, before me personally appeared Willis Kyle, to me personally known, who being by me duly sworn, says that he is the President of San Diego & Arizona Eastern Transportation Co, that the seal 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.



Mary Ann J. McKenna
Notary Public

SEAL

