Taylor, Morell & Gitomer

December 30, 1993

Suite 210
919 18th St., N.W.
Washington, DC 20006
(202) 466-6530/FAX (202) 466-6528

Suite 230
310 Golden Shore
Long Beach, CA 90802
(310) 436-2519/FAX (310) 436-5393

Direct Dial: (202)466-6532

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RECORDATION NO. 18636 FILED 1425

DEC 30 1993 -1 50 PM

INTERSTATE COMMERCE COMMISSION

LICENSING BRANCH

RECEIVED OFFICE OF THE SECRETARY DEC 30 1 44 PM '93

Honorable Sidney L. Strickland, Jr.
Secretary
Interstate Commerce Commission
Washington, DC 20423

Dear Secretary Strickland:

I have enclosed six originals of the document described below, to be recorded pursuant to 49 U.S.C. § 11303.

The document is an Equipment Lease Agreement (SPTC Trust No. 1993-1), a primary ~~secondary~~ document, dated as of December 15, 1993. ~~The primary document to which this is connected is recorded under~~ Recordation No. 18506. We request that this document be recorded under the next Recordation No. ~~18506-A.~~

The names and addresses of the parties to the Equipment Lease Agreement (SPTC Trust No. 1993-1) are:

Lessor:

Shawmut Bank Connecticut, National Association
777 Main Street
Hartford, CT 06115

Lessee:

Southern Pacific Transportation Company
One Market Plaza
San Francisco, CA 94105

A description of the equipment covered by the Equipment Lease Agreement (SPTC Trust No. 1993-1) consists of 25 GP60 3,800 HP locomotives numbered SP 9770-9794, inclusive, and 25 SD70M 4,000 HP locomotives numbered SP 9800-9824, inclusive.

A fee of $18.00 is enclosed. Please return five originals to:

Louis E. Gitomer
Taylor, Morell & Gitomer
Suite 210
919 18th Street, N.W.
Washington, DC 20006

A short summary of the document to appear in the index follows: an Equipment Lease Agreement (SPTC Trust No. 1993-1) between Shawmut Bank Connecticut, National Association, 777 Main Street, Hartford, CT 06115, and Southern Pacific Transportation Company, One Market Plaza, San Francisco, CA 94105, covering 25 GP60 3,800 HP locomotives numbered SP 9770-9794, inclusive, and 25 SD70M 4,000 HP locomotives numbered SP 9800-9824, inclusive.

Very Truly Yours,

Louis E. Gitomer

Enclosure

Interstate Commerce Commission

Washington, D.C. 20423

12/30/93

OFFICE OF THE SECRETARY

Louis E. Gitomer

Taylor,Morell & Gitomer

919 18th St N.W. Suite 210

Washington,D.C. 20006

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 12/30/93 at 1:50pm, and assigned recordation number(s). 18636 18636-A 18636-B&C

Sincerely yours,

Secretary
SIDNEY L. STRICKLAND, JR.

Enclosure(s)

EXECUTION COPY

RECORDATION NO. 18636 FILED 1425

DEC 30 1993 -1 50 PM

INTERSTATE COMMERCE COMMISSION

EQUIPMENT LEASE AGREEMENT
(SPTC Trust No. 1993-1)

Dated as of December 15, 1993

Between

SHAWMUT BANK CONNECTICUT, NATIONAL ASSOCIATION,
not in its individual capacity except
as expressly provided herein but
solely as Owner Trustee,
Lessor

and

SOUTHERN PACIFIC TRANSPORTATION COMPANY,
Lessee

25 GP60 3,800 HP Locomotives
25 SD70M 4,000 HP Locomotives

CERTAIN OF THE RIGHT, TITLE AND INTEREST OF THE LESSOR IN AND TO THIS LEASE, THE EQUIPMENT COVERED HEREBY AND THE RENT DUE AND TO BECOME DUE HEREUNDER HAVE BEEN ASSIGNED AS COLLATERAL SECURITY TO, AND ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF, STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, NOT IN ITS INDIVIDUAL CAPACITY BUT SOLELY AS INDENTURE TRUSTEE UNDER A TRUST INDENTURE AND SECURITY AGREEMENT (SPTC TRUST NO. 1993-1), DATED AS OF DECEMBER 15, 1993, BETWEEN SAID INDENTURE TRUSTEE, AS SECURED PARTY, AND THE LESSOR, AS DEBTOR. INFORMATION CONCERNING SUCH SECURITY INTEREST MAY BE OBTAINED FROM THE INDENTURE TRUSTEE AT ITS ADDRESS SET FORTH IN SECTION 20 OF THIS LEASE. THIS LEASE AGREEMENT HAS BEEN EXECUTED IN SEVERAL COUNTERPARTS, BUT ONLY THE COUNTERPART TO BE DEEMED THE ORIGINAL COUNTERPART FOR CHATTEL PAPER PURPOSES CONTAINS THE RECEIPT THEREFOR EXECUTED BY STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, AS INDENTURE TRUSTEE, ON THE SIGNATURE PAGES THEREOF. SEE SECTION 25.2 FOR INFORMATION CONCERNING THE RIGHTS OF THE ORIGINAL HOLDER AND THE HOLDERS OF THE VARIOUS COUNTERPARTS HEREOF.

Filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 on December __, 1993 at _____:____ _.M. Recordation Number _____, deposited in the Office of the Registrar General of Canada pursuant to Section 90 of the Railway Act of Canada on December __, 1993, at ____: _____ _.M.

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Appendix A - Definitions

Exhibit A - Form of Lease Supplement

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EQUIPMENT LEASE AGREEMENT
(SPTC Trust No. 1993-1)

This EQUIPMENT LEASE AGREEMENT (SPTC Trust No. 1993-1), dated as of December 15, 1993 (this "Lease"), between SHAWMUT BANK CONNECTICUT, NATIONAL ASSOCIATION, a national banking association, not in its individual capacity except as expressly provided herein, but solely as Owner Trustee under the Trust Agreement (the "Lessor"), and SOUTHERN PACIFIC TRANSPORTATION COMPANY, a Delaware corporation (the "Lessee").

In consideration of the mutual agreements herein contained and other good and valuable consideration, receipt of which is hereby acknowledged, the Lessor and the Lessee agree as follows:

SECTION 1. DEFINITIONS.

Unless the context otherwise requires, all capitalized terms used herein without definition shall have the respective meanings set forth in Appendix A hereto for all purposes of this Lease.

SECTION 2. LEASE AND DELIVERY OF EQUIPMENT.

2.1 Purchase Agreement Assignment. The Lessee is party to the Purchase Agreement with the Manufacturer and has selected the Units referred to below. The Lessee has assigned to the Lessor the right to purchase such Units from the Manufacturer pursuant to the Purchase Agreement Assignment.

2.2 Purchase and Lease. The Lessor hereby agrees (subject to satisfaction or waiver of the conditions set forth in Sections 4.1 and 4.2 of the Participation Agreement) on each Closing Date (i) to purchase the Units from the Manufacturer specified in the related Notice of Delivery, and (ii) to subject such Units to this Lease by the execution and delivery of a Lease Supplement covering such Units. The Lessee hereby agrees (subject to satisfaction or waiver of the conditions set forth in Section 4.3 of the Participation Agreement) on each Closing Date to lease from the Lessor on the terms and conditions set forth herein the related Units, as conclusively evidenced by the execution and delivery by the Lessee and the Lessor of a Lease Supplement covering such Units. The Lessee hereby agrees that execution and delivery of a Lease Supplement by the Lessee shall, without further act, irrevocably constitute acceptance by the Lessee of the Units identified in such Lease Supplement for all purposes of this Lease. All risk of loss of a Unit shall pass to the Lessee upon the acceptance of each such Unit.

prior owner thereof; provided, however, that if at any time a Lease Event of Default shall have occurred and be continuing, at the Lessor's option, such power of attorney shall terminate, and the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other Person with respect to any of the following: (a) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Unit or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (b) the use, operation or performance of any Unit or any risks relating thereto; (c) any interruption of service, loss of business or anticipated profits or consequential damages; or (d) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Unit, except where caused by the Lessor's willful misconduct or gross negligence in either case in violation of the Lessor's covenant contained in Section 8 of the Participation Agreement. The Lessee's delivery of a Lease Supplement shall be conclusive evidence as between the Lessee and the Lessor that all Units described therein are in all of the foregoing respects satisfactory to the Lessee, are in good order and condition, conform to specifications applicable thereto and all governmental standards and requirements applicable thereto and are in all respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

SECTION 6. RETURN OF EQUIPMENT; CONDITION; STORAGE.

6.1 Return; Condition; Storage.

(a) On the expiration of the Basic Term or Renewal Term with respect to any Unit, the Lessee will, at its own cost and expense, deliver possession of such Unit (if not purchased by the Lessee) to the Lessor upon such storage tracks of the Lessee as the Lessee may reasonably designate and as shall be reasonably acceptable to the Lessor (at no more than one location for all of the Units then subject to this Lease) and permit the Lessor to store such Unit on such tracks for a period not exceeding 90 days following notification from the Lessee to the Lessor that such Unit has been delivered for storage (the "Storage Period") and upon not less than 30 days' prior written notice from the Lessor to the Lessee, transport the same, at any time within the Storage Period but not more than one time, to any reasonable place on the lines of railroad operated by the Lessee, or to any connecting carrier, all as designated by the Lessor and as reasonably acceptable to the Lessee, the movement and storage of such Units to be at the expense and risk of the Lessee (which shall during the Storage Period maintain the insurance required by Section 12 hereof); provided that there shall be no more than five such return locations designated by the Lessor. In the event that any Unit shall suffer an Event of Loss during the Storage Period, the Lessee shall pay the Lessor the Stipulated Loss Value set forth opposite the last Determination Date set forth on Schedule 4 to

the Participation Agreement. During the Storage Period and the Additional Period referred to in Section 6.1(e) the Lessee will permit the Lessor, the Owner Participant, the Indenture Trustee or any Person designated by any of them, including the authorized representatives of any prospective purchaser, lessee or user of such Unit, to inspect the same upon reasonable notice to the Lessee; provided, however, that the Lessee shall not be liable, except in the case of, and to the extent of, willful misconduct, negligence or strict liability of the Lessee or of its employees or agents, for any injury to, or the death of, any Person exercising, on behalf of either the Lessor, the Owner Participant, the Indenture Trustee or any prospective purchaser, lessee or user, such rights of inspection.

(b) Except as hereinafter provided in this Section 6.1, each Unit returned to the Lessor pursuant to this Section 6.1 shall (except for additions, modifications and improvements which the Lessee is entitled to remove and does remove pursuant to Section 9 hereof) be in the condition required by Section 8.1 hereof. In addition, each such Unit shall comply with any applicable Interchange Rules, and will be subject to the following return conditions: (i) there shall be no deterioration in horsepower or traction power and (ii) there shall be a review of a spectrographic analysis of oil and any deficiencies revealed thereby. Upon the return of any Unit, the Lessor shall be afforded the opportunity to inspect such Unit and the Lessee shall make such repairs as are necessary to bring such Unit into compliance with this Section 6.1(b). If as the result of the Lessor's inspection any Unit is found to be not in compliance with this Section 6.1(b), the Lessee shall pay the reasonable cost of Lessor's inspection of such Unit. A Unit shall not be deemed to have been returned for purposes of this Lease unless and until it is in compliance with the conditions set forth in this Section 6.1(b). Each Unit when returned shall be (i) capable of performing the functions for which it was designed and shall be operating in good working order with allowance for normal wear and tear, and (ii) free and clear of all Liens except Lessor's Liens and Permitted Liens of the type described in clause (iv) of the definition of Permitted Liens and of which Lessee does not have actual knowledge; provided that such Lessee agrees to promptly discharge any such Permitted Lien upon return of the Unit.

(c) The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance thereof. During the Storage Period, the Lessee will, at its own expense, maintain and keep the Units (except for additions, modifications and improvements which the Lessee is entitled to remove and does remove pursuant to Section 9 hereof) in the condition required by Section 8.1 hereof. All rent earned in respect of the Units after the date of termination of this Lease shall belong to the

Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor.

(d) In the event any Unit is not returned on the last day of the Basic Term or Renewal Term, as the case may be, the Lessee shall pay to the Lessor on each day thereafter, as liquidated damages and not as a penalty, an amount equal to the amount, if any, by which the higher of (i) an amount equal to the daily equivalent of the average Basic Rent for the Basic Term of such Unit of Equipment and (ii) 125% of the Fair Market Rental Value for such Unit for each such day, exceeds the amount, if any, received by Lessor (either directly or from the Lessee) for such day for such Unit after the date of the expiration of the Lease; provided, however, that if any such Unit is not returned within 60 days following the termination of the Basic Term or Renewal Term, as the case may be, an Event of Default shall be deemed to have occurred hereunder and the Lessor shall have the right to exercise any remedy available to it pursuant to Section 15 hereof.

(e) Concurrently with each delivery of a Unit to the Lessor hereunder, the Lessee will deliver to the Lessor all records in its possession relating to the repair and maintenance history of such Unit, including, without limitation, all logs, schedules and computer data relating to such history of the type maintained in the ordinary course of business of the Lessee with respect to locomotives owned or leased by the Lessee. After the Storage Period described above, the Lessee will store any such Unit upon storage tracks of the Lessee as the Lessee may reasonably designate and as shall be reasonably acceptable to the Lessor (at no more than one location for all of the Units then subject to this Lease) at the risk of the Lessor and at then prevailing storage rates for 180 days or for such longer period as the parties may agree (the "Additional Storage Period"). If the Lessor has not requested the transportation of a Unit during the Storage Period pursuant to the first sentence of Section 6.1(a), upon not less than 30 days' prior written notice from the Lessor, Lessee will transport such Unit at any time within the Additional Storage Period but not more than one time, to any reasonable place on the lines of railroad operated by the Lessee, or to any connecting carrier, all as directed by the Lessor and as reasonably acceptable to the Lessee. With respect to the Units stored during the Additional Storage Period pursuant hereto, the Lessee will, prior to the commencement of such Additional Storage Period, provide to the Lessor a quote from the Lessee's insurance broker for insurance with respect to the stored Units during the Additional Storage Period under Lessee's insurance policies for property damage insurance and public liability insurance with respect to personal liability and property damage, and the Lessor may elect to have the Lessee cause such coverage to be provided if the Lessor pays the premiums quoted by the Lessee's insurance broker for such insurance coverage.

demanded, as the case may be, for the period from such due date or demand until the same shall be paid, (ii) in the case of any prepayment or repayment of the Equipment Notes pursuant to the Indenture, on the date such Equipment Notes are prepaid or repaid, an amount equal to the Make Whole Premium, if any, payable in connection therewith, and (iii) an amount equal to all other costs, expenses and other amounts payable by Lessor under the Indenture (except to the extent that such costs, expenses and amounts are due to the occurrence of an Indenture Event of Default that does not also constitute a Lease Event of Default) on the dates such amounts become due and payable. All Supplemental Rent to be paid pursuant to this Section 3.3 shall be payable in the type of funds and in the manner set forth in Section 3.6.

3.4 Certain Adjustments. The Lessee and the Lessor agree that Basic Rent, Stipulated Loss Values, Termination Values and EBO Amount shall be adjusted to the extent provided in Section 2.6 of the Participation Agreement.

3.5 Advance. If and to the extent that the Indenture Trustee on the Basic Term Commencement Date shall not have received funds from the Owner Trustee sufficient for the payment in full of the interest then due and owing on the Equipment Notes, the Lessee shall pay as Supplemental Rent, in one installment due on the Basic Term Commencement Date, an amount, if any, equal to such deficiency (such payment being referred to herein as an "Advance"). In the event the Lessee makes any Advance pursuant to this Section 3.5 and is not promptly reimbursed therefor by the Owner Participant after demand for such reimbursement and if no Lease Event of Default has occurred and is continuing, the Lessee shall be entitled to offset and deduct (without duplication) against each succeeding payment or portion thereof of (i) Basic Rent (excluding the portion thereof sufficient to pay as of the payment date principal and accrued interest on the Equipment Notes required to be paid on the date such Basic Rent is paid), (ii) Supplemental Rent (to the extent such Supplemental Rent is payable to the Owner Participant or to the Lessor as Owner Trustee, but not to the Lessor in its individual capacity and not to the Loan Participants or the Indenture Trustee), other than that portion of Supplemental Rent which is denominated as Stipulated Loss Value, Termination Value or Make Whole Premium, or (iii) Stipulated Loss Value or Termination Value (excluding, with respect to Stipulated Loss Value or Termination Value, the portion thereof sufficient to pay in full as of the payment date of Stipulated Loss Value or Termination Value, as appropriate, any payment of principal of and interest on the Equipment Notes required to be paid on such date), an amount equal to such Advance plus interest on such amount at the Late Rate until the Lessee has been fully reimbursed for such Advance plus such interest. The amount offset with respect to each payment of Basic Rent, Supplemental Rent, Stipulated Loss Value or Termination Value shall be applied, first, to the payment of accrued but unpaid interest on

such Advance to the date of such payment and, second, to the repayment of the Advance. No such offset or aggregate combined effect of separate offsets shall reduce the amount of any indemnity or other claim payable by the Lessee to any Loan Participant, the Indenture Trustee or the Owner Trustee in its individual capacity, nor reduce any installment of Basic Rent, or any payment of Stipulated Loss Value or Termination Value, to an amount that is insufficient to pay in full the payments then required to be made on account of the principal and interest on the Equipment Notes then outstanding.

3.6 Manner of Payments. All Rent (other than Supplemental Rent payable to Persons other than the Lessor, which shall be payable to such other Persons in accordance with written instructions furnished to the Lessee by such Persons, unless otherwise provided in any of the Operative Agreements or required by law) shall be paid by the Lessee to the Lessor at, its offices at 777 Main Street, Hartford, Connecticut 06115, Attention: Corporate Trust Administration -- Southern Pacific Transportation Company (SPTC Trust No. 1993-1). All Rent shall be paid by the Lessee in funds consisting of lawful currency of the United States of America, which shall be immediately available to the recipient not later than 11:30 A.M. (New York City time) on the date of such payment, provided, that so long as the Indenture shall not have been discharged pursuant to the terms thereof, the Lessor hereby directs, and the Lessee agrees, that all Rent (excluding Excepted Property) payable to the Lessor and assigned to the Indenture Trustee shall be paid directly to the Indenture Trustee at the times and in funds of the type specified in this Section 3.6 at the office of the Indenture Trustee c/o State Street Bank and Trust Company, Boston, Massachusetts, Attention: Hartford Group (SPTC Trust No. 1993-1), ABA No. 611-00-0028, Account No. 99003147, or at such other location in the United States of America as the Indenture Trustee may otherwise direct.

3.7 Net Lease, Etc. This Lease is a net lease and the Lessee's obligation to pay all Rent payable hereunder shall, subject to Section 3.5, be absolute, unconditional and irrevocable and shall not be affected by any circumstance of any character whatsoever, including, without limitation, (i) any set-off, abatement, counterclaim, suspension, recoupment, reduction, rescission, defense or other right that the Lessee may have (other than pursuant to Section 3.5 hereof) against the Lessor, the Owner Participant, the Indenture Trustee or any Loan Participant, any vendor or manufacturer of any Unit, or any other Person for any reason whatsoever, (ii) any defect in or failure of title, merchantability, condition, design, compliance with specifications, operation or fitness for use of all or any part of any Unit, (iii) any damage to, or removal, abandonment, requisition, taking, condemnation, loss, theft or destruction of all or any part of any Unit or any interference, interruption, restriction, curtailment or cessation in the use or possession of any Unit by the Lessee or any other Person for any reason whatsoever or of whatever duration, (iv) any insolvency,

4.3 Prohibition Against Certain Designations. Except as above provided, the Lessee will not allow the name of any Person to be placed on any Unit as a designation that might reasonably be interpreted as a claim of ownership; provided, however, that, subject to the delivery of the statement specified in the third sentence of Section 4.2, if applicable, the Lessee may cause the Equipment to be lettered with the reporting marks, names or initials or other insignia customarily used by the Lessee or any Permitted Sublessee on railroad equipment used by it of the same or a similar type for convenience of identification of the right of the Lessee to use the Equipment hereunder or any Permitted Sublessee to use the Equipment pursuant to a Permitted Sublease.

SECTION 5. DISCLAIMER OF WARRANTIES.

5.1 Disclaimer of Warranties. Without waiving any claim the Lessee may have against any seller, supplier or manufacturer, THE LESSEE ACKNOWLEDGES AND AGREES THAT, AS BETWEEN LESSOR AND LESSEE, (i) EACH UNIT IS OF A SIZE, DESIGN, CAPACITY AND MANUFACTURE SELECTED BY AND ACCEPTABLE TO THE LESSEE, AND THAT THE LESSEE HAS EXAMINED AND APPROVED ALL SUPPLY CONTRACTS RELATING TO ANY UNIT, (ii) THE LESSEE IS SATISFIED THAT EACH UNIT IS SUITABLE FOR ITS PURPOSES, (iii) NEITHER THE LESSOR NOR THE OWNER PARTICIPANT IS A MANUFACTURER OR A DEALER IN PROPERTY OF SUCH KIND, (iv) EACH UNIT IS LEASED HEREUNDER SUBJECT TO ALL APPLICABLE LAWS AND GOVERNMENTAL REGULATIONS NOW IN EFFECT OR HEREAFTER ADOPTED, AND (v) THE LESSOR LEASES AND THE LESSEE TAKES EACH UNIT "AS-IS", "WHERE-IS", AND "WITH ALL FAULTS", IN WHATEVER CONDITION IT MAY BE, AND THE LESSEE ACKNOWLEDGES THAT NEITHER THE LESSOR, AS THE LESSOR OR IN ITS INDIVIDUAL CAPACITY, NOR THE OWNER PARTICIPANT MAKES NOR SHALL BE DEEMED TO HAVE MADE, AND EACH EXPRESSLY DISCLAIMS, ANY AND ALL RIGHTS, CLAIMS, WARRANTIES OR REPRESENTATIONS EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, CONDITION, FITNESS FOR ANY PARTICULAR PURPOSE, DESIGN, OPERATION, MERCHANTABILITY, OR TITLE, OF ANY UNIT OF THE EQUIPMENT, THE QUALITY OF THE MATERIAL THEREIN OR WORKMANSHIP THEREOF OR CONFORMITY THEREOF TO SPECIFICATIONS, FREEDOM FROM PATENT, COPYRIGHT OR TRADEMARK INFRINGEMENT, THE ABSENCE OF ANY LATENT OR OTHER DEFECT, WHETHER OR NOT DISCOVERABLE, OR AS TO THE ABSENCE OF ANY OBLIGATIONS BASED ON STRICT LIABILITY IN TORT OR ANY OTHER EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY WHATSOEVER WITH RESPECT THERETO, except that the Lessor, in its individual capacity, represents and warrants that, on the applicable Closing Date, the Lessor shall have received whatever right, title and interest to the Equipment as was conveyed to the Lessor by the Manufacturer and each Unit will be free of Lessor's Liens attributable to the Lessor. The Lessor hereby appoints and constitutes the Lessee its agent and attorney in-fact during the Lease Term to assert and enforce, from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have as owner of the Equipment against the Manufacturer or any

bankruptcy, reorganization or similar proceeding by or against the Lessee, the Lessor, the Owner Participant, the Indenture Trustee, any Loan Participant or any other Person, (v) the invalidity, illegality or unenforceability of this Lease, any other Operative Agreement, or any other agreement, document or instrument referred to herein or therein or any other infirmity herein or therein or any lack of right, power or authority or authorization of the Lessee, the Lessor, the Owner Participant, the Indenture Trustee, any Loan Participant or any other Person to enter into this Lease or any other Operative Agreement or to perform the obligations hereunder or thereunder or consummate the transactions contemplated hereby or thereby or any doctrine of force majeure, impossibility, frustration or failure of consideration, (vi) the breach or failure of any warranty or representation made in this Lease or any other Operative Agreement by the Lessee, the Lessor, the Owner Participant, the Indenture Trustee, any Loan Participant or any other Person, or (vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, any present or future law notwithstanding, it being the intention of the parties hereto that all Rent being payable by the Lessee shall continue to be payable in all events in the manner and at the times provided herein. To the maximum extent permitted by law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender this Lease with respect to any Unit, except in accordance with the express terms hereof. If for any reason whatsoever this Lease shall be terminated in whole or in part by operation of law or otherwise, except as specifically provided herein, the Lessee nonetheless agrees, subject to Section 3.5, to the maximum extent permitted by law, to pay to the Lessor or the Indenture Trustee or to any other Person entitled thereto, as the case may be, amounts equal to the Advance, each installment of Basic Rent and all Supplemental Rent due and owing at the time such payment would have become due and payable in accordance with the terms hereof had this Lease not been terminated in whole or in part. Each payment of Basic Rent and Supplemental Rent (solely to the extent of Stipulated Loss Value, Termination Value, EBO Amount and Make-Whole Premium) made by the Lessee hereunder shall be final and the Lessee shall not seek or have any right to recover all or any part of such payment from the Lessor or any Person for any reason whatsoever. Nothing contained herein shall be construed to waive any claim which the Lessee might have under any of the Operative Agreements or otherwise, or to limit the right of the Lessee to independently make any claim it might have against the Lessor or any other Person or to independently pursue such claim in such manner as the Lessee shall deem appropriate.

SECTION 4. OWNERSHIP AND MARKING OF EQUIPMENT.

4.1 Retention of Title. The Lessor shall and hereby does retain full legal title to and ownership of the Equipment notwithstanding the delivery to and possession and use of the

Equipment by the Lessee hereunder or any sublessee under any sublease permitted hereby.

4.2 Duty to Number and Mark Equipment. The Lessee will cause each Unit (including, without limitation, any Replacement Unit) to be numbered, on the date of execution and delivery of the related Lease Supplement, with its reporting mark shown on the Lease Supplement covering such Unit; and, as soon as practicable after the date on which the Lease Supplement relating to each Unit is executed, the Lessee will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting colors upon each side of such Unit, in letters not less than one inch in height, a legend substantially, as follows:

"OWNERSHIP SUBJECT
TO A SECURITY AGREEMENT FILED
WITH THE INTERSTATE COMMERCE COMMISSION"

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's right, title and interest in and to such Unit, its rights under this Lease and the rights of the Indenture Trustee. Except as provided hereinabove, the Lessee will not place any such Units in operation or exercise any control or dominion over the same until the reporting mark and required legend shall have been so marked on both sides thereof, and will replace promptly any such items which may be removed, defaced, obliterated or destroyed. The Lessee will not change the reporting mark of any Unit except in accordance with a statement of new reporting marks to be substituted therefor, which statement shall be delivered to the Lessor and, so long as the Indenture Trustee has not been discharged pursuant to the terms thereof, the Indenture Trustee by the Lessee prior to such change and a supplement to this Lease and the Indenture with respect to such new reporting marks shall be filed or recorded in all public offices where this Lease and the Indenture shall have been filed or recorded and in such other places, if any, where the Lessor or the Indenture Trustee may reasonably request in order to protect, preserve and maintain the Lessor's right, title and interest in the Units and the rights of the Indenture Trustee. In addition, prior to any such change, at the reasonable request of the Lessor or the Indenture Trustee, the Lessor, the Owner Participant and the Indenture Trustee shall have received an opinion of counsel (which may be Lessee's in-house counsel) to the effect that upon the filings and recordings referred to in the preceding sentence, the Lessor's and the Indenture Trustee's rights in such Units will be protected and no other filing, deposit, recording or giving of notice with or to any Governmental Authority is necessary to protect the rights of the Lessor and the Indenture Trustee in such Units. The costs and expenses of all such supplements, filings, recordings and opinions shall be borne by the Lessee.

SECTION 3. TERM AND RENT.

3.1 Lease Term. The interim term of this Lease (the "Interim Term") for each Unit delivered prior to July 1, 1994 shall commence on the Closing Date for such Unit and shall expire at 11:59 P.M. (San Francisco time) on the day immediately preceding the Basic Term Commencement Date. The basic term of this Lease (the "Basic Term") for each Unit shall commence on the Basic Term Commencement Date (or, if later, the Closing Date for such Unit) and, subject to earlier termination pursuant to Sections 10, 11, 15, and 22, shall expire at 11:59 P.M. (San Francisco time) on the Basic Term Expiration Date. Subject and pursuant to Section 22.2, the Lessee may elect one or more Renewal Terms with respect to the Units.

3.2 Basic Rent. The Lessee hereby agrees to pay the Lessor Basic Rent for each Unit throughout the Basic Term in consecutive semi-annual installments payable on each Rent Payment Date. Each such semi-annual payment of Basic Rent shall be in an amount equal to the product of the Equipment Cost for such Unit multiplied by the Basic Rent percentage for such Unit set forth opposite such Rent Payment Date on Schedule 3 to the Participation Agreement (as such Schedule 3 shall be adjusted in accordance with Section 2.6 of the Participation Agreement). Basic Rent shall be payable in advance and/or in arrears on each Rent Payment Date, as specified in Schedule 3 to the Participation Agreement, such Schedule 3 to the Participation Agreement as adjusted from time to time being incorporated herein by reference.

Anything contained herein or in the Participation Agreement to the contrary notwithstanding, each installment of Basic Rent (both before and after any adjustment in accordance with Section 2.6 of the Participation Agreement) shall be, under any circumstances and in any event, in an amount at least sufficient for the Lessor to pay in full as of the due date of such installment, any payment of principal of and interest on the Equipment Notes required to be paid by the Lessor pursuant to the Indenture on such due date.

3.3 Supplemental Rent. The Lessee also agrees to pay to the Lessor, or to whomsoever shall be entitled thereto, any and all Supplemental Rent, promptly as the same shall become due and owing, or where no due date is specified, promptly after demand by the Person entitled thereto, and in the event of any failure on the part of the Lessee to pay any Supplemental Rent, the Lessor shall have all rights, powers and remedies provided for herein or by law or equity or otherwise as in the case of nonpayment of Basic Rent. The Lessee will also pay, as Supplemental Rent, (i) on demand, to the extent permitted by applicable law, an amount equal to interest at the applicable Late Rate on any part of any installment of Basic Rent not paid when due for any period for which the same shall be overdue and on any payment of Supplemental Rent not paid when due or

SECTION 7. LIENS.

The Lessee will not directly or indirectly create, incur, assume, permit or suffer to exist any Lien on or with respect to any Units or the Lessee's leasehold interest therein under this Lease, except Permitted Liens, Lessor's Liens and Liens described in Section 6.4 of the Participation Agreement, and the Lessee shall promptly, at its own expense, take such action or cause such action to be taken as may be necessary to duly discharge (by bonding or otherwise) any such Lien not excepted above if the same shall arise at any time.

SECTION 8. MAINTENANCE; OPERATION; POSSESSION; COMPLIANCE WITH LAWS.

8.1 Maintenance and Operation. The Lessee, at its own cost and expense, shall maintain, repair and keep, each Unit, and shall operate each Unit, (i) in at least as good operating order, condition and repair, with all mechanical and electrical devices working, as on the date of the delivery of such Unit by the Manufacturer, ordinary wear and tear excepted, and in a manner consistent with maintenance practices used by the Lessee in respect of equipment owned or leased by the Lessee similar in type to such Unit and in accordance with customary Class I Railroad industry maintenance practices in existence from time to time, (ii) in accordance with all manufacturer's warranties and in accordance with all insurance policies required to be maintained pursuant to Section 12 hereof, if applicable, and (iii) in compliance with all applicable laws, rules and regulations, including, without limitation, the rules and regulations of the United States Department of Transportation ("DOT"), the ICC, the Federal Railroad Administration and the Interchange Rules; provided, however, that during the Lease Term and so long as no Lease Event of Default shall have occurred and be continuing the Lessee may, in good faith and by appropriate proceedings diligently conducted, contest the validity or application of any such law, rule or regulation in any reasonable manner which does not materially interfere with the use, possession, operation or return of any of the Units or materially adversely affect the rights or interests of the Lessor or the Indenture Trustee in the Equipment or hereunder or otherwise expose the Lessor, the Owner Participant, any Loan Participant or the Indenture Trustee to criminal sanctions or release the Lessee from the obligation to return the Equipment in compliance with the provisions of Section 6.1 or interfere with the payment of Basic Rent and/or Supplemental Rent (solely to the extent of Stipulated Loss Value, Termination Value, EBO Amount and Make-Whole Premium). The Lessee shall provide the Lessor and the Indenture Trustee with notice of any contest of the type described in the preceding sentence in detail sufficient to enable the Lessor and the Indenture Trustee to ascertain whether such contest may have an effect of the type described in the preceding sentence. In no event shall the Lessee adversely discriminate as to the use or maintenance of any Unit (including

the periodicity of maintenance or recordkeeping in respect of such Unit) as compared to equipment of a similar nature which the Lessee owns or leases. The Lessee will maintain all records, logs and other materials for each Unit required by relevant industry standards or any Governmental Authority having jurisdiction over such Unit, all as if the Lessee were the owner of such Unit, regardless of whether any such requirements, by their terms, are nominally imposed on the Lessee, the Lessor or the Owner Participant.

8.2 Possession. (a) The Lessee shall be entitled to the possession of the Equipment and to the use of the Equipment by it or any Affiliate in the general operation of the Lessee's freight rail business upon lines of railroad owned or operated by it or any such Affiliate, upon lines of railroad over which the Lessee or any such Affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such Affiliate is regularly operated pursuant to contract and on railroad lines of other railroads in the United States, Canada and Mexico, in the usual interchange of traffic or in through or run-through service and shall be entitled to permit the use of such Unit upon connecting and other carriers in the usual interchange of traffic or pursuant to through or run-through agreements. In no event shall the Lessee make use of any Equipment in any jurisdiction not included in the insurance coverage required by Section 12. In no event shall more than fifteen percent (15%) of the Units be assigned to service in Mexico at the same time. Nothing in this Section 8.2 shall be deemed to constitute permission by the Lessor to any Person that acquires possession of any Unit to take any action inconsistent with the terms and provisions of this Lease and any of the other Operative Agreements. The rights of any Person that acquires possession of any Unit pursuant to this Section 8.2 shall be subject and subordinate to the rights of the Lessor hereunder.

(b) Notwithstanding Section 8.2(a), the Lessee shall not use or permit the use by any Person, including, without limitation, any sublessee, of any Unit in service involving operation or maintenance outside the United States of America except that occasional service in Canada and Mexico (subject to the restriction on Mexican use set forth above) shall be permitted so long as such service in Canada or Mexico is on a temporary basis which is not expected to exceed a total of 90 days in any taxable year of the Owner Participant.

8.3 Sublease. (a) So long as no Material Default or Lease Event of Default has occurred and is continuing and subject to the satisfaction of the conditions and terms set forth below in this Section 8.3(a), the Lessee may sublease any Unit (but only to an entity that is not the subject of bankruptcy, insolvency or similar proceedings immediately prior to such sublease), (i) for a period of up to one year, without the prior written consent of the Lessor and the Indenture Trustee; provided, however, that if, as a result of such sublease, the

Lessor or the Owner Participant shall suffer any adverse tax consequences, the Lessee shall indemnify the Lessor and the Owner Participant with respect thereto in a manner satisfactory to the Lessor and the Owner Participant, (ii) except as provided in clause (iii) below, only with the prior written consent of the Lessor and the Indenture Trustee (such consent not to be unreasonably withheld), for a period of more than one year, and (iii) without the consent of the Lessor or the Indenture Trustee, to an Affiliate of the Lessee; provided, further, however, that, in the case of clauses (ii) and (iii) above, the Owner Participant shall have received an opinion of tax counsel selected by the Owner Participant (which in the case of clause (iii) may be in-house counsel for the Lessee) that any such sublease shall not result in any adverse tax consequence (any such sublease identified in clause (i), (ii) or (iii) above being referred to herein as a "Permitted Sublease"). The Lessee's right to sublease any Unit of Equipment pursuant to this Section 8.3 is subject to the satisfaction of the following conditions: (v) any sublease, and the rights and interest of any sublessee thereunder, shall be (and the sublease shall expressly state that it is) in all events subject and subordinate to this Lease and the Indenture and the rights and interests of the Lessor and its respective successors and assigns hereunder, including, without limitation, the right of the Lessor to repossess such Unit and, in connection with such repossession, to avoid such sublease, and the Lessee shall remain primarily and directly liable for the performance of its obligations hereunder and such sublease by its terms shall require that the sublessee comply with Section 8.2; (w) any sublease shall not be for a term which extends beyond the Basic Term and any exercised Renewal Term; (x) such sublease shall prohibit further subleasing by the sublessee; (y) notwithstanding any sublease, the Lessor and the Indenture Trustee, as assignee thereof, will continue to be entitled to the benefits of 11 U.S.C. § 1168 with respect to the Units so subleased; and (z) all filings of any such sublease necessary to protect the rights of the Lessor and the Indenture Trustee in the Units subject thereto shall have been made in a timely fashion. No sublease shall permit the sublessee thereunder to take any action inconsistent with the terms of this Lease or any other Operative Agreement. Within 10 days of entering into a sublease permitted hereunder, the Lessee shall provide the Lessor, the Owner Participant and the Indenture Trustee with a copy of the sublease documentation (excluding the economic terms thereof).

(b) The Lessee shall not sublease to or permit the use of any Unit by any Person in whose possession such Unit would qualify as tax-exempt use property under Section 168(g) of the Code.

SECTION 9. MODIFICATIONS.

9.1 Required Modifications. In the event the DOT, or any other United States, state or local governmental agency requires that any Unit be modified, altered or improved (a

"Required Modification"), the Lessee agrees to make such Required Modification at its own expense; provided, however, that during the Lease Term and so long as no Lease Event of Default shall have occurred and be continuing, the Lessee may, in good faith and by appropriate proceedings diligently conducted, contest the validity or application of any such requirement in any reasonable manner which does not materially interfere with the use, possession, operation or return of any Unit or materially adversely affect the rights or interests of the Lessor and the Indenture Trustee in the Equipment or hereunder or otherwise expose the Lessor, the Indenture Trustee, any Loan Participant or the Owner Participant to criminal sanctions or relieve the Lessee of the obligation to return the Equipment in compliance with the provisions of Section 6.1 or interfere with the payment of Basic Rent and/or Supplemental Rent (solely to the extent of Stipulated Loss Value, Termination Value, EBO Amount and Make-Whole Premium). Title to any Required Modification (regardless of whether such Required Modification is a Severable Modification or a Non-Severable Modification) shall immediately vest in the Lessor.

9.2 Optional Modifications. The Lessee at any time may modify, alter or improve any Unit (an "Optional Modification"; and each of an Optional Modification and a Required Modification is a "Modification"); provided that no Optional Modification shall diminish the fair market value, utility, residual value, condition, or remaining economic useful life of such Unit below the value, utility, residual value, condition, or remaining economic useful life thereof immediately prior to such Optional Modification, assuming such Unit was then in the condition required to be maintained by the terms of this Lease. Title to any Non-Severable Modification shall be immediately vested in the Lessor. Title to any Severable Modification which is not a Required Modification shall remain with the Lessee. No Optional Modification shall cause any Unit to become "limited use property" within the meaning of Rev. Proc. 76-30. During the Lease Term and so long as no Lease Default or Lease Event of Default shall have occurred and be continuing, the Lessee may remove and replace any Severable Modification which is not a Required Modification. If the Lessee, at its cost, shall cause any Severable Modifications (which are not Required Modifications) to be made to any Unit, the Lessor shall have the right, prior to the return of such Unit to the Lessor hereunder, to purchase such Severable Modifications (other than Severable Modifications consisting of proprietary or communications equipment) at their then Fair Market Sales Value. If the Lessor does not elect to purchase such Severable Modifications, the Lessee may remove, and shall remove if requested by the Lessor, such Severable Modifications at the Lessee's cost and expense.

SECTION 10. VOLUNTARY TERMINATION.

10.1 Right of Termination. (a) In the event that the Lessee shall, in its sole judgment, exercised in good faith (as

excess, if any, of the Termination Value for each such Terminated Unit computed as of the Termination Date over the sale price of such Terminated Unit after the deduction of all expenses incurred by the Lessor and the Owner Participant in connection with the sale, all other Supplemental Rent due and owing on the Termination Date (including, without limitation in respect of Make-Whole Premium, if any, if the Termination Date is prior to December 15, 2008) and (iii) the Basic Rent due and payable in arrears on or prior to the Termination Date. Upon payment to the Lessor of the sale price in immediately available funds and all other amounts due pursuant to this Section 10.1(b) on the Termination Date, the Lessor shall, without recourse or warranty (except as to the absence of Lessor's Liens attributable to the Lessor in its individual capacity), sell all right, title and interest of the Lessor in and to such Terminated Units to the purchaser. On the Termination Date, the Lessor shall execute and deliver to such purchaser a bill of sale to evidence the valid consummation of such transfer. In connection with such sale, Lessee shall ensure that such Terminated Units meet the requirements of Section 8.1 hereof on the Termination Date. If on the Termination Date the Lessee shall have failed to fulfill its obligations under this Section 10.1(b) to sell the affected Terminated Units or to pay the amounts required to be paid pursuant to clauses (i)-(iii) above, the Lease shall not terminate and shall continue in full force and effect with respect to such Terminated Units and the Lessee shall have no further right after the Termination Date to terminate this Lease with respect thereto.

10.2 Retention of Equipment by the Lessor. Notwithstanding the provisions of Section 10.1, the Lessor may, by irrevocable written notice to the Lessee and the Indenture Trustee given at least 30 days prior to the Termination Date, elect to retain all of the Terminated Units in which case (a) the Lessee shall pay to the Lessor (i) the Basic Rent due and payable in arrears on or prior to the Termination Date and (ii) all Supplemental Rent due and owing on the Termination Date (including, without limitation, in respect of Make-Whole Premium, if any, if the Termination Date is prior to December 15, 2008, but excluding, in all cases, Termination Value with respect to the Terminated Units); provided that any Supplemental Rent to be paid to Persons other than the Lessor shall be paid directly to such Persons, and (b) the Lessee shall deliver all such Terminated Units to the Lessor in accordance with the provisions of Section 6.1 hereof. If the Lessor elects not to sell the Terminated Units as provided in this Section 10.2, then the Lessor shall pay, or cause to be paid, to the Indenture Trustee in funds of the type specified in Section 3.6 the amount required to be paid in respect of the Equipment Notes on the Termination Date pursuant to Section 2.9(a) of the Indenture; provided that, unless the Lessor shall have paid all such amounts to the Indenture Trustee on the Termination Date, this Lease shall continue in full force and effect.

evidenced by a certified copy of a resolution adopted by the Lessee's Board of Directors and a certificate executed by the Chief Financial Officer of the Lessee delivered to Lessor and the Indenture Trustee), determine that all (but not less than all) of the Units subject to this Lease contained in any "Class" (identified as such on Schedule 1 to the Participation Agreement) have become obsolete or shall be surplus to the Lessee's requirements, so long as no Lease Default or Lease Event of Default shall have occurred and be continuing, Lessee shall have the right, at its option on or after the seventh anniversary of the Basic Term Commencement Date to terminate the Lease Term with respect to such Units (such Units being collectively referred to as the "Terminated Units"; individually, a "Terminated Unit") on at least 180 days' (and not more than 360 days') prior irrevocable written notice to the Lessor, the Owner Participant and the Indenture Trustee, to terminate this Lease as to such Units as of a succeeding Rent Payment Date specified in such notice (hereinafter called the "Termination Date"); provided that on the Termination Date each such Unit shall be in the condition as if redelivered pursuant to Section 6.1(b) hereof. The Lessee agrees that, without limiting Section 2.5(b) of the Participation Agreement, it will reimburse the Lessor, the Indenture Trustee, the Loan Participants and the Owner Participant for all out-of-pocket costs and expenses (including, without limitation, reasonable legal fees and expenses) incurred by the Lessor, the Owner Participant, the Loan Participants and the Indenture Trustee in connection with the termination of any Unit, whether or not consummated, except that if the proposed termination is not consummated because of Lessor's failure be pay the amount required to be paid by it pursuant to Section 10.2 and no Lease Default or Lease Event of Default shall have occurred and be continuing, the Lessee shall not be obligated to reimburse the Lessor or the Owner Participant.

(b) During the period from the date of the termination notice until the fifth Business Day preceding the Termination Date, the Lessee, as non-exclusive broker for the Lessor and at its sole cost and expense, shall use its best efforts to obtain bids for the cash purchase of all Terminated Units, and the Lessee shall at least five Business Days prior to the Termination Date certify in writing to the Lessor and the Owner Participant the amount of each such bid and the name and address of the party submitting such bid. The Lessor and the Owner Participant shall have the right to obtain bids for the purchase of such Terminated Units, either directly or through agents other than the Lessee, but shall be under no duty to solicit bids, inquire into the efforts of the Lessee to obtain bids or otherwise take any action in connection with arranging such sale. Subject to Section 10.2, on the Termination Date the Lessor shall sell all the Terminated Units for cash to the bidder (who shall not be the Lessee or any Affiliate or Tax Affiliate thereof) who shall have submitted the highest bid prior to the Termination Date. The total sale price realized at any such sale shall be retained by the Lessor and on the Termination Date the Lessee shall pay to the Lessor (i) the

10.3 Expiration of Lease. Upon the sale or transfer, or retention by the Lessor, of any Terminated Unit in compliance with Section 10.1 or 10.2 (including the making by the Lessee or the Lessor of all payments therein specified), and upon compliance by Lessee with the other provisions of this Section 10, including, without limitation, Lessee's obligation to pay the amounts required pursuant to Section 6.1(d), the term of this Lease with respect to such Terminated Unit shall expire, and after such expiration the Lessee shall have no further obligation to pay Basic Rent in respect thereof.

SECTION 11. LOSS, DESTRUCTION, REQUISITION, ETC.

11.1 Event of Loss. In the event that any Unit (i) shall suffer damage or destruction resulting in an insurance settlement on the basis of an actual, constructive or compromised total loss; (ii) shall suffer destruction or damage beyond repair; (iii) shall suffer damage which, in the Lessee's reasonable judgment, makes repair uneconomic or renders such Unit unfit for commercial use, (iv) shall suffer theft, loss or disappearance for a period equal to the lesser of 60 days and the number of days remaining in the term of this Lease for such Unit, (v) shall be permanently returned to the Manufacturer pursuant to any warranty or patent indemnity settlement, (vi) shall have title thereto taken or appropriated by any Governmental Authority under the power of eminent domain or otherwise or (vii) shall be taken or requisitioned for use by any Governmental Authority under the power of eminent domain or otherwise, and such taking or requisition for use pursuant to this clause (vii) is for a period that exceeds (x) one year or, if less, the remaining portion of the Basic Term or any Renewal Term then in effect, in the case such taking or requisition is by a Governmental Authority other than the government of the United States or (y) five years, or, if less, the remaining portion of the Basic Term or any Renewal Term then in effect, in the case such taking or requisition is by the government of the United States unless, in the case of either clause (x) or (y), the existence of such Event of Loss is waived in writing by the Lessor and the Indenture Trustee (any such occurrence being hereinafter called an "Event of Loss"), the Lessee, in accordance with the terms of Section 11.2, shall promptly and fully inform the Lessor and the Indenture Trustee of such Event of Loss.

11.2 Replacement or Payment upon Event of Loss. Upon the occurrence of an Event of Loss with respect to any Unit, the Lessee shall within 30 days after a Responsible Officer of the Lessee shall have actual knowledge of such occurrence give the Lessor and the Indenture Trustee notice of such occurrence of such Event of Loss (which notice shall identify the Unit or Units involved) and of its election to perform one of the following options (it being agreed that if the Lessee shall not have given notice of such election, the Lessee, shall be deemed to have elected to perform the option set forth in the following paragraph (ii), provided that the Lessee shall not have the right

to select the option set forth in paragraph (i) if a Lease Default or a Lease Event of Default shall have occurred and be continuing):

(i) as promptly as practicable (but no sooner than 10 days after giving of its notice of election to perform the option set forth in this paragraph (i), and in any event on or before the 90th day following the date of notice of such Event of Loss, the Lessee shall comply with Section 11.4(b) and shall convey or cause to be conveyed to the Lessor a Replacement Unit to be leased to the Lessee hereunder, such Replacement Unit to be free and clear of all Liens (other than Permitted Liens of the type described in clauses (ii) and (iv) of the definition thereof), to have a Fair Market Sales Value, utility, remaining economic useful life and residual value at least equal to the Unit so replaced (assuming such Unit had not suffered an Event of Loss and was in the condition required to be maintained by the terms of this Lease), to be in the condition required by the terms of this Lease and to have been initially delivered by the Manufacturer no earlier than 1993; provided that, if Lessee shall not perform its obligation to effect such replacement under this paragraph (i) during the period of time provided herein, then Lessee shall pay to Lessor on the next succeeding Determination Date that is at least 10 days after the end of such period, or in the case of Supplemental Rent, to the person entitled thereto, the amounts specified in paragraph (ii) below; or

(ii) on the Determination Date next succeeding the 90th day following the date of notice of Event of Loss, Lessee shall pay or cause to be paid to the Lessor (or in the case of Supplemental Rent, to the Persons entitled thereto) in funds of the type specified in Section 3.6, (a) an amount equal to the Stipulated Loss Value of each such Unit suffering an Event of Loss determined as of such Determination Date, (b) if such Determination Date is also a Rent Payment Date, all Basic Rent payable in arrears on such date in respect of such Unit, and (c) all other Rent then due and payable hereunder, it being understood that until such Stipulated Loss Value is paid, there shall be no abatement or reduction of Basic Rent.

11.3 Rent Termination. Upon the replacement of any Unit or Units in compliance with Section 11.2(i), or upon the payment of all sums required to be paid pursuant to Section 11.2 (ii) hereof in respect of any Unit or Units for which the Lessee has elected to pay, or has been deemed to have elected to pay pursuant to Section 11.2(i) the amounts specified in Section 11.2(ii), the Lease Term with respect to such Unit or Units having suffered the Event of Loss and the obligation to pay Basic Rent for such Unit or Units having suffered the Event of Loss accruing subsequent to the date of payment of Stipulated Loss Value or date of conveyance of such Replacement Unit or Units

pursuant to Section 11.2 shall terminate, without prejudice to the continuation of those obligations which, by the express terms of the Operative Agreements, survive termination of the Lease Term; provided that the Lessee shall be obligated to pay all Rent in respect of such Unit or Units which has accrued up to and including the date of payment of Stipulated Loss Value pursuant to Section 11.2(ii) or date of conveyance of such Replacement Unit or Units.

11.4 Disposition of Equipment; Replacement of Unit.

(a) Upon the payment of all sums required to be paid pursuant to Section 11.2 in respect of any Unit or Units and satisfaction of all conditions in Section 11.2, the Lessor will transfer to the Lessee "as-is, where-is" all right, title and interest of the Lessor in and to such Unit or Units, without recourse or warranty, except for the absence of Lessor's Liens attributable to the Lessor. As to each separate Unit so disposed of, so long as no Material Default or Lease Event of Default shall have occurred and be continuing, the Lessee or its designee shall be entitled to any amounts arising from any disposition, plus any awards or other proceeds and damages received by the Lessee, the Lessor or the Indenture Trustee by reason of such Event of Loss after having paid the full amount described in Section 11.2.

(b) At the time of or prior to any replacement of any Unit, the Lessee, at its own expense, will (i) furnish the Lessor with a Bill of Sale (together with an assignment of the manufacturer's warranties, if any such warranties exist) with respect to the Replacement Unit, (ii) cause a Lease Supplement substantially in the form of Exhibit A hereto with appropriate modifications, subjecting such Replacement Unit to this Lease, and duly executed by the Lessee, to be delivered to the Lessor for execution and, upon such execution, to be filed for recordation in the same manner as provided for the original Lease Supplement in Section 16.1, (iii) so long as the Indenture shall not have been discharged pursuant to the terms thereof, cause an Indenture Supplement substantially in the form of Exhibit B to the Indenture (with appropriate modifications) for such Replacement Unit, to be delivered to the Lessor for execution and, upon such execution, to be filed for recordation in the same manner as provided for the original Indenture Supplement in Section 16.1, (iv) furnish the Lessor and the Indenture Trustee with an opinion of the Lessee's counsel (which may be the Lessee's in-house counsel), to the effect that (A) the Bill of Sale referred to in clause (i) above constitutes a legal, valid, binding and enforceable obligation of the Lessee and constitutes an effective instrument for the conveyance of title to the Replacement Unit to the Lessor, (B) the Lessor and the Indenture Trustee, as assignee thereof, will be entitled to the benefits of 11 U.S.C. § 1168 with respect to such Replacement Unit under this Lease, (C) legal title and ownership of such Replacement Unit has been conveyed to the Lessor, free and clear of all Liens (except

for Permitted Liens of the type described in clauses (ii) or (iv) of the definition thereof), and (D) all filings, recordings and other action necessary or appropriate to perfect and protect the Lessor's and the Indenture Trustee's respective interests in the Replacement Unit have been accomplished, (v) if the Lessor or the Owner Participant shall so request, furnish to the Lessor and the Owner Participant an opinion in form and substance satisfactory to the Owner Participant of tax counsel chosen by the Owner Participant and reasonably acceptable to the Lessee that the Lessor and the Owner Participant will not suffer any risk of any adverse tax consequences as a result of or relating to such replacement, (vi) furnish the Lessor and the Indenture Trustee with an Officer's Certificate certifying that as of said date, and upon consummation of the replacement, no Lease Default or Lease Event of Default exists, and (vii) furnish such other documents and evidence as the Owner Participant, the Lessor or Indenture Trustee, or their respective counsel, may reasonably request in order to establish the consummation of the transactions contemplated by this Section 11.4, including, without limitation, evidence of compliance with Section 12 with respect to the Replacement Unit. For all purposes hereof, upon passage of title thereto to the Lessor the Replacement Unit shall be deemed part of the property leased hereunder and the Replacement Unit shall be deemed a "Unit" of Equipment as defined herein. Upon such passage of title, the Lessor will transfer to the Lessee "as-is, where-is" all the Lessor's right, title and interest in and to the replaced Unit, without recourse or warranty (except as to the absence of Lessor's Liens attributable to the Lessor).

11.5 Eminent Domain. In the event that during the Lease Term the use of any Unit is requisitioned or taken by any Governmental Authority under the power of eminent domain or otherwise for a period which does not constitute an Event of Loss, the Lessee's obligation to pay all installments of Basic Rent shall continue for the duration of such requisitioning or taking. The Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such Governmental Authority as compensation for requisition or taking of possession.

11.6 Lease Event of Default. Any amount referred to in Section 11.4(a) or 11.5 which is payable to the Lessee shall not be paid to the Lessee, or if it has been previously paid directly to the Lessee, shall not be retained by the Lessee, if at the time of such payment a Material Default or Lease Event of Default shall have occurred and be continuing, but shall be paid to and held by the Lessor (or, so long as the Indenture has not been discharged pursuant to the terms thereof, the Indenture Trustee) as security for the obligations of the Lessee under this Lease and the other Operative Agreements, and at such time as there shall not be continuing any such Material Default or Lease Event of Default, such amount (unless theretofore otherwise

there were a separate policy or policies covering each insured, (E) shall waive any rights of set-off, counterclaim, deduction or subrogation of the insurers against the Owner Participant, the Lessor, as lessor of the Equipment and in its individual capacity, each Loan Participant and the Indenture Trustee (in its individual and trust capacities), (F) shall provide that neither the Owner Participant, the Lessor, as lessor of the Equipment and in its individual capacity, any Loan Participant or the Indenture Trustee (in its individual and trust capacities) shall have any responsibility for any insurance premiums, whether for coverage before or after cancellation or termination of any such policies as to the Lessee, and (G) shall provide that the interests of the Lessor, as lessor of the Equipment and in its individual capacity, the Owner Participant, each Loan Participant and the Indenture Trustee (in its individual and trust capacities) shall not be invalidated by any action or inaction of the Lessee or any other Person. Promptly upon receipt by the Lessee of any notice of cancellation pursuant to clause (A) above, the Lessee shall notify the Lessor, the Indenture Trustee and the Owner Participant of such cancellation. The Lessee shall cause the property insurance on the Equipment to provide that the proceeds up to the amount of the Stipulated Loss Value, for any loss or damage to any Unit, if any, shall be payable to the Indenture Trustee under a standard mortgagee clause (so long as the Equipment Notes shall remain outstanding) and thereafter to the Lessor. The Lessee shall, at its expense, be entitled (so long as no Event of Default shall have occurred and be continuing) to make all proofs of loss and take all other steps necessary to collect the proceeds of such insurance.

In lieu of maintaining the insurance required by this Section 12.1(a), the Lessee may self-insure (through increased deductibles or otherwise) with respect to the Equipment for physical damage risks in an amount up to $10,000,000 and for public liability risks in an amount up to $10,000,000; provided, however, that, so long as the senior unsecured indebtedness of the Lessee is rated B1 or better by Moody's and B+ or better by Standard & Poor's, each such self-insurance limit may be equal to the lesser of 1% of the Lessee's Net Worth (as defined below) and $20,000,000. For purposes of this Section 12.1(a), the Lessee's "Net Worth" at any time shall be the amount shown as the Lessee's "stockholder's equity" in the audited balance sheet included in the Lessee's most recent form 10-K, adjusted, if applicable, to eliminate the effect of any one-time charges to stockholder's equity after December 31, 1993, that are required by reason of any Accounting Change (as defined below) or that are taken in connection with a restructuring by the Lessee. In addition to the foregoing, the Lessee may self-insure (through increased deductibles or otherwise) with respect to the Equipment for such additional amounts as shall be consented to by the Lessor and the Indenture Trustee, which consent shall be based upon reasonable practices then in effect in the railroad and insurance industries and upon the financial condition of the Lessee and shall not be unreasonably withheld. In the event that the amount of self-

be, of a written application signed by the Lessee for payment to the Lessee for repairing or restoring the Units which have been damaged so long as (i) the Lessee shall have complied with the applicable provisions of the Lease, and (ii) the Lessee shall have certified that any damage to such Units shall have been fully repaired or restored; or (b) if this Lease is terminated with respect to such Unit because of an Event of Loss and the Lessee has paid the Stipulated Loss Value, and other sums required to be paid pursuant to Section 11.2 due as a result thereof, such proceeds shall be promptly paid over to, or retained by, the Lessee. During the continuance of any Material Default or Lease Event of Default, such proceeds shall be paid, so long as any Equipment Notes are outstanding, to the Indenture Trustee or, in the event that no Equipment Notes are outstanding, to the Lessor to be held as security for the obligations of the Lessee under this Lease and the other Operative Agreements and at such time as there shall not be continuing any such Lease Event of Default, such amount (unless theretofore otherwise applied to the obligations of the Lessee hereunder or thereunder) shall be paid over to the Lessee.

12.3 Additional Insurance. In the event that the Lessee shall fail to maintain insurance as herein provided, the Lessor at its option, upon prior written notice to the Lessee, provide such insurance and, in such event, the Lessee shall, upon demand from time to time, reimburse the Lessor for the cost thereof together with interest from the date of payment thereof at the Late Rate, on the amount of the cost to the Lessor of such insurance which the Lessee shall have failed to maintain. In addition, at any time the Lessor (either directly or in the name of the Owner Participant) may at its own expense carry insurance with respect to its interest in the Units, provided that such insurance does not interfere with the Lessee's ability to insure the Equipment as required by this Section 12 or adversely affect the Lessee's insurance or the cost thereof, it being understood that all salvage rights to each Unit shall remain with the Lessee's insurers at all times. Any insurance payments received from policies maintained by the Lessor pursuant to the previous sentence shall be retained by the Lessor without reducing or otherwise affecting the Lessee's obligations hereunder.

SECTION 13. REPORTS; INSPECTION.

13.1 Duty of the Lessee to Furnish. On or before May 1, 1994, and on each May 1 thereafter, the Lessee will furnish to the Lessor, Owner Participant, and the Indenture Trustee an accurate statement, as of the preceding December 31, (a) showing the amount, description and reporting marks of the Units then leased hereunder, the amount, description and reporting marks of all Units that may have suffered an Event of Loss during the 12 months ending on such December 31 (or since the first Closing Date, in the case of the first such statement), and such other information regarding the condition or repair of the Equipment as the Lessor, the Owner Participant or the

applied to the obligations of the Lessee hereunder or thereunder) shall be paid over to the Lessee.

SECTION 12. INSURANCE.

12.1 Property Damage and Public Liability Insurance.

(a) The Lessee will, at all times prior to the return of the Units to the Lessor and during the Storage Period, at its own expense, cause to be carried and maintained with reputable insurance companies (i) physical damage insurance in respect of all Units at the time subject thereto and (ii) public liability insurance with respect to third-party personal injury, death and property damage, including, but not limited to, sudden and accidental pollution coverage, and the Lessee will continue to carry such insurance in such amounts and for such risks and with such insurance companies and subject to such self-insurance not less comprehensive in amounts and against risks customarily insured against by the Lessee in respect of equipment owned or leased by it similar in type to the Equipment and consistent with customary ~~prudent~~ Class I Railroad industry standards. Without limiting the foregoing, the Lessee will in any event (i) maintain in effect "all risks" physical damage insurance covering each Unit in an amount not less than the Stipulated Loss Value attributable thereto as shown on Schedule 4 to the Participation Agreement, subject to a limit of not less than $100,000,000 per occurrence, provided that such coverage may provide for deductible amounts of not more than $10,000,000 per occurrence, and (ii) maintain public liability insurance against bodily injury, death, property damage, including but not limited to, sudden and accidental pollution coverage, arising out of the use or operation of the Equipment with general liability limits of not less than $75,000,000 per occurrence or in the aggregate, provided that such coverage may provide for deductible amounts not exceeding $10,000,000. Any policies of insurance carried in accordance with this Section 12.1 and any policies taken out in substitution or replacement for any of such policies (A) shall provide that, if any such insurance is cancelled or terminated (other than upon normal policy expiration) for any reason whatever, the Lessor, the Indenture Trustee and the Owner Participant shall receive 30 days' prior notice of such cancellation or termination, (B) shall name the Owner Participant, the Lessor, as the Lessor of the Equipment and in its individual capacity, each Loan Participant and the Indenture Trustee (in its individual and trust capacities) as additional insureds as their interests may appear, (C) shall be primary without right of contribution from any insurance carried by the Lessor, the Owner Participant or the Indenture Trustee, (D) as to the public liability insurance referred to in this Section 12.1(a) shall provide that in as much as such policies cover more than one insured, all terms, conditions, insuring agreements and endorsements, with the exceptions of limits of liability and liability for premiums, commissions, assessments or calls (which shall be solely a liability of the Lessee), shall operate in the same manner as if

insurance permitted hereunder shall have decreased due to a decrease in the Lessee's Net Worth, the Lessee shall not be required to obtain the new insurance necessitated thereby until the earlier to occur of the expiry or renewal of its then current insurance policies and one year from the date of such decrease in the Lessee's Net Worth; provided, however, that, regardless of the Lessee's Net Worth, the Lessee may always self-insure with respect to the Equipment for physical damage risks in an amount up to $10,000,000 and for public liability risks in an amount up to $10,000,000. In the event that the amounts of self-insurance permitted hereunder shall have increased due to an increase in the Lessee's Net Worth, the Lessee shall not be entitled to reduce the amount of insurance then in effect until the earlier to occur of the expiry or renewal of its then current insurance policies and one year from the date of such increase in the Lessee's Net Worth.

For purposes of this Section 12.1(a), "Accounting Change" shall mean any mandatory change in generally accepted accounting principles occurring or taking effect after December 31, 1993, or if the "push down" basis of accounting is imposed upon the Lessee by a Governmental Authority after December 31, 1993, and such change or imposition results in a change in the Lessee's Net Worth.

(b) Certificate of Insurance. The Lessee shall, prior to each Closing Date and when the renewal certificate referred to below is sent (but in any event not less than annually), furnish the Lessor, the Owner Participant, each Loan Participant and the Indenture Trustee with a certificate signed by the insurer or an independent insurance broker showing the insurance then maintained by the Lessee pursuant to this Section 12.1 and that all premiums due thereon have been paid, or other evidence of maintenance of the insurance required hereunder satisfactory to the Lessor, the Owner Participant, each Loan Participant and the Indenture Trustee, and, with respect to any renewal policy or policies, shall furnish telephonic notice to the Lessor and the Indenture Trustee within 24 hours of such renewal and furnish certificate or binders evidencing such renewal as soon as practicable, but in no event later than 30 days after the earlier of the date such renewal is effected or the expiration date of the original policy or policies.

12.2 Proceeds of Insurance. The entire proceeds of any property or casualty insurance or third party payments for damages to any Unit (including any Association of American Railroads interline settlements) received by the Lessor or the Indenture Trustee shall be held by such party until, with respect to such Unit, the repairs referred to in clause (a) below are made as specified therein or payment of the Stipulated Loss Value is made, and such entire proceeds will be paid, so long as no Material Default or Lease Event of Default shall have occurred and be continuing, either: (a) to the Lessee promptly following receipt by the Indenture Trustee or the Lessor, as the case may

Indenture Trustee may reasonably request and (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4.2 hereof shall have been preserved or replaced.

13.2 Inspection Rights. During the Lease Term, the Lessor, the Owner Participant, each Loan Participant and the Indenture Trustee or their respective authorized representatives shall have the right, but not the obligation, at its sole cost, expense and risk, including, without limitation, the risk of personal injury or death (except that if a Lease Event of Default shall have occurred and be continuing such inspection shall be at the cost and expense of the Lessee, and under all circumstances the Lessee shall bear the risk of its own negligence or wilful misconduct), by its authorized representatives to inspect the Equipment and all logs, records, books, sublease documentation, if any, and other materials relating to the use, damage, repair and maintenance of the Equipment, in each case upon the lines of the Lessee and/or any Permitted Sublessee during the Lessee's normal business hours, subject to the Lessee's standard security and safety rules and procedures and, unless a Lease Event of Default shall have occurred and be continuing, upon reasonable prior notice to the Lessee. No inspection pursuant to this Section 13.2 shall interfere with the use, operation or maintenance of the Equipment or the normal conduct of the Lessee's business. The Lessee agrees to cause any Permitted Sublessee to permit inspections contemplated by this Section 13.2 by the Lessor, the Owner Participant, any Loan Participant or the Indenture Trustee or their respective authorized representatives.

SECTION 14. EVENTS OF DEFAULT.

The following events shall constitute Lease Events of Default hereunder (whether any such event shall be voluntary or involuntary or come about or be effected 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) and each such Lease Event of Default shall be deemed to exist and continue so long as, but only as long as, it shall not have been remedied:

(a) the Lessee shall fail to make any payment of the Advance or Basic Rent, or any payment under Section 10.1(b), 10.2 or 11.2, within 5 Business Days after the same shall have become due; or

(b) the Lessee shall fail to make any other payment that it is required to make under the Operative Agreements (provided that any failure to pay any amount required to be paid by the Lessee under the Tax Indemnity Agreement or any failure of the Lessee to pay to the Lessor (in its individual or trust capacity) or the Owner Participant when due any amounts constituting Excepted Property required to be paid by the Lessee shall not constitute a Lease Event of

Default unless written notice is given by the Owner Participant to the Lessee that such failure shall constitute a Lease Event of Default), including without limitation, any payment of Supplemental Rent (other than under Section 10.1(b), 10.2 or 11.2), after the same shall have become due and such failure shall continue unremedied for a period of 10 Business Days after receipt by the Lessee of written notice of such failure from the Lessor, or the Indenture Trustee or any initial Participant; or

(c) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease in violation of Section 19.1 or the Lessee shall make or permit any unauthorized use or transfer of the possession of any Unit; or

(d) the Lessee shall fail to observe or perform any of the covenants or agreements to be observed or performed by the Lessee in Section 6.7 of the Participation Agreement; or

(e) the Lessee shall fail to maintain the insurance required by Section 12.1; or

(f) any representation or warranty made by the Lessee in this Lease or in any other Operative Agreement or in any other document or certificate furnished by the Lessee pursuant to the terms of the Operative Agreements (other than representations relating to tax matters) that was untrue or incorrect in any material respect as of the date of making thereof and such untruth or incorrectness shall continue to be material and unremedied after a period of 30 days following receipt by the Lessee of written notice thereof from the Lessor or the Indenture Trustee or any initial Participant; provided that if such untruth or incorrectness is capable of being remedied, but is not capable of being remedied within such 30-day period, then such untruth or incorrectness shall not constitute a Lease Event of Default for so long as the Lessee is diligently proceeding to remedy such untruth or incorrectness, so long as such failure to remedy such untruth or incorrectness will not result in the sale, forfeiture or loss of any Unit, but in no event shall such additional period exceed 90 days; or

(g) the Lessee shall (i) commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or (ii) consent to any such relief or to the appointment of or taking possession by any such official in any voluntary case or other proceeding commenced against it, or (iii) admit in writing its inability to pay its debts as they come due, or (iv) make a general assignment for the benefit of creditors,

or (v) take any corporate action to authorize any of the foregoing; or

(h) an involuntary case or other proceeding shall be commenced against the Lessee seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 90 days; or

(i) the Lessee shall fail to return all of the Units when required by the terms of Section 6.1; provided that no such failure to return any Unit shall constitute an Event of Default hereunder for a period of 60 days after the expiration of the Lease Term so long as the Lessee is (i) diligently proceeding to return the Units and (ii) complying with the provisions of Section 6.1; provided further that time is of the essence with respect to such 60-day period;

(j) the Lessee shall fail to observe or perform any other of the covenants or agreements to be observed or performed by the Lessee hereunder or under the Participation Agreement or any other Operative Agreement (other than the Tax Indemnity Agreement) and such failure shall continue unremedied for 30 days after notice from the Lessor or the Indenture Trustee or any initial Participant to the Lessee, specifying the failure and demanding the same to be remedied; provided that, if such failure is capable of being remedied and such remedy does not involve the payment of money alone and such failure cannot be remedied within such 30-day period, no such failure shall constitute a Lease Event of Default hereunder so long as the Lessee is diligently proceeding to remedy such failure, and so long as failure to remedy such failure will not result in the sale, forfeiture or loss of any Unit, but in no event shall such failure continue unremedied for a period in excess of 180 days;

provided that, notwithstanding anything to the contrary contained in this Lease, any failure of the Lessee to perform or observe any covenant or agreement herein shall not constitute a Lease Event of Default if such failure is caused solely by reason of an event referred to in the definition of "Event of Loss" so long as the Lessee is continuing to comply with the applicable terms of Section 11.

SECTION 15. REMEDIES.

15.1 Remedies. Upon the occurrence of any Lease Event of Default and at any time thereafter so long as the same shall be continuing, the Lessor may, at its option, declare this Lease

to be in default by a written notice to the Lessee (but this Lease shall be deemed to be in default in the event of the occurrence of an Event of Default under Section 14(g) or 14(h)); and at any time thereafter, so long as the Lessee shall not have remedied all outstanding Lease Events of Default, the Lessor may do one or more of the following as the Lessor in its sole discretion shall elect, to the extent permitted by, and subject to compliance with any mandatory requirement of, applicable law then in effect:

(a) proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or the other Operative Agreements or to recover damages for the breach thereof;

(b) by notice in writing to the Lessee, the Lessor may (x) rescind or cancel the Lease as to any or all Units; and/or (y) demand of the Lessee, and the Lessee shall, upon written demand of the Lessor and at the Lessee's expense, forthwith return any or all of the Equipment to the Lessor or its order in the manner and condition required by, and otherwise in accordance with all of the provisions of Section 15.5; or the Lessor with or without notice or judicial process may by its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be located and take possession of and remove all or any of the Units and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successor or assigns, to use such Units for any purpose whatever;

(c) sell any Unit at public or private sale, as the Lessor may determine, free and clear of any rights of the Lessee and without any duty to account to the Lessee with respect to such sale or for the proceeds thereof (except to the extent required by paragraph (f) below if the Lessor elects to exercise its rights under said paragraph), in which event the Lessee's obligation to pay Basic Rent with respect to such Unit hereunder due for any periods subsequent to date of such sale shall terminate (except to the extent that Basic Rent is to be included in computations under paragraph (e) or (f) below if the Lessor elects to exercise its rights under either of said paragraphs);

(d) hold, keep idle or lease to others any Unit as the Lessor in its sole discretion may determine, free and clear of any rights of the Lessee (other than those set forth in this Section 15) and without any duty to account to the Lessee with respect to such action or inaction or for any proceeds with respect thereto, except that the Lessee's obligation to pay Basic Rent with respect to such Unit due for any periods subsequent to the date upon which the Lessee shall have been deprived of possession and use of such Unit pursuant to this Section 15 shall be reduced by the net

proceeds, if any, received by the Lessor from leasing such Unit to any Person other than the Lessee;

(e) whether or not the Lessor shall have exercised, or shall thereafter at any time exercise, any of its rights under paragraph (a), (b), (c) or (d) above with respect to any Unit, the Lessor, by written notice to the Lessee specifying a payment date (for purposes of this paragraph (e), the "Payment Date") which shall be a Determination Date not earlier than 10 days after the date of such notice, may demand that the Lessee pay to the Lessor, and the Lessee shall pay to the Lessor, on account of any Unit selected by the Lessor, on the Payment Date, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Basic Rent for such Unit due after the Payment Date), all Rent due and payable, or accrued, for such Unit as of the Payment Date plus whichever of the following amounts the Lessor, in its sole discretion, shall specify in such notice: (i) an amount equal to the excess, if any, of the Stipulated Loss Value for such Unit, over the present value of the Fair Market Rental Value of such Unit (taking into account its actual condition) or, if the Lessor has leased such Unit to others pursuant to paragraph (d) above, for the period of such lease the periodic rent payable thereunder, in each case for the remainder of the Base Lease Term or any Renewal Term then in effect, as the case may be, as of the Payment Date, such present value to be computed on the basis of a per annum rate of discount equal to the Debt Rate, compounded semi-annually, from the respective dates upon which such rents would be paid; or (ii) an amount equal to the excess, if any, of the Stipulated Loss Value for such Unit computed as of the Payment Date over the Fair Market Sales Value of such Unit (taking into account its actual condition) as of the Payment Date or (iii) an amount equal to the higher of Stipulated Loss Value for such Unit computed as of the Payment Date and the Fair Market Sales Value of such Unit as of the Payment Date, and upon payment by Lessee pursuant to this clause (iii) of such Stipulated Loss Value or Fair Market Sales Value, as the case may be, and of all other amounts payable by Lessee under this Lease and under the other Operative Agreements in respect of such Unit, Lessor shall transfer without recourse or warranty all right, title and interest of Lessor in and to such Unit to Lessee or as it may direct, and Lessor shall execute and deliver such documents evidencing such transfer as Lessee shall reasonably request;

(f) if the Lessor shall have sold any Unit pursuant to paragraph (c) above, the Lessor, in lieu of exercising its rights under paragraph (e) above with respect to such Unit may, if it shall so elect, demand that the Lessee pay to the Lessor, and the Lessee shall pay to the Lessor, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Basic Rent for such Unit due

subsequent to the Rent Payment Date next preceding such sale), any accrued and unpaid Rent for such Unit arising in any period up to and including the date of such sale or, if that date is a Rent Payment Date, the Basic Rent payable in arrears due on that date, plus the amount, if any, by which the Stipulated Loss Value of such Unit computed as of the Rent Payment Date next preceding the date of such sale or, if such sale occurs on a Rent Payment Date, then computed as of such Rent Payment Date, exceeds the net proceeds of such sale, plus interest on such amounts from the date of such sale to the date of payment at the Late Rate; and/or

(g) the Lessor may exercise any other right or remedy that may be available to it at law, in equity or by statute.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid Rent due hereunder before, during and (in the case of Supplemental Rent only) after the exercise of any of the foregoing remedies, and for legal fees and other costs and expenses incurred by reason of the occurrence of any Lease Event of Default or the exercise of the Lessor's remedies with respect thereto, including, without limitation, the repayment in full of any costs and expenses necessary to be expended in repairing any Unit in order to cause it to be in compliance with all maintenance and regulatory standards imposed by this Lease.

15.2 Cumulative Remedies. The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims of any right to assert any offset or counterclaim against the rent payments due hereunder, and agrees to make the rent payments regardless of any offset or counterclaim or claim which may be asserted by the Lessee on its behalf in connection with the lease of the Equipment. To the extent permitted by applicable law, Lessee hereby waives any rights now or hereafter conferred by statute or otherwise that may require Lessor to sell, lease or otherwise use the Equipment in mitigation or Lessor's damages as set forth in Section 15.1 or that may otherwise limit or modify any of Lessor's rights and remedies provided in this Section 15.

15.3 No Waiver. No delay or omission to exercise any right, power or remedy accruing to the Lessor upon any breach or default by the Lessee under this Lease shall impair any such right, power or remedy of the Lessor, nor shall any such delay or omission be construed as a waiver of any breach or default, or of any similar breach or default, thereafter occurring; nor shall any waiver of a single breach or default be deemed a waiver of any subsequent breach or default.

15.4 Notice of Lease Default. The Lessee agrees to furnish to the Lessor, the Owner Participant and the Indenture Trustee, promptly upon any Responsible Officer becoming aware of any condition which constituted or constitutes a Lease Default or Lease Event of Default, written notice specifying such condition and the nature and status thereof.

15.5 The Lessee's Duty to Return Equipment Upon Default. (a) If the Lessor or any assignee of the Lessor shall demand return of all or any of the Equipment pursuant to this Section 15, the Lessee shall forthwith deliver possession of such Equipment to the Lessor. For the purpose of delivering possession of any Unit to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(i) forthwith place such Equipment upon such storage tracks of the Lessee, as the Lessor may designate;

(ii) permit the Lessor to store such Equipment on such tracks at the risk of the Lessee without charge for insurance (which shall conform to the provisions of Section 12 hereof), rent or storage until such Equipment has been sold, leased or otherwise disposed of by the Lessor and during such period of storage the Lessee shall continue to maintain all insurance required by Section 12.1 hereof; and

(iii) transport the Equipment to any place on the lines of railroad operated by the Lessee or its Subsidiaries or to any connecting carrier, all as the Lessor may direct in writing.

All Equipment returned shall be in the condition required by Sections 6.1(b) and 8.1. All logs, records, books and other materials relating to the use, damage, repair and maintenance of the Equipment required to be delivered by Section 6.1(e) shall be made available to the Lessor or its designee upon the return of the Equipment.

(b) The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and, upon application to any court having jurisdiction, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. Except as hereinafter provided, during any time a Unit is stored pursuant to Section 15.5(a)(ii), the Lessee will, at its own expense, maintain and keep the Equipment in the condition required by Section 8.1 hereof and will permit the Lessor or any Person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of any such Unit, to inspect the same. All amounts earned in

respect of the Units after the date of termination of this Lease shall belong to the Lessor or, so long as the Indenture has not been discharged pursuant to its terms, the Indenture Trustee, and, if received by the Lessee, shall be promptly turned over to the Lessor or the Indenture Trustee, as aforesaid.

(c) In the event any Unit is not assembled, delivered and stored as hereinabove provided within 15 days after the termination of this Lease, Lessee shall, in addition, pay to Lessor or, so long as the Indenture has not been discharged pursuant to its terms, the Indenture Trustee, as liquidated damages and not as a penalty, for each day thereafter an amount equal to the amount, if any, by which the higher of (i) an amount equal to the daily equivalent of the average Basic Rent for the Basic Term of such Unit of Equipment and (ii) 125% of the Fair Market Rental Value for such Unit for each such day, exceeds the amount, if any, received by the Lessor or the Indenture Trustee, as aforesaid (either directly or from the Lessee) for such day for such Unit pursuant to the last sentence of Section 15.5(b).

(d) Without in any way limiting the foregoing obligations of the Lessee under this Section 15.5, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

SECTION 16. FILINGS; FURTHER ASSURANCES.

16.1 Filings. On or prior to each Closing Date the Lessee will (i) cause this Lease (unless theretofore filed), the Lease Supplement dated such Closing Date, the Indenture (unless theretofore filed) and the Indenture Supplement dated such Closing Date to be duly filed and recorded with the ICC in accordance with 49 U.S.C. § 11303, (ii) cause this Lease (unless theretofore filed), this Lease Supplement dated such Closing Date, the Indenture (unless theretofore filed) and the Indenture Supplement dated such Closing Date to be deposited with the Registrar General of Canada pursuant to Section 90 of the Railway Act of Canada and cause notice of such deposit to be forthwith given in The Canada Gazette in accordance with said Section 90 and (iii) furnish the Lessor, the Indenture Trustee and the Owner Participant proof thereof.

16.2 Further Assurances. The Lessee will duly execute and deliver to the Lessor and the Indenture Trustee such further documents and assurances and take such further action as the Lessor or the Indenture Trustee may from time to time reasonably request or as may be required by applicable law in order to effectively carry out the intent and purpose of this Lease and to establish and protect the rights and remedies created in favor of the Lessor, the Owner Participant and the Indenture Trustee

hereunder, including, without limitation, the execution and delivery of supplements or amendments hereto, in recordable form, subjecting to this Lease any Replacement Unit and the recording or filing of counterparts hereof or thereof in accordance with the laws of such jurisdiction as the Lessor or the Indenture Trustee may from time to time deem advisable, and the filing of financing statements, including, without limitation, continuation statements, with respect thereto.

16.3 Expenses. The Lessee will pay all costs, charges and expenses (including reasonable attorneys' fees) incident to any such filing, refiling, recording and rerecording or depositing and re-depositing of any such instruments or incident to the taking of any such action.

SECTION 17. THE LESSOR'S RIGHT TO PERFORM.

If the Lessee fails to make any payment required to be made by it hereunder or fails to perform or comply with any of its other agreements contained herein, the Lessor may itself make such payment or perform or comply with such agreement, after giving not less than five Business Days' prior notice thereof to the Lessee (except in the event that an Indenture Default or Indenture Event of Default resulting solely from a Lease Default under clause (a) of Section 15 or a Lease Event of Default shall have occurred and be continuing, in which event the Lessor may effect such payment, performance or compliance to the extent necessary to cure such Indenture Default or Indenture Event of Default with notice given concurrently with or promptly after such payment, performance or compliance), but shall not be obligated hereunder to do so, and the amount of such payment and of the reasonable expenses of the Lessor incurred in connection with such payment or the performance of or compliance with such agreement, as the case may be, together with interest thereon at the Late Rate, to the extent permitted by applicable law, shall be deemed to be Supplemental Rent, payable by the Lessee to the Lessor on demand. No such performance or compliance by the Lessor shall be deemed a waiver of any rights and remedies against Lessee hereunder nor be deemed to cure any default by the Lessee hereunder.

SECTION 18. ASSIGNMENT BY THE LESSOR.

The Lessee and the Lessor hereby confirm that concurrently with the execution and delivery of this Lease, the Lessor has executed and delivered to the Indenture Trustee the Indenture, which assigns as collateral security and grants a security interest in favor of the Indenture Trustee in, to and under this Lease and certain of the Rent payable hereunder (excluding Excepted Property), all as more explicitly set forth in the Indenture to all of which the Lessee agrees. The Lessor agrees that it shall not otherwise assign or convey its right, title and interest in and to this Lease, the Equipment or any Unit, except as expressly permitted by and subject to the

provisions of the Participation Agreement, the Trust Agreement and the Indenture.

SECTION 19. ASSIGNMENT BY THE LESSEE.

19.1 Assignment. Except as provided in Section 6.7 of the Participation Agreement, the Lessee will not, without the prior written consent of the Lessor, assign any of its rights hereunder; nor will the Lessee sublease any of the Units without the prior written consent of the Lessor, except in accordance with Section 8.3.

19.2 Performance and Rights. The Lessee may cause any obligation imposed on the Lessee in this Lease to be performed by a permitted assignee or sublessee, even if stated herein as a direct obligation, and the performance of any such obligation by any permitted assignee or sublessee under an assignment or sublease agreement then in effect and permitted by the terms of this Lease shall constitute performance by the Lessee and discharge such obligation by the Lessee (it being understood that if such permitted assignee or sublessee shall fail to fully perform any such obligation, the Lessee shall not be discharged from performing such obligation). Except as otherwise expressly provided herein, any right granted to the Lessee in this Lease shall grant the Lessee the right to exercise such right or permit such right to be exercised by any such permitted assignee or sublessee; provided that the Lessee's termination rights under Section 10 and purchase and renewal options set forth in Section 22 may be exercised only by the Lessee itself or by any permitted assignee of, or successor to, the Lessee in a transaction permitted by Section 6.7 of the Participation Agreement. The inclusion of specific references to obligations or rights of any such assignee or sublessee in certain provisions of this Lease shall not in any way prevent or diminish the application of the provisions of the two sentences immediately preceding with respect to obligations or rights in respect of which specific reference to any such assignee or sublessee has not been made in this Lease.

SECTION 20. NOTICES.

Unless otherwise expressly specified or permitted by the terms hereof, all communications and notices provided for herein shall be in writing, and any such notice shall become effective (a) upon personal delivery thereof, including, without limitation, by overnight mail and courier service, (b) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt, or (c) in the case of notice by facsimile transmission, upon transmission thereof, provided such transmission is promptly confirmed by the methods set forth in clause (a) or (b) above, in each case addressed to the following Person at its respective address set forth below or at such other address as such Person

may from time to time designate by written notice to the other persons listed below:

If to the Lessor:

777 Main Street
Hartford, Connecticut 06115
Attention: Corporate Trust Administration - Southern Pacific Transportation Company (SPTC Trust No. 1993-1)
Telecopy Number: (203) 240-7920
Confirmation No.: (203) 986-7957

With copies to the Owner Participant (receipt of such copy, however, is not notice to the Owner Participant in such capacity)

If to the Owner Participant:

To the address set forth in Section 10.3 of the Participation Agreement

If to the Indenture Trustee:

750 Main Street - Suite 1114
Hartford, Connecticut 06103
Attention: Corporate Trust Department Southern Pacific Transportation Company (SPTC Trust No. 1993-1)
Telecopy Number: (203) 244-1899
Confirmation No.: (203) 244-1800

If to the Lessee:

Southern Pacific Transportation Company
Southern Pacific Building
One Market Plaza, 8th Floor
San Francisco, California 94105
Southern Pacific Building
Attention: Vice President-Finance
Telecopy Number: (415) 541-2932
Confirmation No.: (415) 541-2589

SECTION 21. CONCERNING THE INDENTURE TRUSTEE.

21.1 Limitation of Indenture Trustee's Liabilities. Notwithstanding any provision herein or in any of the Operative Agreements to the contrary, the Indenture Trustee's obligation to take or refrain from taking any actions, or to use its discretion (including, but not limited to, the giving or withholding of consent or approval and the exercise of any rights or remedies

under such Operative Agreements), and any liability therefor, shall, in addition to any other limitations provided herein or in the other Operative Agreements, be limited by the provisions of the Indenture, including, but not limited to, Section 5 thereof.

21.2 Right, Title and Interest of Indenture Trustee Under Lease. It is understood and agreed that the right, title and interest of the Indenture Trustee in, to and under this Lease and the Rent due and to become due hereunder shall by the express terms granting and conveying the same be subject to the interest of the Lessee in and to the Equipment as provided in this Lease.

SECTION 22. PURCHASE OPTIONS; RENEWAL OPTIONS.

22.1 Purchase Options. (a) Provided that no Lease Default or Lease Event of Default shall have occurred and be continuing, the Lessee shall have the right on the EBO Date, by irrevocable written notice delivered to the Lessor not less than 180 days (nor more than 270 days) prior to the EBO Date, to elect to purchase all (but not less than all) the Units then subject to this Lease for the fixed amounts set forth in Schedule 6 to the Participation Agreement. In the Event that the Lessee shall have so elected to purchase the Units, on the EBO Date, the Lessee at its option shall either (i) pay to the Lessor at the place of payment specified in Section 3.6 hereof in immediately available funds (A) an aggregate amount equal to the EBO Amount for all of the Units then subject to this Lease, plus (B) all Supplemental Rent due and payable on such EBO Date (including, without limitation, in respect of Make-Whole Premium, if any) plus (C) all Basic Rent due and payable in arrears on or prior to the EBO Date or (ii) assume all of the rights and obligations of the Owner Trustee under the Indenture and the Equipment Notes in accordance with Section 10.17 of the Participation Agreement and simultaneously shall pay to the Lessor at the place of payment specified in Section 3.6 hereof in immediately available funds an amount equal to the sum of (A) the excess of the aggregate amount equal to the EBO Amount for all of the Units then subject to this Lease over an amount equal to the principal of the outstanding Equipment Notes so assumed on the EBO Date, after taking into account any payments of principal made in respect of such outstanding Equipment Notes on the EBO Date, plus (B) the amounts specified in clauses (B) and (C) above. If the Lessee fails to fulfill its obligations under this Section 22.1(a) and pay all amounts due hereunder, this Lease shall continue in full force and effect.

(b) Provided that no Lease Event of Default shall have occurred and be continuing and the Lessee shall have duly given the notice required by Section 22.3 and by the next succeeding sentence of this Section 22.1, the Lessee shall have the right to purchase all (but not less than all) of the Units then subject to this Lease at the expiration of the Basic Term, any Fixed Rate Renewal Term or any Fair Market Renewal Term, at a price equal to the Fair Market Sales Value of such Units. The Lessee shall give

the Lessor irrevocable written notice not less than 120 days prior to the end of the Basic Term, the Fixed Rate Renewal Term or any Fair Market Renewal Term, as the case may be, of its election to exercise the purchase option provided for in this Section 22.1(b). Payment of the purchase price, together with all other amounts due and owing by the Lessee under the Operative Agreements, shall be made at the place of payment specified in Section 3.6 hereof in immediately available funds.

(c) Upon payment for the Units pursuant to the exercise by the Lessee of its right to purchase such Units pursuant to Section 22.1(a) or 22.1(b), the Lessor shall execute and deliver to the Lessee, or upon request of the Lessee, to the Lessee's assignee or nominee, a bill of sale (without warranties except as hereinafter provided in this sentence) for such Units such as will transfer to the Lessee title to such Units on an "as-is," "where-as" basis, free and clear of all Lessor Liens attributable to Lessor. The Lessor shall not be required to make any other representation or warranty as to the condition of the Units, and may specifically disclaim any such representations or warranties.

22.2 Renewal Options. (a) Provided that no Lease Default or Lease Event of Default shall have occurred and be continuing and the Lessee shall have duly given the notice required by Section 22.3, the Lessee shall have the right, upon no less than 120 days' prior irrevocable written notice to the Lessor, on the Basic Term Expiration Date, to renew this Lease with respect to all (but not less than all) of the Units for one renewal term for a period equal to the Renewal Length (as defined below) rounded downwards to the nearest half-year (the "Fixed Rate Renewal Term"); provided that (i) the aggregate duration of the Renewal Term for such Units (the "Renewal Length"), when added to the duration of the Interim Term for such Units and the Basic Term for such Units, shall not exceed 80% of the sum of (x) the Interim Term, (y) Basic Term and (z) the remaining estimated useful life of such Unit of Equipment at the time of such renewal and (ii) at the end of the Renewal Term, the Fair Market Sales Value of such Unit is reasonably expected to be at least 20% of the Equipment Cost of such Unit (determined after eliminating any inflation or deflation since the date of the purchase thereof but taking into account any costs of Lessor to obtain possession of the Equipment at the end of the Lease Term), in each case as determined by appraisal (in accordance with the procedures set forth in the definition of Fair Market Sales Value), completed no more than thirty days prior to the end of the Basic Term by an appraiser selected by the Lessee with the consent of Lessor, at rentals equal to 50% of the average annual Basic Rent (excluding for purposes of such average the Basic Rent paid on the Basic Term Commencement Date) of such Unit over the Basic Term payable in semiannual payments in arrears on the dates on which such Basic Rent was payable for such Units in each year of the Basic Term.

(b) Provided no Lease Default or Lease Event of Default shall have occurred and be continuing and the Lessee shall have duly given the notice required by Section 22.3, the Lessee shall have the right, upon irrevocable written notice given by the Lessee to the Lessor not less than 120 days prior to the end of the Fixed Rate Renewal Term or the previous Fair Market Renewal Term, to renew the Lease with respect to all (but not less than all) of the Units at the expiration of the Fixed Rate Renewal Term or any previous Fair Market Renewal Term, as the case may be, for a period of two years (each a "Fair Market Renewal Term"). The Lessee shall be entitled to a total of three Fair Market Renewal Terms. The Basic Rent for each Unit leased during each Fair Market Renewal Term shall be the Fair Market Rental Value of such Unit (calculated for semiannual arrears rental payments) for a period equal to the Fair Market Renewal Term, payable semiannually in arrears. The Fair Market Renewal Term shall commence immediately upon the expiration of the Fixed Rate Renewal Term or the then expiring Fair Market Renewal Term, as appropriate.

22.3 Election to Retain or Return Equipment. Not less than 270 days prior to the end of the Basic Term, the Lessee shall give the Lessor irrevocable notice of its decision to return or retain all (but not less than all) of the Units then subject to this Lease at the end of the Basic Term. Not less than 270 days prior to the end of the Fixed Rate Renewal Term and any Fair Market Renewal Term, the Lessee shall give the Lessor irrevocable notice of its decision to return or retain all but not less than all of the Units then subject to this Lease at the end of such Renewal Term. If the Lessee elects to retain such Units of Equipment, Lessee shall comply with Sections 22.1(b) and 22.1(c) and/or Section 22.2 hereof, as it may elect in accordance with the provisions thereof including the notice requirements stated therein. If Lessee fails to give the 270 days' notice required by this Section 22.3, Lessee shall be deemed to have irrevocably elected to return all of the Units at the end of the Basic Term or the applicable Renewal Term, as the case may be, in accordance with Section 6.

22.4 Appraisal. By written notice at least 120 days prior to the end of the Basic Term or a Renewal Term, the Lessee may request a determination of Fair Market Sales Value or Fair Market Rental Value with respect to the Units then subject to this Lease. Promptly following such written notice, the Lessor and the Lessee shall proceed to determine (x) the Fair Market Rental Value of such Units and (y) the Fair Market Sales Value of such Units as of the first day of the Renewal Term and the last day of such Renewal Term. All determinations are to be made in accordance with the definition of said terms in Appendix A to this Lease.

22.5 Stipulated Loss Value During Renewal Term. All of the provisions of this Lease, other than Section 10, shall be applicable during any Renewal Term for such Units, except as

specified in the next sentence. During any Renewal Term, the Stipulated Loss Value of any Unit shall be determined on the basis of the higher of the Fair Market Sales Value of such Unit and the last Stipulated Loss Value as of the first day of such Renewal Term, reduced in equal monthly increments to the projected Fair Market Sales Value of such Unit as of the last day of such Renewal Term; provided that in no event during any Fixed Rate Renewal Term shall the Stipulated Loss Value of any Unit be less than 20% of the Equipment Cost of such Unit.

SECTION 23. LIMITATION OF THE LESSOR'S LIABILITY.

It is expressly agreed and understood that all representations, warranties and undertakings of the Lessor hereunder (except as expressly provided herein) shall be binding upon the Lessor only in its capacity as Owner Trustee under the Trust Agreement and in no case shall Shawmut Bank Connecticut, National Association be personally liable for or on account of, any statements, representations, warranties, covenants or obligations stated to be those of the Lessor hereunder, except that the Owner Trustee (or any successor Owner Trustee) shall be personally liable for its gross negligence or wilful misconduct and for its breach of its covenants, representations and warranties contained herein to the extent covenanted or made in its individual capacity.

SECTION 24. INVESTMENT OF SECURITY FUNDS; MISCELLANEOUS.

Any moneys received by the Lessor or the Indenture Trustee pursuant to Section 12.2 which are required to be paid to the Lessee after the completion of repairs to be made pursuant to Section 12.2 and any moneys received by the Lessor or the Indenture Trustee which are required to be paid to the Lessee pursuant to Sections 11.4(a) or 11.5, as the case may be, until paid to the Lessee as provided in Section 11.4(a), 11.5 or 12.2 or as otherwise applied as provided herein or in the Trust Agreement and Indenture, shall be invested in Permitted Investments by the Lessor (unless the Indenture shall not have been discharged pursuant to the terms thereof, in which case, by the Indenture Trustee as provided in Section 5.4(b) of the Indenture) from time to time as directed in writing by the Lessee, so long as no Material Default or Lease Event of Default shall have occurred and be continuing, otherwise by the Owner Participant (unless the Indenture shall not have been discharged pursuant to the terms thereof, in which case, as provided in Section 5.4(b) of the Indenture), if such investments are reasonably available for purchase. There shall be promptly remitted to the Lessee, so long as no Lease Event of Default shall have occurred and be continuing, any gain (including interest received) realized as the result of any such investment (net of any fees, commissions and other expenses, if any, incurred in connection with such investment). The Lessee will promptly pay to the Lessor or the Indenture Trustee, as the case

may be, on demand, the amount of any net loss realized as the result of any such investment (together with any fees, commissions and other expenses, if any, incurred in connection with such investment), such amount to be held and disposed of in accordance with the terms hereof and of the Trust Agreement and the Indenture.

SECTION 25. MISCELLANEOUS.

25.1 Governing Law; Jurisdiction; Severability. (a) This Lease, and any extensions, amendments, modifications, renewals or supplements hereto shall be governed by and construed in accordance with the laws and decisions of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by any applicable Federal statute, rule or regulation.

(b) Jurisdiction. The Lessee (i) hereby irrevocably submits for itself and its property to the non-exclusive jurisdiction of the courts of the State of Illinois, and to the non-exclusive jurisdiction of the United States District Courts for the State of Illinois, for the purposes of any suit, action or other proceeding arising out of this Agreement, the subject matter of any thereof or any of the transactions contemplated hereby brought by any party or parties thereto, or their successors or assigns, and (ii) hereby waives, and agrees not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, to the extent permitted by applicable law, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper, or that this Lease or the subject matter hereof or any of the transactions contemplated hereby or thereby may not be enforced in or by such courts.

(c) Service of Process. The Lessee hereby generally consents to service of process by registered mail, return receipt requested, addressed to it at its address specified in Section 20.

(d) Judgments. Final judgment against the Lessee obtained in any suit in the courts of the State of Illinois or in any United States District Court for the State of Illinois shall be conclusive, and, to the extent permitted by applicable law, may be enforced in other jurisdictions by suit on the judgment, a certified or true copy of which shall be conclusive evidence of the fact and of the amount of any indebtedness or liability of the Lessee therein described; provided that the plaintiff may at its option bring suit, or institute other judicial proceedings against, the Lessee or any of its assets in the courts of any country or place where the Lessee or such assets may be found.

(e) Severability. Whenever possible, each provision of this Lease shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this

Lease shall be prohibited by or invalid under the laws of any jurisdiction, such provision, as to such jurisdiction, shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Lease as to such jurisdiction or in any other jurisdiction.

25.2 Execution in Counterparts. This Lease may be executed in any number of counterparts, each executed counterpart constituting an original and in each case such counterparts shall constitute but one and the same instrument; provided, however, that to the extent that this Lease constitutes chattel paper (as such term is defined in the Uniform Commercial Code) no security interest in this Lease may be created through the transfer or possession of any counterpart hereof other than the counterpart bearing the receipt therefor executed by the Indenture Trustee on the signature page hereof, which counterpart shall constitute the only "original" hereof for purposes of the Uniform Commercial Code.

25.3 Headings and Table of Contents; Section References. The headings of the sections of this Lease and the Table of Contents are inserted for purposes of convenience only and shall not be construed to affect the meaning or construction of any of the provisions hereof. All references herein to numbered sections, unless otherwise indicated, are to sections of this Lease.

25.4 Successors and Assigns. This Lease shall be binding upon the parties hereto and their respective successors and assigns and shall inure to the benefit of, and shall be enforceable by, the parties hereto and their respective permitted successors and assigns.

25.5 True Lease; Finance Lease. It is the intent of the parties to this Lease that it will be a true lease and a "finance lease" under Article 2A of the Uniform Commercial Code as in effect in the State of Illinois and not a "conditional sale", and that the Lessor shall at all times be considered to be the owner of each Unit which is the subject of this Lease for the purposes of all Federal, state, city and local income taxes or for franchise taxes measured by income, and that this Lease conveys to the Lessee no right, title or interest in any Unit except as lessee. Nothing contained in this Section 25.5 shall be construed to limit the Lessee's use or operation of any Unit in accordance with the terms hereof or to constitute a representation, warranty or covenant by the Lessee as to tax consequences.

25.6 Amendments and Waivers. No term, covenant, agreement or condition of this Lease may be terminated, amended or compliance therewith waived (either generally or in a particular instance, retroactively or prospectively) except by an instrument or instruments in writing executed by each party

hereto and except as may be permitted by the terms of the Indenture.

25.7 Survival. All warranties, representations indemnities and covenants made by either party hereto, herein or in any certificate or other instrument delivered by such party or on the behalf of any such party under this Lease, shall be considered to have been relied upon by the other party hereto and shall survive the consummation of the transactions contemplated hereby on each Closing Date regardless of any investigation made by either such party or on behalf of either such party.

25.8 Business Days. If the date on which any payment is to be made pursuant to this Agreement is not a Business Day, the payment otherwise payable on such date shall be payable on the next succeeding Business Day, and, provided any such payment is made on such succeeding Business Day, without any additional amount accruing with respect thereto, with the same force and effect as if made on the date when such payment is due.

25.9 Directly or Indirectly. Where any provision in this Lease refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

25.10 Incorporation by Reference. The obligations set forth in Sections 7.1 and 7.2 of the Participation Agreement are hereby incorporated by reference.

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 28TH of December, 1993, before me personally appeared ALAN B. COFFEY, to me personally known, who being by me duly sworn, said that he is ASSISTANT VICE PRESIDENT of SHAWMUT BANK CONNECTICUT, NATIONAL ASSOCIATION, that said instrument was signed on behalf of said national banking association on such day 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 association.

Teresa A. Mestas
Notary Public

[NOTARIAL SEAL]

OFFICIAL SEAL
TERESA A MESTAS
NOTARY PUBLIC STATE OF ILLINOIS
MY COMMISSION EXP. NOV. 14,1996

My commission expires: _____

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 28TH of December, 1993, before me personally appeared LYNN K. DUCKEN to me personally known, who being by me duly sworn, said that she is TREASURER of SOUTHERN PACIFIC TRANSPORTATION COMPANY, that said instrument was signed on behalf of said corporation on such day by authority of its Board of Directors, and she acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Teresa A. Mestas
Notary Public

[NOTARIAL SEAL]

OFFICIAL SEAL
TERESA A MESTAS
NOTARY PUBLIC STATE OF ILLINOIS
MY COMMISSION EXP. NOV. 14,1996

My commission expires: _____

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IN WITNESS WHEREOF, the Lessor and the Lessee have caused this Lease to be duly executed and delivered in Rosemont, Illinois by their respective officers on the day and year first above written.

LESSOR:

SHAWMUT BANK CONNECTICUT, NATIONAL ASSOCIATION,
not in its individual capacity except as otherwise expressly provided but solely as Owner Trustee

By: _____
Name: ALAN B. COFFEY
Title: ASSISTANT VICE PRESIDENT

LESSEE:

SOUTHERN PACIFIC TRANSPORTATION COMPANY

By: _____
Name: H K Duckett
Title: Treasurer

Receipt of the original counterpart of the foregoing Lease is hereby acknowledged this _____ day of December, 1993.*/

STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, as Indenture Trustee

By: NOT THE ORIGINAL
Name: _____
Title: _____

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*/ on chattel paper original only

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EXHIBIT A to
Equipment Lease Agreement

FORM OF

LEASE SUPPLEMENT (SPTC Trust No. 1993-1) NO. ____

Dated _____, 19__

between

SHAWMUT BANK CONNECTICUT, NATIONAL ASSOCIATION,
not in its individual
capacity except as expressly provided
herein but solely as Owner Trustee,
Lessor

and

SOUTHERN PACIFIC TRANSPORTATION COMPANY
Lessee

CERTAIN OF THE RIGHT, TITLE AND INTEREST OF THE LESSOR IN AND TO THIS LEASE SUPPLEMENT, THE EQUIPMENT COVERED HEREBY AND THE RENT DUE AND TO BECOME DUE UNDER THE LEASE HAVE BEEN ASSIGNED AS COLLATERAL SECURITY TO, AND ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, NOT IN ITS INDIVIDUAL CAPACITY BUT SOLELY AS INDENTURE TRUSTEE UNDER A TRUST INDENTURE AND SECURITY AGREEMENT (SPTC Trust No. 1993-1), DATED AS OF DECEMBER 15, 1993, BETWEEN SAID INDENTURE TRUSTEE, AS SECURED PARTY, AND THE LESSOR, AS DEBTOR. INFORMATION CONCERNING SUCH SECURITY INTEREST MAY BE OBTAINED FROM THE INDENTURE TRUSTEE AT ITS ADDRESS SET FORTH IN SECTION 20 OF THE LEASE. THIS LEASE SUPPLEMENT HAS BEEN EXECUTED IN SEVERAL COUNTERPARTS, BUT ONLY THE COUNTERPART TO BE DEEMED THE ORIGINAL COUNTERPART FOR CHATTEL PAPER PURPOSES CONTAINS THE RECEIPT THEREFOR EXECUTED BY STATE BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, AS INDENTURE TRUSTEE, ON THE SIGNATURE PAGES THEREOF. SEE SECTION 25.2 OF THE LEASE FOR INFORMATION CONCERNING THE RIGHTS OF THE ORIGINAL HOLDER AND THE HOLDERS OF THE VARIOUS COUNTERPARTS HEREOF.

Filed with the Interstate Commerce Commission pursuant
to 49 U.S.C. § 11303 on December __, 1993, at __:__ __.M.
Recordation Number ____, and deposited in the office
of the Registrar General of Canada pursuant to
Section 90 of the Railway Act of Canada on
December __, 1993, at __:__ __.M.

LEASE SUPPLEMENT (SPTC Trust No. 1993-1) NO. ___

LEASE SUPPLEMENT (SPTC Trust No. 1993-1) NO. ___ dated _____, 19__ (this "Lease Supplement") between SHAWMUT BANK CONNECTICUT, NATIONAL ASSOCIATION, not in its individual capacity but solely as Owner Trustee (the "Lessor") under the Trust Agreement, and SOUTHERN PACIFIC TRANSPORTATION COMPANY, a Delaware corporation (the "Lessee");

W I T N E S S E T H

WHEREAS, the Lessor and the Lessee have heretofore entered into that certain Equipment Lease Agreement (SPTC Trust No. 1993-1) dated as of December 15, 1993 (the "Lease"). Unless otherwise defined herein, capitalized terms used herein shall have the meanings specified in Appendix A to the Lease; and

WHEREAS, the Lease provides for the execution and delivery of a Lease Supplement on each Closing Date substantially in the form hereof for the purpose of confirming the acceptance and lease of the Units under the Lease in accordance with the terms thereof;

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, the Lessor and the Lessee hereby agree as follows:

1. Inspection and Approval. The Lessee hereby acknowledges and confirms that it has inspected and approved the Units set forth on Schedule 1 hereto and, as between the Lessor and the Lessee, such Units comply in all material respects with the specifications for such Units and are in good working order.

2. Delivery and Acceptance. The Lessor hereby confirms delivery and lease to the Lessee, and the Lessee hereby confirms acceptance and lease from the Lessor, under the Lease as hereby supplemented, of the Units listed on Schedule 1 hereto.

3. Warranty. The Lessee hereby represents and warrants that no event which would constitute an Event of Loss under the Lease has occurred with respect to the Units set forth on Schedule 1 hereto as of the date hereof.

4. Basic Rent, Stipulated Loss Values, Termination Values and EBO Amount. The Basic Rent payable under Section 3.2 of the Lease, Stipulated Loss Values, Termination Values and EBO Amount applicable in respect of the Units are set forth, respectively, on Schedules 3, 4, 5 and 6 to the Participation Agreement, as such Schedules may

be revised from time to time in accordance with the Operative Agreements.

5. Confirmation. The Lessee hereby confirms its agreement, in accordance with the Lease as supplemented by this Lease Supplement, to pay Rent to the Lessor for each Unit leased hereunder as provided for in the Lease.

6. Incorporation into Lease. This Lease Supplement shall be construed in connection with and as part of the Lease, and all terms, conditions and covenants contained in the Lease, as supplemented by this Lease Supplement, shall be and remain in full force and effect.

7. References. Any and all notices, requests, certificates and other instruments executed and delivered concurrently with or after the execution and delivery of this Lease Supplement may refer to the "Equipment Lease Agreement, dated as of December 15, 1993", or may identify the Lease in any other respect without making specific reference to this Lease Supplement, but nevertheless all such references shall be deemed to include this Lease Supplement, unless the context shall otherwise require.

8. Counterparts. This Lease Supplement may be executed in any number of counterparts, each executed counterpart constituting an original but all together one and the same instrument; provided that to the extent that this Lease Supplement constitutes chattel paper (as such term is defined in the Uniform Commercial Code) no security interest in this Lease Supplement may be created through the transfer or possession of any counterpart hereof other than the counterpart bearing the receipt therefor executed by the Indenture Trustee on the signature page hereof, which counterpart shall constitute the only "original" hereof for purposes of the Uniform Commercial Code..

9. Governing Law. This Lease Supplement shall be governed by, and construed in accordance with, the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by any applicable Federal statute, rule or regulation.

IN WITNESS WHEREOF, the Lessor and the Lessee have caused this Lease Supplement to be duly executed and delivered in Rosemont, Illinois on the day and year first above written.

LESSOR:

SHAWMUT BANK CONNECTICUT, NATIONAL ASSOCIATION, not in its individual, but solely as Owner Trustee

By:_____
Name:_____
Title:_____

LESSEE:

SOUTHERN PACIFIC TRANSPORTATION COMPANY

By:_____
Name:_____
Title:_____

Receipt of the original counterpart of the foregoing Lease Supplement is hereby acknowledged this _____ day of _____.*/

STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, as Indenture Trustee

By:_____
Name:_____
Title:_____

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*/ on chattel paper original only

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STATE OF _____)
) SS
COUNTY OF _____)

On this _____ of December, 1993, before me personally appeared _____, to me personally known, who being by me duly sworn, said that he is _____ of SHAWMUT BANK CONNECTICUT, NATIONAL ASSOCIATION, that said instrument was signed on behalf of said national banking association on such day 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 association.

_____
Notary Public

[NOTARIAL SEAL]

My commission expires: _____

STATE OF _____)
) SS
COUNTY OF _____)

On this _____ of December, 1993, before me personally appeared _____, to me personally known, who being by me duly sworn, said that he is _____ of SOUTHERN PACIFIC TRANSPORTATION COMPANY, that said instrument was signed on behalf of said corporation on such day 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.

_____
Notary Public

[NOTARIAL SEAL]

My commission expires: _____

Schedule 1

UNITS

No. of Units	Description	Road Numbers

075311\0006\00780\93C99NAF.LEE

APPENDIX A
Participation Agreement
Equipment Lease Agreement
Trust Indenture and Security Agreement

DEFINITIONS

General Provisions

The following terms shall have the following meanings for all purposes of the Operative Agreements referred to below, unless otherwise defined in an Operative Agreement or the context thereof shall otherwise require and such meanings shall be equally applicable to both the singular and the plural forms of the terms herein defined. In the case of any conflict between the provisions of this Appendix A and the provisions of the main body of any Operative Agreement, the provisions of the main body of such Operative Agreement shall control the construction of such Operative Agreement.

Unless the context otherwise requires, references (i) to agreements shall be deemed to mean and include such agreements as the same may be amended, supplemented and otherwise modified from time to time, and (ii) to parties to agreements shall be deemed to include the permitted successors and assigns of such parties.

Defined Terms

"Additional Storage Period" shall have the meaning specified in Section 6.1(e) of the Lease.

"Advance" shall have the meaning specified in Section 3.5 of the Lease.

"Affiliate" of any Person shall mean any other Person which directly or indirectly controls, or is controlled by, or is under a common control with, such Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and the term "controlled" shall have a meaning correlative to the foregoing.

"After-Tax Basis" means with respect to any payment to be received by an Indemnified Person (which, for purposes of this definition, shall include any Tax Indemnitee and, for purposes of the Tax Indemnity Agreement, the Owner Participant (as defined therein)), the amount of such payment supplemented by a further payment or payments so that, after deducting from such payments the amount of all Taxes (net of any current credits, deductions

or other Tax benefits arising from the payment by the Indemnified Person of any amount, including Taxes, for which the payment to be received is made) actually imposed currently on the Indemnified Person by any governmental authority or taxing authority with respect to such payments, the balance of such payments shall be equal to the original payment to be received; provided, however, for the purposes of this definition, it shall be assumed that for the Owner Participant (or any Affiliate thereof) as an Indemnified Person, federal, state and local taxes are payable at the highest marginal federal, state and local statutory income tax rates applicable to corporations from time to time.

"All-in PV" shall mean the net present value (computed using a discount rate of 7.22%) of (i) the aggregate Basic Rent due and payable through and including the EBO Date (excluding any Basic Rent due on the EBO Date that is denominated as an advance Basic Rent payment) and (ii) the EBO Amount.

"Appraisal" shall have the meaning specified in Section 4.2(a) of the Participation Agreement.

"Bankruptcy Code" shall mean the United States Bankruptcy Reform Act of 1978, as amended from time to time, 11 U.S.C. § 101 et seq.

"Basic Rent" shall mean, with respect to any Unit of Equipment, all rent payable by the Lessee to the Lessor pursuant to Section 3.2 of the Lease for the Basic Term for such Unit, and all rent payable pursuant to Section 22.2 of the Lease for any Renewal Term for such Unit.

"Basic Term" shall have the meaning specified in Section 3.1 of the Lease.

"Basic Term Commencement Date" shall mean July 2, 1994.

"Basic Term Expiration Date", shall mean the date which is twenty-one years after the Basic Term Commencement Date.

"Beneficial Interest" shall mean the interest of the Owner Participant under the Trust Agreement.

"Bill of Sale" shall mean the bill of sale, dated a Closing Date, or the date that any Replacement Unit is subjected to the Lease (and the Lien of the Indenture, if the Indenture has not been discharged pursuant to the terms thereof), from the Manufacturer (or the Lessee, in the case of a Replacement Unit) to the Owner Trustee covering the Units delivered on such Closing Date or such Replacement Unit, as the case may be, substantially in the form of Exhibit D-1 to the Participation Agreement.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which commercial banking

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor law.

"Event of Default" shall mean a Lease Event of Default.

"Event of Loss" shall have the meaning specified in Section 11.1 of the Lease.

"Excepted Property" shall mean (i) all indemnity payments or other payments (including, without limitation, payments pursuant to Section 7 of the Participation Agreement or payments under the Tax Indemnity Agreement, payments under Section 17 of the Lease and any corresponding payments under Section 3.3 of the Lease) to which the Owner Participant, the Owner Trustee in its individual capacity or any of their respective successors, Affiliates, permitted assigns, directors, officers, employees, servants and agents is entitled pursuant to the Operative Agreements, (ii) any insurance proceeds payable under insurance maintained by the Owner Trustee in its individual capacity or the Owner Participant pursuant to Section 12.3 of the Lease, (iii) any insurance proceeds (or governmental payments in lieu thereof) payable to the Owner Trustee in its individual capacity or to the Owner Participant under any public liability insurance maintained by the Lessee pursuant to Section 12 of the Lease or by any other Person, (iv) any amount payable to the Owner Participant by any Transferee as the purchase price of the Beneficial Interest in compliance with the terms of the Participation Agreement and the Trust Agreement, (v) any rights of the Owner Participant or the Owner Trustee in its individual capacity to demand, collect, sue for, or otherwise receive and enforce payment of the amounts described in the foregoing clauses (i) through (v), and (vi) the respective rights of the Owner Trustee in its individual capacity or the Owner Participant to the proceeds of the foregoing.

"Fair Market Renewal Term" shall have the meaning specified in Section 22.2(b) of the Lease.

"Fair Market Rental Value" or "Fair Market Sales Value", with respect to any Unit shall mean the cash rent or cash price obtainable for such Unit in an arm's-length lease or sale between an informed and willing lessee or purchaser under no compulsion to lease or purchase, as the case may be, and an informed and willing lessor or seller, under no compulsion to lease or sell, as the case may be. In making such determination, costs of removal from the location of current use shall not be a deduction from such rent or purchase price and it shall be assumed that the Units have been collected in one place on the lines of the Lessee as directed by the Lessor. Fair Market Rental Value or Fair Market Sales Value of any Unit shall be determined, except as otherwise provided in any Operative Agreement, on the assumption that such Unit is in the condition and state of repair required under Section 8.1 of the Lease and

that Lessee is in compliance with the Lease and the other Operative Agreements. If the parties are unable to agree upon a Fair Market Rental Value and/or a Fair Market Sales Value within 30 days after delivery of the appropriate notice pursuant to Section 22 of the Lease or if Fair Market Rental Value or Fair Market Sales Value are to be determined for the purposes of Section 15 of the Lease, such values shall be determined by the following appraisal procedure. Determinations under this appraisal procedure shall be conclusively binding on both the Lessor and the Lessee. If either the Owner Participant or the Lessee shall have given written notice to the other requesting determination of such rental or purchase price by this appraisal procedure, such parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 15 Business Days after such notice is given, each such party shall appoint an independent appraiser within 20 Business Days after such notice is given, and the two appraisers so appointed shall within 15 Business Days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 15 Business Days after such notice is given, either such party may request the American Arbitration Association to make such appointment, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Rental Value or the Fair Market Sales Value, as the case may be, of the Units then to be appraised, within 30 days after his or their appointment. If such parties shall have appointed a single appraiser or if either such party shall have failed to appoint an appraiser, the determination of Fair Market Rental Value or Fair Market Sales Value, as the case may be, of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from that of the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding as the Fair Market Rental Value or Fair Market Sales Value, as the case may be. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Rental Value or Fair Market Sales Value, as the case may be, and shall be in lieu of any judicial or other procedure for the determination thereof, and each party to the Lease hereby consents and agrees not to assert any judicial or other procedures. If a mutually acceptable appraiser is selected, Lessor and Lessee shall each bear one half of the cost thereof. If three appraisers are selected as provided above, the Lessee shall bear the cost of the appraiser selected by Lessee, the Lessor shall bear the cost of the appraiser selected by Lessor and the Lessee and the Lessor shall equally share the cost of the third appraiser. If such appraisal is in connection with the exercise of remedies set forth in Section 15 of the Lease, the

Lessee shall pay the costs of such appraisal. Notwithstanding any of the foregoing, for the purposes of Section 15 of the Lease, the Fair Market Rental Value or the Fair Market Sales Value, as the case may be, shall be zero with respect to any Unit if the Lessor theretofore has not been able to recover possession of such Unit in accordance with the terms of paragraph (b) of Section 15.1 of the Lease.

"Fixed Rate Renewal Term" shall have the meaning specified in Section 22.2(a) of the Lease.

"Governmental Authority" shall mean any nation or government, any state or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Hazardous Substances" shall mean any hazardous or toxic substances, wastes, materials or chemicals, petroleum (including crude oil or any fraction thereof), and petroleum products, asbestos and asbestos-containing materials, polychlorinated biphenyls, pollutants, contaminants, and any other materials and substances regulated pursuant to, or which may give rise to liability under, Environmental Law.

"ICC" shall mean the Interstate Commerce Commission or any successor thereto.

"Indemnified Person" shall have the meaning specified in Section 7.2(b) of the Participation Agreement.

"Indenture or "Trust Indenture" shall mean the Trust Indenture and Security Agreement (SPTC Trust No. 1993-1), dated as of December 15, 1993 between the Owner Trustee, in the capacities described therein, and the Indenture Trustee, as amended, supplemented or otherwise modified from time to time, including supplementation by each Indenture Supplement pursuant thereto.

"Indenture Default" shall mean an Indenture Event of Default or an event which with notice or the lapse of time or both would become an Indenture Event of Default.

"Indenture Estate" shall have the meaning specified in the Granting Clause of the Indenture.

"Indenture Event of Default" shall have the meaning specified in Section 4.1 of the Indenture.

"Indenture Supplement" shall mean an Indenture Supplement (SPTC Trust No. 1993-1) dated a Closing Date or the date that any Replacement Unit is subjected to the Lien and security interest of the Indenture, substantially in the form of Exhibit B to the Indenture, of the Owner Trustee, in the

capacities described therein, covering the Units related to such Closing Date or such Replacement Unit, as the case may be.

"Indenture Trustee" shall mean State Street Bank and Trust Company of Connecticut, National Association, a national banking association, as a trustee under the Indenture and its successors thereunder.

"Indenture Trustee Agreements" shall mean the Operative Agreements to which the Indenture Trustee is or will be a party.

"Indenture Trustee Parent Guaranty" shall mean the Guaranty (SPTC Trust No. 1993-1), dated as of December 15, 1993, by State Street Bank and Trust Company, substantially in the form of Exhibit P to the Participation Agreement.

"Interchange Rules" shall mean the interchange rules or supplements thereto of the Mechanical Division of the Association of American Railroads, as the same may be in effect from time to time.

"Interim Interest" shall have the meaning specified in Section 2.2(c) of the Participation Agreement.

"Interim Lease": shall mean that certain Interim Lease Agreement dated as of November 1, 1993, between the Lessee and the Manufacturer, as amended, supplemented or otherwise modified from time to time.

"Interim Lease Termination" shall mean an interim lease termination, dated a Closing Date, terminating the Interim Lease with respect to the Units delivered on such Closing Date, substantially in the form of Exhibit D-3 to the Participation Agreement.

"Interim Term" shall have the meaning specified in Section 3.1 of the Lease.

"Investment Banker" shall mean an independent investment banking institution of national standing appointed by the Lessee.

"Late Rate" shall mean (i) with respect to the portion of any payment of Rent that would be required to be distributed to the Loan Participants pursuant to the terms of the Indenture, the rate per annum (calculated on the basis of a 360-day year consisting of twelve 30-day months) equal to the lesser of (a) the greater of (1) 1% over the Debt Rate and (2) 1% over the Prime Rate, and (b) the maximum interest rate from time to time permitted by law, and (ii) with respect to the portion of any payment of Rent that would be required to be distributed to the Lessor pursuant to the terms of the Indenture or would be payable directly to the Lessor, the Owner Participant or the Owner Trustee, in its individual capacity, the rate per annum

"Determination Date" shall mean the 2nd day of any calendar month.

"DOT" shall have the meaning specified in Section 8.1 of the Lease.

"EBO Amount" shall mean, with respect to any Unit as of the EBO Date, the amount applicable to such Unit set forth in Schedule 6 to the Participation Agreement.

"EBO Date" shall mean January 2, 2009.

"Environmental Laws" shall mean any and all Federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees or requirements of any governmental authority regulating, relating to or imposing liability standards of conduct concerning pollution or protection of human health or the environment, as now or may at any time hereafter be in effect, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, the Solid Waste Disposal Act, the Clean Air Act, the Clean Water Act, the Superfund Amendments and Reauthorization Act of 1986, the Emergency Planning and Community-Right-to-Know Act, the Resource Conservation and Recovery Act, the Safe Drinking Water Act, the Endangered Species Act, the Toxic Substances Control Act and the Occupational Safety and Health Act, together, in each case, with each amendment, supplement or other modification thereto, and the regulations promulgated thereunder and all substitutions therefor.

"Equipment" shall mean collectively those locomotives described in the Lease Supplements and the Indenture Supplements, together with any and all appliances, parts, instruments, accessories, furnishings, other equipment, accessions, additions, improvements, substitutions and replacements from time to time incorporated or installed in any item thereof and any and all appliances, parts, instruments, accessories, furnishings and other equipment which remain the property of the Owner Trustee after removal pursuant to the terms of the Lease.

"Equipment Cost" shall mean, for each Unit, the purchase price therefor specified on Schedule 1 to the Participation Agreement.

"Equipment Notes" shall mean the Equipment Notes, each to be substantially in the form therefor set forth in Exhibit A to the Indenture, issued by the Owner Trustee pursuant to Section 2.1 of the Indenture, and authenticated by the Indenture Trustee, in principal amounts and bearing interest at the rates and payable as provided in Section 2.1 of the Indenture and secured as provided in the Granting Clause of the Indenture, and shall include any Equipment Notes issued in exchange therefor or replacement thereof pursuant to Section 2.6 or 2.7 of the Indenture.

institutions are authorized or required by law, regulation or executive order to be closed in New York, New York, San Francisco, California, Boston, Massachusetts, the city and state (if different from the foregoing) in which the principal corporate trust office of the Owner Trustee is located, or, until the Lien of the Indenture has been discharged pursuant to the terms thereof, the city and state (if different from the foregoing) in which the principal corporate trust office of the Indenture Trustee is located.

"Certificate of Acceptance" shall have the meaning specified in Section 2.3(b) of the Participation Agreement.

"Change in Tax Law" shall mean, with respect to the Equipment delivered on a given Closing Date, a change, amendment, modification, addition or deletion (whether proposed, temporary or final) in or to the Code, any regulation thereunder or any revenue ruling, revenue procedure or other published administrative determination, or a decision of any court, in each case after the execution and delivery of the Participation Agreement.

"Claims" shall have the meaning specified in Section 7.2(a) of the Participation Agreement.

"Class I Railroad" shall mean a "Class I Carrier" within the meaning of 49 C.F.R. Part 1201 which is a railroad operating within the jurisdiction of the Interstate Commerce Commission pursuant to Title 49 of the U.S. Code.

"Closing" shall have the meaning specified in Section 2.3(a) of the Participation Agreement.

"Closing Date" shall have the meaning specified in Section 2.3(a) of the Participation Agreement.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Commitment", with respect to the Owner Participant, shall have the meaning specified in Section 2.2(a) of the Participation Agreement and with respect to each Loan Participant, shall have the meaning specified in Section 2.2(b) of the Participation Agreement.

"Debt Amortization" with respect to any Equipment Note shall mean the amortization schedule of principal payments applicable thereto.

"Debt Rate" shall mean as of the date of determination, a rate equal to the scheduled rate of interest per annum borne by the Equipment Notes then outstanding (computed on the basis of a year of 360 days consisting of twelve 30-day months).

(calculated on the basis of a 360-day year consisting of twelve 30-day months) equal to the lesser of (a) 2% over the Prime Rate and (b) the maximum interest rate from time to time permitted by law.

"Lease" or "Lease Agreement" or "Equipment Lease" shall mean the Equipment Lease Agreement (SPTC Trust No. 1993-1), relating to the Equipment, dated as of December 15, 1993 between the Owner Trustee, in the capacities described therein, as the Lessor, and the Lessee, as amended, supplemented or otherwise modified from time to time. Such terms shall include each Lease Supplement entered into pursuant to the terms of the Lease.

"Lease Default" shall mean a Lease Event of Default, an Event of Default or an event which with notice or lapse of time or both would become a Lease Event of Default.

"Lease Event of Default" and "Event of Default" shall have the meanings specified in Section 14 of the Lease.

"Lease Supplement" shall mean a Lease Supplement (SPTC Trust No. 1993-1), dated a Closing Date or the date that any Replacement Unit is subjected to the Lease, substantially in the form of Exhibit A to the Lease, between the Lessor and the Lessee, covering the Units related to such Closing Date or such Replacement Unit, as the case may be.

"Lease Term" shall mean, with respect to any Unit, the Interim Term applicable to such Unit, the Basic Term applicable to such Unit and any Renewal Term applicable to such Unit then in effect.

"Lessee" shall mean Southern Pacific Transportation Company, a Delaware corporation and any successor or assign permitted under Section 6.7 of the Participation Agreement.

"Lessee Agreements" shall mean the Operative Agreements to which Lessee is a party.

"Lessee Person" shall have the meaning specified in Section 18 of the Tax Indemnity Agreement.

"Lessor" shall have the meaning specified in the recitals to the Lease.

"Lessor's Liens" means any Lien affecting, on or in respect of the Equipment, the Lease or the Trust Estate arising as a result of (i) claims against the Lessor (in its individual capacity or as Owner Trustee) or the Owner Participant, not related to the transactions contemplated by the Operative Agreements, or (ii) acts or omissions of the Lessor (in its individual capacity or as Owner Trustee) or the Owner Participant, not related to the transactions contemplated by the Operative Agreements or in breach of any covenant or agreement of

to Maturity of the Equipment Notes then being prepaid. If no maturity exactly corresponding to such Weighted Average Life to Maturity of such Equipment Notes shall appear therein, the weekly average yield for the two most closely corresponding published maturities shall be calculated pursuant to the foregoing sentence and the Treasury Rate shall be interpolated from such yields on a straight-line basis (rounding, in the case of relevant periods, to the nearest month).

"Weighted Average Life to Maturity" with respect to any Equipment Notes shall mean, as at the time of determination, the number of years obtained by dividing the then Remaining Dollar-years of such Equipment Notes by the sum of the remaining scheduled principal payments on such Equipment Notes. The term "Remaining Dollar-years" of the Equipment Notes means the product obtained by (a) multiplying (i) the amount of each then scheduled required principal payment (including payment at final maturity), by (ii) the number of years (calculated to the nearest one-twelfth) which will elapse between the date of determination of the Weighted Average Life to Maturity of the Equipment Notes and the date of such required payment is due, and (b) totalling all the products obtained in (a).

"Manufacturer" shall mean General Motors Corporation, a Delaware corporation.

"Material Default" shall mean a Lease Default under Section 14(a), 14(b), 14(c), 14(d), 14(e), 14(g) or 14(h) of the Lease.

"Modification" shall have the meaning specified in Section 9.2 of the Lease.

"Net Economic Return" shall mean (a) the net-after tax yield and (b) total net-after tax cash flows ((i) preserving 100% of its anticipated annual net after-tax cash flow in each of the first five years following the first Closing Date and (ii) preserving its anticipated annual net after-tax cash flows during the years after such five-year period within a range of 90% to 110% of the amounts originally anticipated for any such year in such period, so long as the anticipated total net after-tax cash flows are preserved for such period) expected by the original Owner Participant with respect to the Equipment, utilizing the multiple investment sinking fund method of analysis and the same assumptions as used by such Owner Participant (including the Tax Assumptions set forth in Section 2 of the Tax Indemnity Agreement) in making the original computations of Basic Rent, Stipulated Loss Value, Termination Value and EBO Amount initially set forth in Schedules 3, 4, 5 and 6 to the Participation Agreement.

"Non-Severable Modification" shall mean any Modification that is not readily removable without causing material damage to the Equipment or any Unit.

"Notice of Delivery" shall have the meaning specified in Section 2.3(a) of the Participation Agreement.

"Officer's Certificate" shall mean a certificate signed (i) in the case of a corporation, by the President, any Vice President, any Assistant Vice President, the Treasurer or an Assistant Treasurer, (ii) in the case of a partnership by the President, any Vice President, the Treasurer or an Assistant Treasurer of a corporate general partner, and (iii) in the case of a commercial bank or trust company, the Chairman or Vice Chairman of the Executive Committee of the Treasurer, any Vice President, any Trust Officer or any other officer customarily performing the functions similar to those performed by the persons who at the time shall be such officers, or to whom any corporate trust matter is referred because of his knowledge of and familiarity with the particular subject.

"Operative Agreements" shall mean the Participation Agreement, the Bills of Sale, the Trust Agreement, the Equipment Notes, the Lease (including each Lease Supplement), the Indenture (including each Indenture Supplement), the Tax Indemnity Agreement, the Purchase Agreement Assignment, the Certificates of Acceptance and the Indenture Trustee Parent Guaranty.

"Optional Modification" shall have the meaning specified in Section 9.2 of the Lease.

"Owner Participant" shall mean PMCC Leasing Corporation, a Delaware corporation, and its permitted successors and assigns.

"Owner Participant Agreements" shall mean the Operative Agreements to which the Owner Participant is or will be a party.

"Owner Trustee" shall mean Shawmut Bank Connecticut, National Association, a national banking association, not in its individual capacity but solely as Owner Trustee under the Trust Agreement and its successors thereunder.

"Owner Trustee Agreements" shall mean the Operative Agreements to which the Owner Trustee, either in its individual capacity or as Owner Trustee, is or will be a party.

"Participants" shall mean the Owner Participant and the Loan Participants.

"Participation Agreement" shall mean the Participation Agreement (SPTC Trust No. 1993-1), dated as of December 15, 1993, among the Lessee, the Owner Trustee, in the capacities described therein, the Owner Participant, the Loan Participants and the

Indenture Trustee, in the capacities described therein, as amended, supplemented or modified from time to time.

"Permitted Investments" shall mean (i) direct obligations of the United States of America and agencies thereof for which the full faith and credit of the United States is pledged, (ii) obligations fully guaranteed by the United States of America, (iii) certificates of deposit issued by, or bankers' acceptances of, or time deposits with, any bank, trust company or national banking association (in each case excluding the Lessee and its Affiliates) incorporated or doing business under the laws of the United States of America or one of the States thereof having combined capital and surplus and retained earnings of at least $1,000,000,000 (including the Indenture Trustee and the Owner Trustee if such conditions are met) and having a rating assigned to the long-term unsecured debt of such institutions by Standard & Poor's Corporation and Moody's Investors Service, Inc. at least equal to AA and Aa2, respectively, and (iv) commercial paper of companies, banks, trust companies or national banking associations (in each case excluding the Lessee, the Owner Participant and their respective Affiliates) incorporated or doing business under the laws of the United States of America or one of the States thereof and in each case having a rating assigned to such commercial paper by Standard & Poor's Corporation or Moody's Investors Service, Inc. (or, if neither such organization shall rate such commercial paper at any time, by any nationally recognized rating organization in the United States of America) equal to the highest rating assigned by such organization; provided that if all of the above investments are unavailable, the entire amount to be invested may be used to purchase Federal Funds from an entity described in clause (iii) above; provided, further, that no investment shall be eligible as a "Permitted Investment" unless the final maturity or date of return of such investment is 90 days or less from the date of purchase thereof.

"Permitted Liens", with respect to the Equipment and each Unit thereof, shall mean: (i) the interests of the Lessee and the Owner Trustee under the Lease; (ii) the interest of the Lessee and any sublessee as provided in any sublease permitted pursuant to Section 8.3 of the Lease; (iii) any Liens thereon for taxes, assessments, levies, fees and other governmental and similar charges not due and payable or the amount or validity of which is being contested in good faith by appropriate proceedings so long as there exists no material risk of sale, forfeiture or loss of, or loss or interference with use or possession of, or diminution of value, utility or useful life of, any Unit or any interest therein, or any risk of interference with the payment of Rent, and such contest would not result in, or increase the risk of, the imposition of any criminal liability on any Indemnified Person; (iv) any Liens of mechanics, suppliers, materialmen, laborers, employees, repairmen and other like Liens arising in the ordinary course of the Lessee's (or if a sublease permitted pursuant to Section 8.3 of the Lease is then in effect, any

sublessee's) business securing obligations which are not due and payable or the amount or validity of which is being contested in good faith by appropriate proceedings so long as there exists no material risk of sale, forfeiture or loss of, or loss or any risk of interference with use or possession of, or diminution of value, utility or useful life of, any Unit or any interest therein, or interference with the payment of Rent, and such contest would not result in, or increase the risk of, the imposition of any criminal liability on any Indemnified Person; (v) the Lien and security interest granted to the Indenture Trustee under and pursuant to the Indenture, and the respective rights of the Loan Participants, the Indenture Trustee, the Owner Participant and the Owner Trustee under the Operative Agreements; (vi) Liens arising out of any judgment or award against the Lessee (or any sublessee permitted pursuant to Section 8.3 of the Lease) with respect to which an appeal or proceeding for review is being taken in good faith and with respect to which there shall have been secured a stay of execution pending such appeal or proceeding for review so long as (a) there exists no material risk of sale, forfeiture or loss of, or loss or interference with the use or possession of, or diminution of value, utility or useful life of, any Unit or any interest therein, or any risk of interference with the payment of Rent, (b) such contest would not result in, or increase the risk of, the imposition of any criminal liability on any Indemnified Person and (c) adequate reserves with respect to the payment of such judgment or award are maintained in accordance with generally accepted accounting principles; and (vii) salvage rights of insurers under insurance policies maintained by the Lessee pursuant to Section 12 of the Lease.

"Permitted Sublease" shall have the meaning specified in Section 8.3(a) of the Lease.

"Permitted Sublessee" shall mean any sublessee of the Equipment under a Permitted Sublease.

"Person" shall mean an individual, partnership, corporation, trust, association or unincorporated organization, and a government or agency or political subdivision thereof.

"Prime Rate" shall mean the rate announced from time to time by Citibank, N.A., in New York, as its "base rate".

"Purchase Agreement" shall mean that certain Purchase Agreement, dated as of November 1, 1993, between the Lessee and the Manufacturer, as amended, supplemented or otherwise modified from time to time.

"Purchase Agreement Assignment" shall mean that certain Purchase Agreement Assignment (SPTC Trust No. 1993-1), dated as of December 15, 1993, between the Lessee and the Owner Trustee, as amended, supplemented or otherwise modified from time to time.

"Purchase Date" shall have the meaning specified in Section 4.4(b) of the Indenture.

"Refinancing Date" shall have the meaning set forth in Section 10.2 of the Participation Agreement.

"Register" shall have the meaning specified in Section 2.6 of the Indenture.

"Renewal Term" shall mean, with respect to any Unit, any term in respect of which the Lessee shall have exercised its option to renew the Lease for such Unit pursuant to Section 22.2 thereof, including any Fixed Rate Renewal Term or any Fair Market Renewal Term.

"Rent" shall mean all Basic Rent and Supplemental Rent.

"Rent Payment Date" or "Payment Date" shall mean each January 2 and July 2 of each year occurring during the Lease Terms commencing July 2, 1994, provided that if any such date shall not be a Business Day, then "Rent Payment Date" or "Payment Date" shall mean the next succeeding Business Day.

"Replacement Unit" shall mean a locomotive, which shall meet the standards of Section 11.2(i) of the Lease and have been leased under the Lease pursuant to Section 11.4 of the Lease.

"Required Modification" shall have the meaning specified in Section 9.1 of the Lease.

"Responsible Officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of any party contained in any Operative Agreement, the President, or any Vice President, Treasurer, Assistant Treasurer, Assistant Secretary or other officer, who, in each case, in the normal performance of his or her operational responsibility would have knowledge of such matters and the requirements with respect thereto.

"Scheduled Closing Date" shall have the meaning specified in Section 2.7(b) of the Participation Agreement.

"Security" shall have the same meaning as in Section 2(1) of the Securities Act of 1933, as amended.

"Severable Modification" shall mean any Modification other than a Non-Severable Modification.

"Stipulated Loss Value", for any Unit as of any Determination Date, shall mean the amount determined by multiplying the Equipment Cost for such Unit by the percentage set forth in Schedule 4 to the Participation Agreement opposite the Determination Date on which such Stipulated Loss Value is being determined; provided that during any Renewal Term,

"Stipulated Loss Value" shall be determined as provided in Section 22.5 of the Lease. Anything contained in the Lease or in the Participation Agreement to the contrary notwithstanding, Stipulated Loss Value for such Unit (both before and after any adjustment pursuant to Section 2.6 of the Participation Agreement or any deduction pursuant to Section 3.5 of the Lease), will, under any circumstances and in any event, be an amount which, together with any other amounts required to be paid by Lessee under the Lease in connection with such payment of Stipulated Loss Value, will be at least sufficient to pay in full, as of the date of payment thereof, the portion of the unpaid principal of the Equipment Notes which is related to such Unit, together with all unpaid interest accrued to the date on which such amount is paid in accordance with the terms thereof.

"Storage Period" shall have the meaning specified in Section 6.1(a) of the Lease.

"Subsidiary" of any Person shall mean any corporation, association, or other business entity of which more than 50% (by number of votes) of the voting stock at the time outstanding shall at the time be owned, directly or indirectly, by such Person or by any other corporation, association or trust which is itself a Subsidiary within the meaning of this definition, or collectively by such Person and any one or more such Subsidiaries.

"Supplemental Rent" shall mean all amounts, liabilities and obligations (other than Basic Rent) which the Lessee is obligated to pay under the Operative Agreements to or on behalf of any of the other parties thereto, including, without limitation, Termination Value, Stipulated Loss Value payments, the EBO Amount, any Make-Whole Premium and payments pursuant to Section 7 of the Participation Agreement, Sections 3.3 and 3.5 of the Lease and the Tax Indemnity Agreement.

"Taxes" shall have the meaning specified in Section 7.1(b) of the Participation Agreement.

"Tax Indemnitee" shall have the meaning specified in Section 7.1(a) of the Participation Agreement.

"Tax Indemnity Agreement" shall mean the Tax Indemnity Agreement (SPTC Trust No. 1993-1), dated as of December 15, 1993, between the Lessee and the Owner Participant, as amended, supplemented or otherwise modified from time to time.

"Terminated Units" shall have the meaning specified in Section 10.1 of the Lease.

"Termination Agreement" shall mean the Termination of Agreement, dated a Closing Date, between the Manufacturer and the Lessee.

"Termination Date" shall have the meaning specified in Section 10.1 of the Lease.

"Termination Value", for any Unit as of any date during the Basic Term, shall mean the amount determined by multiplying the Equipment Cost for such Unit by the percentage set forth in Schedule 5 to the Participation Agreement relating to such Unit (as said Schedule is from time to time in effect) opposite the Termination Date. Anything contained in the Lease or in the Participation Agreement to the contrary notwithstanding, Termination Value for such Unit (both before and after any adjustment pursuant to Section 2.6 of the Participation Agreement or any deduction pursuant to Section 3.5 of the Lease), will, under any circumstances and in any event, be an amount which, together with any other amounts required to be paid by Lessee under the Lease in connection with such payment of Termination Value, will be at least sufficient to pay in full as of the date of payment thereof the portion of the unpaid principal of the Equipment Notes which is related to such Unit, together with all unpaid interest accrued to the date on which such amount is paid in accordance with the terms thereof.

"Total Equipment Cost" shall mean the sum of the Equipment Cost for each Unit.

"Transaction Costs" shall have the meaning specified in Section 2.5(a) of the Participation Agreement.

"Transferee" shall have the meaning specified in Section 6.1(a) of the Participation Agreement.

"Trust Agreement" shall mean that certain Trust Agreement (SPTC Trust No. 1993-1), dated as of December 15, 1993, between the Owner Participant and Shawmut Bank Connecticut, National Association, as amended, supplemented or otherwise modified from time to time.

"Trust Estate" shall have the meaning set forth in Section 2.2 of the Trust Agreement.

"Trustee" shall mean each of the Owner Trustee or the Indenture Trustee and "Trustees" shall mean the Owner Trustee and Indenture Trustee, collectively.

"Unit" shall mean each unit or item of Equipment.