

212-826 8224  
*Shulman*

# UNION PACIFIC RAILROAD COMPANY

345 PARK AVENUE



NEW YORK, N.Y. 10022 RECORDATION NO. 13181 Filed 1425

KENDOR P. JONES  
ASSISTANT EASTERN GENERAL COUNSEL

JUL 9 1981-9 2 AM

13181

RECORDATION NO. Filed 1425

INTERSTATE COMMERCE COMMISSION

July 8, 1981

JUL 9 1981-9 2 AM

No. #1-190A 031

JUL 9 1981

Date.....

Fee \$ 60.00

Hon. Agatha L. Mergenovich  
Secretary  
Interstate Commerce Commission  
12th Street and Constitution Avenue, N.W.  
Washington, D. C. 20423

ICC Washington, D. C.

Re: Lease dated June 26, 1981 and Lease Supplement dated June 26, 1981, each between Mercantile Leasing Company Limited and Union Pacific Railroad Company

Dear Mrs. Mergenovich:

Enclosed herewith for filing pursuant to 49 U.S.C. §11301 are three executed counterparts of a Lease dated June 26, 1981 between Mercantile Leasing Company Limited and Union Pacific Railroad Company and a Lease Supplement dated June 26, 1981 between such parties.

After filing and recordation, two of the counterparts of each document should be returned to the undersigned or given to the bearer of this letter.

Also enclosed is a check in the total amount of \$60 payable to the order of the Commission in payment of the fees associated with the filings and recordations of these documents.

Very truly yours,

*Kendor P. Jones*

KPJ:b  
Encls. FEE OPERATION BR. I.C.C.

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RECEIVED

*C. H. Kimmel*

13181A

REGISTRATION NO. .... Filed 1425

GREAT BRITAIN AND NORTHERN IRELAND  
LONDON, ENGLAND  
EMBASSY OF THE UNITED STATES OF AMERICA

JUL 9 1981-9 5 AM  
SS.  
INTERSTATE COMMERCE COMMISSION

I, Kevin M. Whitaker, Vice Consul  
of the United States of America at London, England, duly commissioned and  
qualified, do hereby certify that

IAN ROGER FRAME

whose true signature and official seal are, respectively, subscribed and affixed  
to the foregoing/annexed certificate was, on the date of the signing thereof

A NOTARY PUBLIC PRACTICING AT LONDON, ENGLAND.

to whose official acts faith and credit are due.

IN WITNESS WHEREOF I have hereunto set my hand and affixed the seal  
of the Consular Service of the United States of America at London, England,  
this 29th day of June 1981

  
Kevin M. Whitaker  
American Vice Consul

DE PINNA, SCORERS  
& JOHN VENN

NOTARIES PUBLIC

101, SALISBURY HOUSE,  
LONDON WALL, EC2M 5UP.  
TEL 01-828 3255

27, COCKSPUR STREET,  
LONDON, SW1Y 5DH.  
TEL 01-839 7564

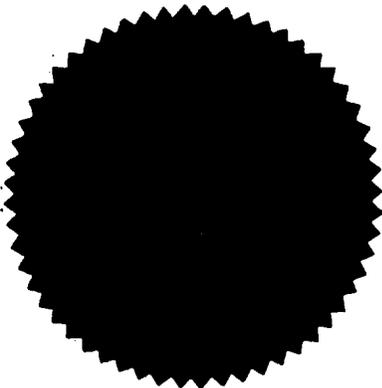
5, CHANCERY LANE,  
LONDON, WC2A 1LF  
TEL: 01-242 4588  
TELEX: 24793

9, RUE D'ANJOU, PARIS 75008  
TEL: 265-73-37  
TELEX: 660719

UNITED KINGDOM OF GREAT BRITAIN )  
CITY OF LONDON      E N G L A N D ) SS.

BE IT KNOWN that on this twenty-sixth day of June One thousand nine hundred and eighty-one, before me the undersigned IAN ROGER FRAME, of the City of London, Notary Public, duly admitted and sworn, practising in the said City, personally came and appeared GLYN ALVA JENKINS and DEREK MARTIN MINTER, to me known and known to me to be one of the Directors and the Secretary, respectively of MERCANTILE LEASING COMPANY LIMITED, the Company named in and which executed the hereunto annexed document in my presence, who acknowledged to me that they know the Common Seal of the Company; that the Seal affixed at foot of the said document is such Common Seal; that it was so affixed by order of the Board of Directors of the said Company and that they signed their names thereto by like order.

IN TESTIMONY WHEREOF I have hereunto set my hand and Seal of Office at London aforesaid, the day, month and year first above written.



*IAN ROGER FRAME*

13181 *A*  
RECORDATION NO. .... FILED 1425

B8/UPC/SUPP/1/NEW

JUL 9 1981 -9 53 AM

INTERSTATE COMMERCE COMMISSION

DATED 26th June 1981

MERCANTILE LEASING COMPANY LIMITED

-and-

UNION PACIFIC RAILROAD COMPANY INC.

---

LEASE SUPPLEMENT.

---

W.M. Harris-Burland  
& R.H.A. Firth,  
Solicitors,  
Elizabethan House,  
Great Queen Street,  
London WC2B 5DP.

LEASE SUPPLEMENT

THIS LEASE SUPPLEMENT is made *26<sup>th</sup> June 1981*

BETWEEN:-

- (1) MERCANTILE LEASING COMPANY LIMITED a company incorporated in England under number 661742 having its registered office at Elizabethan House, Great Queen Street, London WC2B 5DP, England (the "Owner"); and
- (2) UNION PACIFIC RAILROAD COMPANY, a Utah corporation having executive offices at 345 Park Avenue, New York, New York 10154, United States of America (the "Lessee").

1. General

- (A) This Lease Supplement is supplemental to a lease of even date between the parties hereto (the "Lease"), all the terms and provisions of which are incorporated herein.
- (B) The Owner agrees to lease and the Lessee agrees to take on lease, the items of equipment described in the Schedule (being the "Units" as defined in the Lease) on the terms referred to herein.
- (C) All expressions defined in the Lease shall have the same meaning in this agreement unless the context otherwise requires.

2. Commencement Date

The Commencement Date shall be the date upon which the duly authorised representative of the Owner accepts delivery of the Units pursuant to the Agreement to Acquire and Lease.

3. Duration of Primary Period

The Primary Period of Leasing shall be 15 years from the Commencement Date unless previously terminated in accordance with the provisions of the Lease.

4. Owner's Cost

The cost of each item originally comprised in the Units for the purpose of this Lease Supplement ("Owner's Cost") shall be the amount set out in the Schedule hereto in the column headed "Purchase Price, Sterling Value" on the line corresponding to the Original Acquisition Date of such item, divided by the figure appearing on such line in the column headed "No. of Units", and the aggregate thereof is referred to below as "Total Owner's Cost".

5. Calculation of Rent

(A) The Primary Rental for each Unit shall be calculated at the quarterly rate of £28.36 per £1,000 of Owner's Cost for such Unit in respect of the first twenty Primary Rentals and at the quarterly rate of £45.38 per £1,000 of such Owner's Cost for such Unit in respect of the remaining forty Primary Rentals.

(B) The Secondary Rental for each Unit shall be calculated at the annual rate of 0.25 per cent of Owner's Cost for such Unit for

the first three years of any Secondary Period of Leasing and at  
the annual rate of 0.05 per cent of Owner's Cost <sup>for such unit</sup> in respect of  
every subsequent year thereafter.

6. Payment of Rent

(A) The Primary Rentals shall be payable quarterly in advance on the dates (the "Rental Payment Dates") stated in the column headed "Date" in the Appendix against which an entry appears in the column headed "Rental Income".

(B) The Secondary Rentals shall be payable annually in advance on the fifteenth and each subsequent anniversary of the Commencement Date.

7. Assumptions

The Primary Rental payable under Paragraph 5(A) has been calculated on the basis of the following assumptions:-

(A) each Financial Year of the Owner shall end on 31st December in each year and any corporation tax liability on profits arising in such Financial Years will (or would but for an insufficiency of such profits) fall due for payment twelve months thereafter;

(B) all the Units shall be acquired by the Owner on the Commencement Date;

(C) the Primary Lease Period shall run for a period of fifteen years from the Commencement Date;

- (D) 7.876 per cent. of the Owner's Cost in relation to the Units shall be provided by the Owner out of its own resources at a deemed financing cost of 13 per cent. per annum compounded quarterly;
- (E) 89.288 per cent. of the Owner's Cost in relation to the Units shall be provided by the Owner obtaining the benefit of a deposit attracting interest at 3.5 per cent. for each period of three months payable on the dates in March, June, September and December in each year corresponding to the Commencement Date;
- (F) the first Primary Rental shall be payable on the Commencement Date and shall be a sum equivalent to 2.836 per cent. of the Owner's Cost in relation to the Units;
- (G) annual writing-down allowances at a fixed annual rate of 25 per cent. on a reducing balance basis of the Owner's Cost in relation to each Unit shall be available to the Owner in respect of the Units under Part III of the Finance Act 1971 (or any modification or re-enactment thereof for the time being in force) and the Owner will have sufficient taxable profits in each of its Financial Years during the relevant period to enable it to enjoy the maximum tax relief from such writing-down allowances at the earliest possible opportunity;
- (H) the rate of corporation tax (being corporation tax on profits arising in respect of the Lease in the context of the scheme of taxation contained in the Income and Corporation Taxes Acts which shall include the Income and Corporation Taxes Act 1970 as amended from time to time) shall be 52 per cent. throughout the Primary Period of Leasing;

- (I) the Owner's net of tax rate of return on the provision and leasing of the Units hereunder throughout the Primary Period of Leasing is 1.44 per cent. per annum charged quarterly in arrears;
- (J) where the Owner's investment in the provision and leasing of the Units hereunder becomes negative as appearing from the column headed "Lessors Funds" in the Appendix then the funds resulting therefrom will earn interest at the rate of 9.25 per cent. per annum compounded quarterly; and
- (K) the implicit rate of interest to the Lessee in the Primary Rentals shall be 12.563 per cent. per annum.

8. Variation of Rentals

- (A) The Owner's net of tax rate of return on the provision and leasing of the Units to the Lessee hereunder is based upon the assumptions set out in Paragraph 7 above. Except as set out in Paragraph 8(B) below, the Primary Rentals shall not be varied if any of the said assumptions proves to be incorrect.
- (B) If annual writing-down allowances on the basis referred to in Paragraph 7(G) above are not available to the Owner with regard to the Units, and such lack of availability is as a result of any representation made by the Lessee to the Owner pursuant to clause 3.9 of the Agreement to Acquire and Lease being untrue or inaccurate or such writing-down allowances being abolished or the annual rate of such allowances being increased or decreased above or below the present rate of 25 per cent. by legislative enactment in the United Kingdom, the Primary Rentals shall be adjusted in

the manner set out in Paragraph 8(C) below to the intent that the Owner's net of tax rate of return on the provision and leasing of the Units to the Lessee hereunder remains as calculated on the basis of the assumptions set out in Paragraph 7 above. The calculation of the amount of such adjustment shall be made on the basis that all the assumptions set out in Paragraph 7 above have in fact proved to be correct except that the rate of writing-down allowances shall be assumed to be the rate (if any) prevailing following any such legislative change as mentioned above.

- (C) (i) Following any such legislative change as is referred to in sub-paragraph (B) above, the calculations set out below shall be made;
- (ii) The tax credits assumed to be receivable by the Owner or tax assumed to be payable by the Owner are set out as negative and positive items respectively in the column headed "Tax Payment" in the Appendix in respect of each £1,000 of Owner's Cost;
- (iii) The tax credits and tax payments in sub-paragraph (ii) above shall be recalculated taking account of the consequences of any such legislative change;
- (iv) If the recalculated tax credits receivable by the Owner are less than or if the recalculated tax payable to the Owner is greater than the corresponding amounts set out in the Appendix, the Lessee shall pay the amount of such difference to the Owner as additional Primary Rentals;

- (v) If the recalculated tax credits receivable by the Owner are greater than or if the recalculated tax payable by the Owner is less than the corresponding amounts set out in the Appendix, the Owner shall pay the amount of such difference to the Lessee as a rebate of Primary Rentals;
- (vi) If any adjustment shall have been made pursuant to sub-paragraphs (iv) and (v) above and, as a result thereof, the corporation tax liability of the Owner is increased or decreased in the following Financial Years of the Owner, adjustment payments shall be made by or to the Owner on the same basis as set out in sub-paragraphs (iv) and (v) above;
- (vii) The calculations (if any) required in sub-paragraphs (iv), (v) and (vi) above shall be made as of 1st January in each Financial Year of the Owner (up to but not including 1st January 1999) and such adjustment payments shall be made on 2nd January in each year;
- (viii) On 1st January 1999 the result of the following formula shall be calculated:-

Final Adjustment x 100

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where Final Adjustment means the adjustment calculated as of 1st January 1999 in accordance with sub-paragraphs (iv), (v) or (vi) above (as the case may be).

If the Final Adjustment results from the existence of the facts set out in sub-paragraph (iv) above, the product of the

above formula shall be paid by the Lessee to the Owner as an additional Primary Rental on 2nd January, 1999. If the Final Adjustment results from the existence of the facts set out in sub-paragraph (v) above, the product of the above formula shall be paid by the Owner to the Lessee as a rebate of Primary Rentals on 2nd January, 1999.

9. Termination Sum

(A) For the purposes of this Paragraph, "Termination Year" shall mean the Financial Year of the Owner in which a termination of the leasing of an item of the Units takes place during the Primary Period of Leasing; and references to a payment falling due on a date following such termination shall (unless the context otherwise requires) mean a payment which would have fallen due but for such termination.

(B) The following calculations shall be made on the basis of the assumptions set out in Paragraph 7 above (but subject to any legislative change already taken into account in making a calculation of an adjustment payment under Paragraph 8 above):-

Where:-

- (i) Capital outstanding as stated in the Appendix under the heading "Capital O/S" as at the date of termination      =(a)
- (ii) Tax credits (if any) stated as a negative item in the Appendix under the heading "Tax Payment" due as at 1st January immediately following the Termination Year (but only if the Commencement Date does not fall in the Termination Year)      =(b)

- (iii) Tax credits (if any) in respect of the Termination Year being corporation tax at 52 per cent. on the excess of Writing-Down Allowances, Loan Interest and Lessor's Interest (where a debit item) over Rental Income (such rental income to be augmented by an amount equal to two thirds of a Primary Rental Payment being that part of the rental income due and payable on the date of termination which has not been included in the taxable income as shown in the column of the Appendix so headed) and Lessor's Interest (when a credit item), where Writing-Down Allowances means writing-down allowances available to the Owner in respect of the Termination Year and Loan Interest means the amounts appearing under the heading "Interest Loan I" in the Appendix in respect of the part of the Termination Year prior to the date of termination ("the Relevant Period") and Lessor's Interest means the amounts appearing under the heading "Interest Lessors" in the Appendix for the Relevant Period (shown as a positive amount when in debit and as a negative amount when in credit) and Rental Income means the amounts appearing under the heading "Rental Income" for the Relevant Period. Where necessary, the amounts in respect of Lessor's Interest shall be apportioned on a time basis to the Relevant Period and any other period to which the amounts relate = (c)
- (iv) Tax payments (if any) stated in the Appendix as a positive item under the heading "Tax Payment" due on 1st January immediately following the Termination Year (but only if the Commencement Date does not fall in the Termination Year) = (d)

- (v) Tax payments (if any) in respect of the Termination Year being corporation tax at 52 per cent. on the excess of Rental Income (such Rental Income to be augmented by an amount equal to two thirds of a Primary Rental Payment) and Lessor's Interest (when a positive figure) over Loan Interest, Lessor's Interest (when a negative figure) and Writing-Down Allowances; for the purposes of this sub-paragraph, the expressions contained herein shall have the meanings attributed to them in sub-paragraph (iii) above and apportionments on a time basis shall be made as mentioned in such sub-paragraph where necessary = (e)
- (vi) Corporation tax at 52 per cent. on an amount equal to the balance of the writing-down allowances to be claimed by the Owner (on the assumption that it continues to own the Units) in respect of Financial Years of the Owner falling after the Termination Year = (f)
- (vii) the amount of any adjustment due to the Owner calculated in accordance with paragraph 8(C)(iv) above as at 1st January immediately following the Termination Year and in accordance with paragraph 8(c)(vi) as at 1st January immediately following the Termination Year and as at the 1st January thereafter = (g)
- (viii) the amount of any adjustment due to the Lessee calculated in accordance with Paragraph 8(C)(v) above as at 1st January immediately following the Termination Year and in accordance with paragraph 8(c)(vi) as at 1st January immediately following the Termination year and as at the 1st January thereafter = (h)

Then:-

Net Termination ("NT") = ((a)+(d)+(e)+(g)) - ((b)+(c)+(f)+(h))

and:-

Termination Payment ("TP") for

each £1,000 of Owner's Cost =  $\frac{NT \times 100}{X}$

where X equals the difference between 100 and, at the date of termination, the latest known rate of corporation tax applicable to profits of the Owner arising in the Termination Year (weighted on a time basis between statutory financial years where necessary). If subsequent to the calculation of TP, the actual rate of corporation tax for the Termination Year is other than was assumed when the calculation was made, TP shall, when the actual rate of corporation tax for the Termination Year is known, be adjusted to give effect to such difference and the calculations made pursuant to paragraphs (C) and (D) below shall be adjusted accordingly. Forthwith upon such adjustment being made, the Owner shall make a payment to the Lessee or the Lessee shall make a payment to the Owner of such amount as will redress any previous overpayment or underpayment.

- (C) In the event of termination in respect of all items comprised in the Units the Termination Sum payable by way of additional rental hereunder will be:-

$$\frac{TP \times \text{Total Owner's Cost}}{1000} = \text{Termination Sum}$$

(D) In the event of termination in respect of less than all of the items comprised in the Units the Termination Sum payable by way of additional rental hereunder will be:-

$$\frac{\text{Owner's Cost relating to items of equipment in respect of which termination takes effect}}{1000} = \text{Termination Sum}$$

(E) Provided that the Lessee pays the Termination Sum when due, the Owner will allow the Lessee a refund of rentals equal to interest at Base Rate on the Excess (as hereinafter defined) for the period from the date of receipt of the Termination Sum until one year and one day after the end of the Termination Year and for this purpose in this sub-paragraph "Excess" shall mean an amount equal to the difference between TP and NT subject to any recalculation of the same following the settlement of the actual rate of corporation tax.

(F) (i) In the event of voluntary termination by the Lessee of the leasing of all items comprised in the Units pursuant to Clause 9(A) of the Lease on or before the third anniversary of the Commencement Date, the Termination Sum payable under sub-paragraph (C) above shall be enhanced by an amount calculated in accordance with the following table:-

Voluntary Termination  
on or before the  
following Rental  
Payment Dates

---

Percentage of Total  
Owner's Cost to be  
added to  
Termination Sum

---

2	7.799
3	7.060
4	6.317
5	5.564
6	4.806
7	4.038
8	3.328
9	2.644
10	1.956
11	1.262
12	0.619
13	Nil

(ii) In the event of voluntary termination by the Lessee in respect of less than all of the Units pursuant to Clause 9(A) of the Lease on or before the second anniversary of the Commencement Date, the Termination Sum payable under sub-paragraph (D) above shall be enhanced by an amount calculated in accordance with the table set out in sub-paragraph (i) above but the percentages in the second column shall be applied not to the Total Owner's Cost but to Owner's Cost in respect of those items the leasing of which has been voluntarily terminated.

(G) In the event of voluntary termination of the leasing of the Units (or any item of equipment comprised in the Units) by the Lessee at any time during the Primary Period of Leasing but on or after the third anniversary of the Commencement Date pursuant to Clause 9(A) of the Lease, the Lessee shall when paying the Termination Sum also pay as an additional rental an amount equal to 0.33 per cent. of the Termination Sum calculated in accordance with sub-paragraph (C) or (D) above (as the case may be).

10. Expert

In the event of any disagreement between the Lessee and the Owner as to the amount of any adjustments to be made pursuant to Paragraph 8 or the method of calculation of the Termination Sum or any other sums payable pursuant to Paragraph 9 the matter shall be referred to Messrs. Deloitte Haskins & Sells in London in the first place or (should they be unwilling or unable to act) to such other substantial firm of accountants in London as the parties may agree (or, failing agreement, to such other substantial firm chosen for the purpose by the President for the time being of the Institute of Chartered Accountants in England and Wales) for determination. The determination of Messrs. Deloitte Haskins & Sells (or such other person as aforesaid) who shall be deemed to be acting as experts not arbitrators shall be final and binding on the parties hereto with respect to the matters to which it relates. In the event of any such disagreement the Lessee shall pay to the Owner interest on a day-to-day basis on any such sums (if then payable) determined as aforesaid at the rate of 1 per cent. per annum above Base Rate from the date when such additional or other sum would (but for such determination) have become due and payable to the Owner under this Lease up to and including the date on which the Owner receives payment of the same. The allocation of the costs of any reference to an expert under this paragraph shall be decided by such expert.

11. Law

This Lease Supplement shall in all respects be governed by and construed in accordance with English law and the parties hereto submit to the non-exclusive jurisdiction of the English Courts.

SCHEDULE

to Agreement to Acquire and Lease

Original Acquisition Date	Original Acquisition Cost			Purchase Price			No. of Units	Description
	US \$	\$ US Price of £ Sterling	Purchase Amount (£)	US \$ equivalent	\$ US Price £ Sterling	Sterling Value		
21.2.79	6,539,716	2.004	3,263,331	5,624,156	1.98	2,840,483	10	3000 HP SD-40- Diesel-Electric road freight locomotives. General Motors Corporation (Electro-Motive Division), builder, to be numbered UP 3514 to UP 3573, both inclusive.
5.3.79	4,578,122	2.038	2,246,380	3,960,076	1.98	2,000,038	7	
20.3.79	5,886,906	2.038	2,888,570	5,092,174	1.98	2,571,805	9	
29.3.79	6,541,251	2.038	3,209,642	5,658,182	1.98	2,857,668	10	
29.3.79	8,503,627	2.038	4,172,535	7,355,637	1.98	3,714,968	13	
18.4.79	7,195,383	2.073	3,471,000	6,259,983	1.98	3,161,608	11	
	<u>\$39,245,005</u>		<u>£19,251,458</u>	<u>\$33,950,208</u>		<u>£17,146,570</u>	<u>60</u>	
02.2.79	6,833,461	2.004	3,409,911	5,876,776	1.98	2,968,069	10	3000 HP C30-7 Diesel-Electric road freight locomotives, General Electric Company, builder, to be numbered UP 2444 to UP 2459, both inclusive.
09.2.79	4,100,233	2.004	2,046,025	3,526,200	1.98	1,780,909	6	
	<u>\$10,933,694</u>		<u>£ 5,455,936</u>	<u>\$ 9,402,976</u>		<u>£ 4,748,978</u>	<u>16</u>	
07.3.79	4,080,934	2.038	2,002,421	3,787,107	1.98	1,912,680	109	100-ton 4600 cu. ft. capacity covered hopper cars, Class CH-100-38, Amcar Division, ACF Industries, Inc., builder to be numbered UP 78750 to UP 78947, both inclusive, but excluding 78790, 78796 and 78914.
15.3.79	3,219,840	2.038	1,579,902	2,988,012	1.98	1,509,097	86	
	<u>\$ 7,300,774</u>		<u>£ 3,582,323</u>	<u>\$ 6,775,119</u>		<u>£ 3,421,777</u>	<u>195</u>	
	<u>\$57,479,473</u>		<u>£28,289,717</u>	<u>\$50,128,303</u>		<u>£25,317,325</u>	<u>271</u>	

[Seal]

UNION PACIFIC RAILROAD COMPANY

By W.F. Shultz  
Vice President

Attest:

C.N. Olson  
Secretary

[Seal]

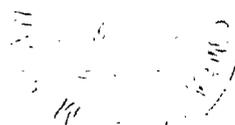
UNION PACIFIC CORPORATION

By W.F. Shultz  
Vice President

Attest:

C.N. Olson  
Secretary

The Common Seal of )  
MERCANTILE LEASING COMPANY )  
LIMITED was hereunto affixed )  
in the presence of: )



R.A. Jenkin Director  
R.A. JENKIN

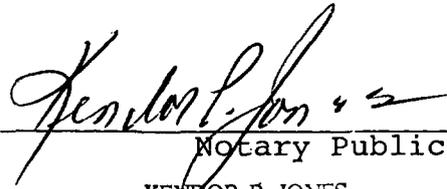
D.M. Winter Secretary  
D.M. WINTER

35

STATE OF NEW YORK            )  
  ) ss.:  
COUNTY OF NEW YORK        )

On the 26th day of June, 1981, before me personally appeared W. F. SURETTE, to me personally known, who, being by me duly sworn, says that he is a Vice President of UNION PACIFIC RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of the said corporation, that said instrument was signed and sealed on behalf of the 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.

[Seal]

  
\_\_\_\_\_  
Notary Public

KENZOR P. JONES  
Notary Public, State of New York  
No. 31-7115325  
Qualified in New York County  
Commission Expires March 30, 1982