

RECORDATION NO. 8879 Filed & Recorded

JUL 11 1977 -3 15 PM

Interstate Commerce Commission
Washington, D. C.

INTERSTATE COMMERCE COMMISSION

RECORDATION NO. 8879-A
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JUL 11 1977 -3 15 PM
I. C. C. INTERSTATE COMMERCE COMMISSION
FEE OPERATIONS

Gentlemen:

Enclosed for recordation under the provisions of Section 20(c) of the Interstate Commerce Act, as amended, are the original and 10 counterparts each of a Conditional Sale Agreement dated as of June 1, 1977 and an Agreement and Assignment dated as of June 1, 1977 relating thereto.

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

The names and addresses of the parties are:

Owner-Vendor under Conditional Sale Agreement and Assignor under Agreement and Assignment: Portec, Inc. (Paragon Division)
300 Windsor Drive
Oak Brook, Illinois 60521

Vendee under Conditional Sale Agreement: Trust Company for USL, Inc.
1211 West 22nd Street
Oak Brook, Illinois 60521

Assignee under Agreement and Assignment: Continental Illinois National Bank and Trust Company of Chicago
231 South LaSalle Street
Chicago, Illinois 60693

The undersigned is the Vendee named above and has knowledge of the matters set forth in the enclosed documents.

Please return the original and 8 copies of the Conditional Sale Agreement and the Agreement and Assignment to John L. Tuohy, Esq., Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603.

Enclosed is a check in the amount of \$50.00 covering the required recording fee.

Very truly yours,

TRUST COMPANY FOR USL, INC.,
not in its individual capacity
but solely as Trustee under
Illinois Terminal Trust No. 77-11

By Richard A. [Signature]
Its Authorized Officer

VENDEE AS AFORESAID

Enclosures

7-192A152
Date JUL 11 1977
Fee \$ 100.00
CC Washington, D. C.

C. T. Kappeler
[Signature]

MANUFACTURER:

Portec, Inc.
(Paragon Division)

PLANT OF MANUFACTURER:

Novi, Michigan and Clinton, Illinois

DESCRIPTION OF ITEMS
OF EQUIPMENT:

Type A (Ford Service): 50 screened Bi-level Auto Racks without end doors, which shall bear Railroad's identifying numbers BN 2148 through BN 2197 and Manufacturer's serial numbers 2009-1 through 2009-50, both inclusive.

Type B (Import Service): 77 enclosed Tri-level Auto Racks without end doors, which shall bear Railroad's identifying numbers BN 4316 through BN 4392 and Manufacturer's Serial numbers 40307-1 through 40307-77 both inclusive.

Type C (G.M. Service): 23 enclosed Tri-level Auto Racks with end doors, which shall bear Railroad's identifying numbers BN 4393 through BN 4415 and Manufacturer's serial numbers 40621-1 through 40621-23 both inclusive.

SPECIFICATIONS:

Purchase Order No. OB 30466-6 (Type C), OB 30465-6 (Type B), OB 30467-6 (Type A).

BASE PRICE (SUBJECT TO CHANGE):

Type A: \$12,050 per Item (\$602,500 for 50 Items)

Type B: \$25,050 per Item (\$1,928,850 for 77 Items)

Type C: \$29,050 per Item (\$668,150 for 23 Items)

MAXIMUM AGGREGATE PURCHASE PRICE:

\$3,519,450 for 150 Items

DELIVER TO:

Burlington Northern Inc.

PLACE OF DELIVERY:

Novi, Michigan and Clinton, Michigan

ESTIMATED DELIVERY DATE:

July, 1977 - October, 1977

OUTSIDE DELIVERY DATE:

March 31, 1978

Lessee: Burlington Northern Inc.

Assignee of Manufacturer: Continental Illinois National Bank and Trust
Company of Chicago

(Burlington Northern Trust No. 77-11)

SCHEDULE A

8879

RECORDATION NO. Filed & Recorded

JUL 11 1977 -3 15 PM

INTERSTATE COMMERCE COMMISSION

CONDITIONAL SALE AGREEMENT
Dated as of June 1, 1977

Between

PORTEC, INC.
(Paragon Division)

Manufacturer

and

TRUST COMPANY FOR USL, INC.,
as Trustee under Burlington Northern Trust No. 77-11
Vendee

(Burlington Northern Trust No. 77-11)
(150 Screened Bi-Level and Enclosed
Tri-Level Auto Racks)

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Attachments to Conditional Sale Agreement:

Schedule A - Description of Equipment

Schedule B - Debt Amortization Schedule

CONDITIONAL SALE AGREEMENT dated as of June 1, 1977 between PORTEC, INC. (Paragon Division), a Delaware corporation (the "Manufacturer") and TRUST COMPANY FOR USL, INC., as Trustee (the "Vendee") under a Trust Agreement dated as of June 1, 1977 (the "Trust Agreement") with City National Bank (the "Trustor") known as Burlington Northern Trust No. 77-11.

RECITALS

A. The Manufacturer is willing to construct, sell and deliver to the Vendee, and the Vendee is willing to purchase, the railroad equipment described in Schedule A attached hereto (collectively the "Items of Equipment" or "Equipment" and individually an "Item" or "Item of Equipment"); and

B. The following terms shall have the following meanings unless the context shall otherwise require:

1. "Finance Agreement" shall mean the Finance Agreement dated as of June 1, 1977 among the Railroad, the Trustor, the Assignee and the institutional investors therein named;

2. "Assignment" shall mean the Agreement and Assignment dated as of June 1, 1977 between the Manufacturer and the Assignee;

3. "Assignee" shall mean Continental Illinois National Bank and Trust Company of Chicago, as agent and assignee under the Assignment, and its successors in interest thereunder;

4. "Lease" shall mean the Equipment Lease dated as of June 1, 1977 between the Vendee, as lessor, and the Railroad, as lessee;

5. The "Railroad" shall mean Burlington Northern Inc., a Delaware corporation.

In consideration of the mutual promises, covenants and agreements hereinafter set forth, the parties hereto agree as follows:

SECTION 1. CONSTRUCTION AND SALE.

The Manufacturer will construct, sell and deliver to the Vendee, and the Vendee will purchase from the Manufacturer and accept delivery of and pay for as hereinafter provided, those Items of Equipment which are indicated on Schedule A attached hereto to be constructed and sold by the Manufacturer, each Item of which

shall be constructed in accordance with the applicable specifications referred to in said Schedule with such modifications thereof as may be agreed upon in writing by the Vendee, the Railroad and the Manufacturer (which specifications and modifications, if any, are hereinafter called the "Specifications"). The design and quality of equipment and material in such Items shall conform to all Department of Transportation requirements and specifications for new equipment, and to all standards of the Association of American Railroads, if any, interpreted as being applicable to new railroad equipment of the character of such Items as of the date of this Agreement.

SECTION 2. DELIVERY.

2.1. The Manufacturer will deliver the various Items of Equipment to be manufactured by it to the Vendee in accordance with the applicable delivery schedule set forth in Schedule A attached hereto provided, however, that the Manufacturer shall have no obligation to deliver any Item of Equipment hereunder so long as any Event of Default pursuant to Section 14.1 hereof shall have occurred and be continuing. The Manufacturer agrees to give the Railroad, the Vendee and the Assignee not less than five business days prior written notice of the delivery of the first Item of Equipment hereunder. The Manufacturer agrees not to deliver and the Vendee shall have no obligation to accept any Items of Equipment following notice to the Manufacturer from the Vendee, the Railroad or any assignee of the Manufacturer that any Event of Default pursuant to Section 14.1 hereof has occurred and is continuing.

2.2. The Manufacturer's obligations as to time of delivery is subject however, to delays resulting from causes beyond the Manufacturer's reasonable control, including, but not limited to, acts of God, acts of government such as embargoes, priorities and allocations, war or war conditions, riots or civil commotion, sabotage, strikes, differences with workmen, accidents, fire, flood, explosion, damage to plant, equipment or facilities, or delays in receiving necessary materials or delays of carriers or subcontractors.

2.3. Notwithstanding the foregoing provisions in this Section 2, the Vendee shall not be obligated hereunder to accept and pay for any Equipment not delivered and accepted on or before the outside delivery date provided therefor in Schedule A attached hereto. Any Equipment not so delivered and accepted pursuant to Sections 2.1 and 2.4 hereof shall be excluded from this Agreement and not included in the term "Equipment" as used in this Agreement. In the event of any such exclusion the Vendee and the Manufacturer shall execute an agreement supplemental hereto limiting this Agreement to the Equipment not excluded herefrom, and the Manufacturer agrees to look solely to the obligations of the Railroad pursuant to Section 1.2 of the Lease in respect of such excluded Item of Equipment.

2.4. The Equipment during construction shall be subject to inspection by an inspector or other authorized representative of the Railroad and the Vendee. Acceptance of the Equipment by the Railroad under the Lease shall be deemed to be acceptance of the Equipment by the Vendee, and the Vendee agrees to cause the Railroad to furnish the Certificate or Certificates of Acceptance under the Lease to the Manufacturer in such number of counterparts as may be reasonably requested.

2.5. The Manufacturer of the Equipment shall bear the risk of loss thereof or damage thereto until delivery to and acceptance by the Railroad and the Vendee. Upon delivery and acceptance by the Railroad of each of such Items of Equipment, the Vendee shall bear the risk of loss of or damage to such Items.

SECTION 3. PURCHASE PRICE AND PAYMENT.

3.1. The base price per Item of Equipment, including freight charges, if any, to place of delivery, but exclusive of interest, insurance and all other charges, is as set forth in Schedule A attached hereto. Such base price per Item of Equipment shall be subject to increase or decrease as may be agreed to by the Manufacturer thereof and the Railroad, as set forth in an invoice from the Manufacturer to the Vendee accompanied by or having endorsed thereon a certification by the Railroad as to the correctness of the price of such Item as set forth in said invoice, and the term "Purchase Price" as used herein shall mean, if no such invoice shall have been delivered to the Vendee pursuant to Section 3.5 hereof, such base price, or if such an invoice shall be so delivered, the price certified therein; provided that the Purchase Price for all Equipment shall not exceed the Maximum Purchase Price set forth in Schedule A. If on any Closing Date (as defined in Section 3.5 hereof) the Purchase Price of any Item of Equipment for which settlement is then being made under this Agreement would, but for the provisions of this sentence cause the Maximum Purchase Price for all Items of Equipment on Schedule A to be exceeded, then the Vendee will enter into an agreement with the Manufacturer of the Item or Items of Equipment then proposed for settlement excluding from this Agreement such Item or Items of Equipment as will, after giving effect to such exclusion, reduce such aggregate Purchase Price of all Items of Equipment to not more than the Maximum Purchase Price provided in Schedule A, and the Manufacturer agrees to look solely to the obligation of the Lessee pursuant to Section 1.2 of the Lease in respect of such excluded Equipment.

3.2. For the purpose of making settlement for the Equipment, the Equipment shall be divided into not more than three groups of Items of Equipment, or such other number as shall be agreed to by the parties hereto (each such group of Items being hereinafter called a "Group").

3.3. Subject to the provisions of the next succeeding paragraph and Section 13 hereof, the Vendee hereby acknowledges itself to be indebted to the Manufacturer in the amount of, and hereby promises to pay in immediately available funds to the Manufacturer at such bank or trust company in the United States of America as the Manufacturer shall designate for payment to it, the Purchase Price of the Items of Equipment as follows:

(a) On each Closing Date an amount equal to 31.7% of the aggregate Purchase Price for all Items of Equipment in the Group for which settlement is then being made; and

(b) An amount equal to the difference between the aggregate Purchase Price of the Equipment and the aggregate amount paid pursuant to subparagraph (a) of this Section 3.3 (herein sometimes called the "Conditional Sale Indebtedness") plus interest on the unpaid balance thereof payable in installments, as follows:

(1) One installment of interest only at the rate of 8% per annum for the period from and including the Closing Date for each Group to but not including January 5, 1978, payable on January 5, 1978, followed by

(2) Seventeen (17) semiannual installments, including both principal and interest at the rate of 8% per annum, payable on July 5, 1978 and on the fifth day of each January and July thereafter to and including July 5, 1986 in the amounts set forth in Schedule B hereto; provided, however, that in the event the Closing Date for any Item of Equipment shall occur after January 5, 1978 and on or before March 31, 1978, the installment due on July 5, 1978 with respect to such Item of Equipment shall be reduced in accordance with the formula provided therefor in Schedule B hereto.

If for any reason whatsoever the Assignee does not pay or cause to be paid to the Manufacturer on the Closing Date with respect to any Group, any portion of the amount contemplated by Section 5 of the Assignment, the Manufacturer shall give the Vendee, the Trustor and the Assignee immediate telegraphic notice thereof and shall designate in such notice a date to which such closing is deferred which shall not be earlier than 60 calendar days after the date of such notice. On the date to which such closing has been deferred, the Vendee shall pay or cause to be paid to the Manufacturer 100% of the aggregate Purchase Price of all Items of Equipment in the Group for which settlement had been postponed.

3.4. The obligation of the Vendee to pay the amounts specified in Section 3.3 hereof is, for each Group of Equipment,

subject to the fulfillment on or before the respective dates hereinafter set forth of the following conditions:

(a) Prior to or concurrently with the delivery to and acceptance by the Railroad under the Lease of the first Item of Equipment (hereinafter the "First Equipment Delivery") the Vendee and the Assignee shall have received the favorable written opinion of Messrs. Chapman and Cutler, who are acting as special counsel for the Assignee and for the Investors named in the Finance Agreement, addressed to the Investors and the Assignee to the effect that:

(1) the Trust Agreement has been duly authorized, executed and delivered by the Vendee and constitutes a valid, binding and effective agreement and declaration of trust by the Vendee in accordance with the terms thereof;

(2) the trust created and provided for by the Trust Agreement is not taxable as an association under existing statutes, regulations and decisions relating to Federal Income Taxes;

(3) the Conditional Sale Agreement and the Lease have been duly authorized, executed and delivered by the respective parties thereto and constitute legal, valid and binding instruments enforceable in accordance with their respective terms;

(4) the Assignment and, assuming due authorization, execution and delivery by the Investors, the Finance Agreement have been duly authorized, executed and delivered by the respective parties thereto and constitute legal, valid and binding instruments enforceable in accordance with their respective terms;

(5) the Assignee is vested with all the rights, titles, interests, powers, privileges and remedies purported to be assigned to it by the Assignment;

(6) upon settlement for the Equipment pursuant to the Assignment, security title to the Items of Equipment in the Group will be validly vested in the Assignee;

(7) no approval of the Interstate Commerce Commission or any other governmental authority

is necessary for the execution and delivery of the Finance Agreement, the Conditional Sale Agreement, the Assignment or the Lease;

(8) the Conditional Sale Agreement, the Assignment and the Lease (or financing statements or similar notices thereof if and to the extent permitted by applicable law) have been duly filed and recorded in all public offices wherein such filing or recordation is necessary for the protection of the rights of the Assignee in any State of the United States of America; and

(9) the offering, sale and delivery of the Conditional Sale Agreement and the conditional sale indebtedness payable thereunder under the circumstances contemplated by the Finance Agreement constitute an exempted transaction under the Securities Act of 1933, as amended, which does not require registration thereunder of the Conditional Sale Agreement, the conditional sale indebtedness or the Certificates of Interest issued pursuant to the Finance Agreement, and under the Trust Indenture Act of 1939 which does not require qualification of an indenture thereunder;

(b) Prior to or concurrently with the First Equipment Delivery, the Vendee, the Trustor and the Assignee shall have received the favorable written opinion of counsel for the Railroad, addressed to the Vendee, the Trustor, the Assignee and the Investors with respect to the matters set forth in paragraphs (6), (7) and (8) of paragraph (a) of this Section 3.4 and to the effect that:

(1) the Railroad is a corporation legally incorporated and validly existing, in good standing, under the laws of the State of Delaware;

(2) the Railroad has the corporate or other power and authority to own its property and carry on its business as now being conducted and is duly qualified to do business as a foreign corporation in all states in which such qualification is necessary to carry out the terms of the Lease;

(3) the Lease and the Finance Agreement have been duly authorized, executed and delivered by the Railroad and assuming due authorization, execution and delivery by the parties thereto other than the Railroad, constitute the valid, legal and binding agreements of the Railroad and the Vendee enforceable against the Railroad and the Vendee in accordance with their respective terms;

(4) the Lease (or a financing statement or similar notice thereof if and to the extent permitted by applicable law) has been filed and recorded in all public offices wherein such filing or recording is necessary to protect the Vendee's title to the Equipment in the United States of America;

(5) no approval, consent or withholding of objection is required from any public regulatory body with respect to the entering into or performance by the Railroad of the Lease and the Finance Agreement;

(6) the execution and delivery by the Railroad of the Lease and the Finance Agreement do not violate any provision of any law, any order of any court or governmental agency, the charter or By-Laws of the Railroad, or any indenture, agreement or other instrument to which the Railroad is a party or by which it, or any of its property is bound, and will not be in conflict with, result in the breach of, or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Railroad; and

(7) as to any other matter which the Vendee or the Investors may reasonably request;

(c) Prior to or concurrently with the First Equipment Delivery, the Vendee and the Assignee shall have received the favorable written opinion of counsel for the Manufacturer, addressed to the Vendee, the Trustor, the Assignee, the Investors and Messrs. Chapman and Cutler, to the effect that:

(1) the Manufacturer is a duly organized and existing corporation in good standing under the laws of the state of its incorporation and has the power and authority to own its properties and to carry on its business as now conducted;

(2) the Conditional Sale Agreement and the Assignment have each been duly authorized, executed and delivered by the Manufacturer and, assuming due authorization, execution and delivery thereof by each other party thereto, are legal and valid instruments binding upon the Manufacturer and enforceable against the Manufacturer in accordance with their respective terms;

(3) the bill or bills of sale referred to in paragraph (g) below have each been duly authorized, executed and delivered by the Manufacturer and are valid and effective to vest in the Assignee security title to the Items of Equipment free and clear of all claims, liens and encumbrances except only the rights of the Vendee under the Conditional Sale Agreement, the rights of the Railroad under the Lease and the rights of the Assignee under the Assignment and except said vendor's lien and security interest in favor of the Manufacturer;

(d) Prior to or concurrently with the First Equipment Delivery, the Vendee and the Assignee shall have received the favorable written opinion of counsel for the Vendee, addressed to the Railroad, the Trustor, the Assignee, the Investors and Messrs. Chapman and Cutler, to the effect that:

(1) the Vendee is a duly organized and existing trust company in good standing under the laws of the State of Illinois;

(2) the Trust Agreement has been duly authorized, executed and delivered by the Vendee and, assuming due authorization, execution and delivery by the other parties thereto, constitutes a valid, binding and effective agreement and declaration of trust by the Vendee in accordance with the terms thereof;

(3) the Vendee has full right, power and authority under the Trust Agreement to enter into, execute and deliver the Conditional Sale Agreement and the Lease, and to perform each and all of the matters and things provided for in said instruments;

(4) the Conditional Sale Agreement and the Lease have been duly executed and delivered by the

Vendee and, assuming the due authorization, execution and delivery by the parties thereto other than the Vendee, constitute the legal, valid and binding instruments of the Vendee enforceable against the Vendee in accordance with their respective terms; and

(5) the trust created and provided for by the Trust Agreement is not taxable as an association under existing statutes, regulations and decisions relating to Federal income taxes;

provided that, with respect to all such opinions counsel may rely as to matters of Illinois law upon the opinion of Messrs. Chapman and Cutler referred to in Section 3.4(a) hereof, and provided that, with respect to such opinion in paragraph (4) relating to the Lease, counsel may rely as to matters of Minnesota law upon the opinion of counsel for the Railroad referred to in Section 3.4(b) hereof;

(e) Prior to or concurrently with the First Equipment Delivery, the Vendee and the Assignee shall have received the favorable written opinion of counsel for the Trustor, addressed to the Vendee, the Railroad, the Assignee, the Investors and Messrs. Chapman and Cutler, to the effect that:

(1) the Trustor is a duly organized and existing corporation in good standing under the laws of the jurisdiction of its incorporation;

(2) the Trustor has full right, power and authority to enter into and perform the Trust Agreement and the Finance Agreement in accordance with their respective terms;

(3) the Trust Agreement and the Finance Agreement have each been duly authorized, executed and delivered by the Trustor and, assuming due authorization, execution and delivery by the other parties thereto, constitute the legal, valid and binding instruments of the Trustor enforceable in accordance with their respective terms; and

(4) no consent, approval or authorization of any governmental authority is required on the part of the Trustor in connection with the execution and delivery of the Trust Agreement or the Finance Agreement or to the extent such approval, consent or such other action is necessary, the same has been obtained and is in full force and effect;

In giving the opinions specified in this paragraph (e),

counsel may state that they express no opinion as to any law other than the laws of the State of California and of the United States of America;

(f) Concurrently with the First Equipment Delivery, the Railroad shall have delivered to the Vendee a certificate of a Vice President of the Railroad to the effect that no Event of Default, as specified herein or in the Lease, or any event which with the lapse of time and/or notice provided for herein or in the Lease would constitute such an Event of Default, has occurred and is continuing, and that there has been no material adverse change in the condition of the Railroad, financial or otherwise, since December 31, 1976;

(g) Concurrently with the First Equipment Delivery, the Assignee shall have received a bill or bills of sale from the Manufacturer to the Assignee, transferring to the Assignee security title to all of the Items of Equipment described in Schedule A (subject to the reservation of a vendor's lien and security interest to secure the payments by the Assignee to the Manufacturer pursuant to Section 5 of the Assignment) and warranting to the Assignee and to the Vendee at the time of delivery of each such Item of Equipment to the Vendee under the Conditional Sale Agreement the Manufacturer will have legal title to such Items and good and lawful right to sell such Items, and title to such Items will be free of all claims, liens and encumbrances of any nature except only the rights of the Vendee under the Conditional Sale Agreement, the rights of the Railroad under the Lease and the rights of the Assignee under the Assignment and except said reserved vendor's lien and security interest in favor of the Manufacturer; and

(h) Concurrently with the delivery to and acceptance by the Railroad under the Lease of each Item of Equipment in such Group, the Vendee shall have received from the Railroad a Certificate of Acceptance covering such Item of Equipment executed by a duly authorized representative of the Railroad pursuant to Section 1 of the Lease.

In giving the opinions specified in paragraphs (a) through (e) of this Section 3.4, counsel may qualify any opinion to the effect that any agreement is a legal, valid and binding instrument enforceable in accordance with its terms by a general reference to limitations as to enforceability imposed by bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally.

3.5. The term "Closing Date" with respect to each Group shall mean such date (which is not more than ten business

days following presentation by the Railroad to the Vendee of the Certificate or Certificates of Acceptance with respect to such Group, and, unless the Purchase Price is to be the base price set forth in Schedule A hereto, an invoice or invoices, certified by the Railroad, setting forth the Purchase Price thereof) as shall be fixed by the Railroad by written or telegraphic notice delivered to the Vendee, the Manufacturer and any assignee of the Manufacturer at least seven business days prior to the Closing Date designated therein; provided that the Closing Date shall be not later than March 31, 1978 for any Group.

3.6. The term "business days" as used herein means calendar days, excluding Saturdays, Sundays and holidays on which banks in the States of California or Illinois are authorized or required to close.

3.7. Interest under this Agreement shall be determined on the basis of a 360-day year of twelve 30-day months.

3.8. The Vendee will pay interest at the rate of 9% per annum upon all installments due and payable pursuant to Section 3.3(b) hereof and upon all unpaid balances of indebtedness and (to the extent legally enforceable) upon interest, after the same shall have become due and payable pursuant to the terms hereof, anything herein to the contrary notwithstanding; provided, however, that in respect of interest on installments due and payable pursuant to Section 3.3(b) hereof, so long as no Event of Default hereunder shall have occurred and be continuing, the Manufacturer shall look solely to the interest on overdue rentals payable by the Railroad under Section 19 of the Lease for the payment of such interest.

3.9. All payments provided for in this Agreement shall be made by the Vendee in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

3.10. Except as provided in Sections 6.1 and 6.6 and 14.2(b) hereof the Vendee shall not have the privilege of prepaying any installment of the indebtedness prior to the date it becomes due hereunder.

3.11. The Manufacturer, the Vendee, the Trustor and the Railroad each contemplate that on each Closing Date with respect thereto, each Group will be settled for hereunder through payment by the Vendee to the Manufacturer pursuant to Section 3.3(a) hereof of an amount equal to 31.7% of the Purchase Price of such Group and by the payment to the Manufacturer on such date of the balance of such Purchase Price by the Assignee in accordance with the terms and provisions of the Assignment and that

the Assignee will obtain funds to pay such balance from the Investors named in Schedule A to the Finance Agreement. The interest rate of 8% designated to be paid hereunder in respect of the Conditional Sale Indebtedness has been determined on the assumption that the above stated arrangement for payment of such balance by the Assignee will be consummated on each such Closing Date. Notwithstanding such contemplation, if any Investor shall for any reason on any Closing Date default in fulfilling its commitment to advance funds to the Assignee under the Finance Agreement, then it is contemplated that the Trustor and the Vendee will arrange for an institutional investor (the "Substitute Investor") to acquire for investment that portion of the Conditional Sale Indebtedness that such defaulting Investor would have held if it had fulfilled such commitment and, if the Trustor and the Vendee shall have been unable to arrange for such acquisition by the Substitute Investor at par without raising the rate of interest above the 8% per annum rate of interest then to be in effect, then upon such acquisition Section 3.3 hereof shall thereupon be deemed immediately amended, and the parties hereto shall promptly thereafter execute and deliver a confirming amendment hereto to such effect, to provide such increase in the rate of interest per annum in respect of the Conditional Sale Indebtedness as shall have been necessary to cause such acquisition by the Substitute Investor to be consummated at par (which rate shall be specified by a letter of the Vendee to the Trustor, the Railroad and the Assignee delivered not less than five days prior to such acquisition) and such new and amended rate of interest shall, from and after such acquisition, apply in respect of such portion of the Conditional Sale Indebtedness acquired by the Substitute Investor.

SECTION 4. TITLE TO THE EQUIPMENT.

4.1. The Manufacturer shall and hereby does retain the full security title to the Equipment built by it until the Vendee shall have made all of the payments hereunder and shall have kept and performed all its agreements herein contained, notwithstanding the delivery of the Equipment to and the possession and use thereof by the Vendee or the Railroad as herein provided. Any and all additions to the Equipment (not including, however, any parts installed on and additions to any Item of Equipment, any portion of whose cost is furnished by the Railroad and which are readily removable without causing material damage to such Item of Equipment, but including parts installed on and replacements made to any Item of Equipment which are required by Section 7 of the Lease or constitute ordinary maintenance and repairs made by the Railroad

pursuant to Section 8 of the Lease) and any and all replacements of the Equipment and of parts thereof shall constitute accessions to the Equipment and shall be subject to all terms and conditions of this Agreement and included in the term "Equipment" as used in this Agreement.

4.2. When and only when the Manufacturer shall have been paid the full indebtedness in respect of the Purchase Price of the Equipment built by it, together with interest and all other payments as herein provided and all the Vendee's other obligations herein contained shall have been performed, absolute right to the possession of, title to and property in such Equipment shall pass to and vest in the Vendee without further transfer or action on the part of the Manufacturer, except that the Manufacturer, if requested by the Vendee so to do, will, at the cost and expense of the Vendee, execute a bill or bills of sale for such Equipment releasing its security title thereto and property therein to the Vendee or upon its order free of all liens and encumbrances created or retained hereby and deliver such bill or bills of sale to the Vendee at its address specified in Section 19 hereof, and will, at the cost and expense of the Vendee, execute in the same manner and deliver at the same place, for filing, registering, recording or depositing in all necessary public offices, such instrument or instruments in writing as may be necessary or appropriate in order then to make clear upon the public records the title of the Vendee to such Equipment, and will pay to the Vendee any money paid to the Manufacturer, pursuant to Section 6.1 hereof and not theretofore applied as provided in Section 6.2 hereof. The Vendee hereby waives and releases any and all rights, existing or that may be acquired, in or to the payment of any penalty, forfeit or damages for failure to execute and deliver such bill or bills of sale or to file any certificate of payment in compliance with any law or statute requiring the filing of the same, except for failure to execute and deliver such bill or bills of sale or to file such certificate within a reasonable time after written demand by the Vendee.

SECTION 5. MARKING OF EQUIPMENT.

The Vendee will use its best efforts to cause the Railroad to keep each Item of Equipment marked as contemplated by Section 4 of the Lease.

SECTION 6. CASUALTY OCCURRENCES.

6.1. In the event that any Item of Equipment shall be or become lost, stolen, destroyed, or, in the opinion of the Railroad, irreparably damaged, or shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise (each such occurrence, except for any requisition which by its terms is for an indefinite period or does not exceed the original term of

the Lease, being hereinafter called a "Casualty Occurrence"), prior to the payment of the indebtedness in respect of the Purchase Price of such Item together with interest thereon and all other payments required hereby, the Vendee shall promptly (after it has knowledge of such Casualty Occurrence) and fully inform the Manufacturer in regard thereto. When any Item of Equipment suffers a Casualty Occurrence the Vendee, on the date of payment of the next succeeding installment of principal and interest on such indebtedness following its notification to the Manufacturer of such Casualty Occurrence, shall cause the Railroad to pay under the terms of the Lease and from such payment Vendee shall pay to the Manufacturer the Casualty Payment (as defined in Section 6.4 hereof) of such Item as of the date of such payment. Each such payment shall be accompanied by notification from the Vendee that said payment constitutes a Casualty Payment.

6.2. The Manufacturer shall, immediately upon receipt thereof, apply the money deposited pursuant to Section 6.1 to the prepayment of the indebtedness in respect of the Purchase Price of the Items of Equipment having suffered a Casualty Occurrence, plus interest then accrued on the portion thereof so prepaid, but without premium, and the balance thereof shall be paid over to the Vendee. The semiannual payments of the indebtedness in respect of the Purchase Price of the remaining Equipment and interest thereon, becoming due thereafter shall be redetermined on the basis of the amount of such indebtedness remaining unpaid and on the basis of the number of semiannual payments remaining immediately after such application.

6.3. Upon payment to the Manufacturer of the Casualty Payment in respect of an Item of Equipment having suffered a Casualty Occurrence, absolute right to the possession of, title to and property in such Item shall automatically pass to and vest in the Vendee without further transfer or action on the part of the Manufacturer thereof.

6.4. The payment to be made to the Manufacturer in respect of each Item of Equipment having suffered a Casualty Occurrence (the "Casualty Payment") shall be deemed to be that portion of the original Purchase Price thereof remaining unpaid on the date as of which such Casualty Payment shall be due and payable, plus interest accrued thereon but unpaid as of such date.

6.5. In the event that prior to the expiration of the original term of the Lease, the use of any Item of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for an indefinite period or for a stated period ending on or before the date of said expiration, the Vendee's duty to pay the indebtedness in respect of the Purchase Price thereof shall continue for the duration of such requisitioning or taking. The Vendee 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.

SECTION 7. REPORTS AND INSPECTIONS.

The Vendee will use its best efforts to cause the Railroad to furnish to the Manufacturer on or before May 1 in each year, commencing with the year 1978, copies of each and every report or statement to be furnished to the Vendee by the Railroad pursuant to Section 12 of the Lease. The Manufacturer shall have the right, by its agents, to inspect the Equipment when the Equipment is available for such inspection and records of the Vendee with respect thereto once in every year.

SECTION 8. POSSESSION AND USE.

8.1. The Vendee, so long as it shall not be in default under this Agreement, shall be entitled, from and after delivery of the Equipment by the Manufacturer to the Vendee, to the possession of the Equipment and the use thereof, but only upon and subject to all the terms and conditions of this Agreement.

8.2. The Vendee may lease the Equipment to the Railroad or its assigns as permitted by, and for use as provided in, Section 17 of the Lease, and it is hereby acknowledged and agreed that the rights of the Manufacturer under this Agreement are subject to the rights and interest of the Railroad under the Lease. A copy of any such assignment by the Railroad pursuant to Section 17 of the Lease shall be furnished to the Manufacturer. The Lease shall not be amended or terminated without the prior written consent of the Manufacturer.

SECTION 9. PROHIBITION AGAINST LIENS.

9.1. The Vendee will pay or satisfy and discharge any and all sums claimed by any party by, through or under the Vendee or its successors or assigns (other than the Railroad or its assigns) which, if unpaid, might become a lien or a charge upon any Item of Equipment equal or superior to the security title of the Manufacturer, but shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Manufacturer, adversely affect the property or rights of the Manufacturer hereunder.

9.2. This covenant will not be deemed breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent (such liens being herein called "permitted liens").

SECTION 10. INDEMNITIES

10.1. The Vendee shall cause the Lessee to assume all risk and expense arising from the possession, use, operation and maintenance by whomsoever of the Equipment.

10.2. [Intentionally blank]

10.3. The Manufacturer warrants that the Items of Equipment will be built in accordance with the Specifications therefor and warrants that such Items of Equipment will be free from defects in material (except as to specialties incorporated therein specified by the Railroad and not manufactured by the Manufacturer, in respect of which the Manufacturer hereby appoints and constitutes the Railroad its Agent and attorney-in-fact to assert and enforce from time to time in the name of the Manufacturer but for the account of the Vendee, the Railroad and the Manufacturer as their interests may appear and in all cases at the sole cost and expense of the Railroad whatever claims and rights the Manufacturer may have against the manufacturer of the specialty) or workmanship under normal use and service, the Manufacturer's obligation under this Section 10.3 being limited to making good at its plant any part or parts of any such Item of Equipment which shall, within one year after the delivery of such Item of Equipment to the Vendee, be returned to the Manufacturer with transportation charges prepaid and which the Manufacturer's examination shall disclose to its satisfaction to have been thus defective; provided, however, that this warranty shall not apply to (i) any components which shall have been repaired or altered unless repaired or altered by the Manufacturer or its authorized service representatives, if, in its judgment, such repairs or alterations affect the stability of any such Item of Equipment or (ii) any such Item of Equipment which has been subject to misuse, negligence or accident. THIS WARRANTY IS EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND OF ALL OTHER OBLIGATIONS OR LIABILITIES ON THE PART OF THE MANUFACTURER, EXCEPT FOR ITS OBLIGATIONS HEREUNDER AS LIMITED HEREBY, AND THE MANUFACTURER NEITHER ASSUMES OR AUTHORIZES ANY PERSON TO ASSUME FOR IT ANY OTHER LIABILITY IN CONNECTION WITH THE CONSTRUCTION AND DELIVERY OF THE EQUIPMENT EXCEPT AS AFORESAID. IN NO EVENT SHALL THE MANUFACTURER BE LIABLE FOR SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES OR COMMERCIAL LOSS. The Manufacturer reserves the right to make changes in the design of, or add any improvements to, any Items of Equipment to be built by it at any time with the approval of the Railroad without incurring any obligation to make similar changes or additions in respect of other Items of Equipment previously delivered to the Railroad. The Manufacturer further agrees with the Vendee that acceptance of any Items of Equipment under Section 2.4 hereof shall not be deemed a waiver by the Vendee of any of its rights under this Section 10.3.

10.4. It is hereby agreed that the Lessee shall be and is hereby constituted a third party beneficiary to each of the covenants and agreements of the Manufacturer expressed in this Section 10.

SECTION 11. PATENT INDEMNITIES.

11.1. Except in cases of designs specified by the Railroad and not developed or purported to be developed by the Manufacturer, and articles and materials specified by the Railroad and not manufactured by the Manufacturer, the Manufacturer agrees to indemnify, protect and hold harmless the Vendee from and against any and all liability, claims, demands, costs, charges, and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendee or the Railroad because of the use in or about the construction or operation of any Item of Equipment to be built by it, of any design, article or material which infringes or is claimed to infringe on or which is claimed to constitute contributory infringement with respect to any patent or other right. In case any Item of Equipment is held to constitute infringement of any patent or other similar right in respect of which liability may be charged against the Manufacturer, and the use of any Item of Equipment is enjoined, the Manufacturer shall, at its own expense and at its option, either procure for the Vendee and the Railroad the right to continue using such Item of Equipment or replace the same with non-infringing equipment, or modify it so it becomes non-infringing. Without intending any limitation of the foregoing, the Manufacturer agrees to and hereby does, to the extent legally possible without impairing any claim, right or cause of action hereinafter referred to, transfer, assign, set over and deliver to the Vendee every claim, right and cause of action which the Manufacturer has or hereafter shall have against the originator of any design or against the seller or sellers of any designs or articles or materials purchased or otherwise acquired by the Manufacturer for use in or about the construction or operation of the Items of Equipment to be built by it on the ground that any such design, article or material or operation thereof infringes or is claimed to infringe on or to constitute contributory infringement with respect to any patent or other right and the Manufacturer further agrees to execute and deliver to the Vendee all and every such further assurance as may be reasonably requested by the Vendee, more fully to effectuate the assignment, transfer and delivery of every such claim, right and cause of action. The Manufacturer will give notice to the Vendee of any claim known to the Manufacturer from which liability may be charged against the Vendee or the Railroad hereunder and the Vendee will give notice to the Manufacturer of any claim known to it from which liability may be charged against the Manufacturer hereunder.

11.2. The term "design" wherever used in this Agreement or in any assignment of this Agreement shall be deemed to include formulae, systems, processes and combinations.

11.3. It is hereby agreed that the Lessee shall be and is hereby constituted a third party beneficiary to each of the covenants and agreements of the Manufacturer expressed in this Section 11.

SECTION 12. ASSIGNMENTS.

12.1. The Vendee will not sell, assign, transfer or otherwise dispose of its rights under this Agreement or, except as provided in Section 8.2 hereof, transfer the right to possession of any Item of Equipment without first obtaining the written consent of the Assignee, which consent shall not be unreasonably withheld. No such sale, assignment or transfer shall subject the Assignee to any duties, obligations or liabilities whatsoever, other than as are elsewhere provided for in this Agreement.

12.2. All or any of the rights, benefits and advantages of the Manufacturer under this Agreement, including the right to receive the payments herein provided to be made by the Vendee, may be assigned by the Manufacturer and reassigned by an assignee at any time or from time to time. No such assignment shall subject any assignee to, or relieve the Manufacturer from, any of the obligations of the Manufacturer to construct and to deliver the Equipment in accordance with the provisions hereof or to respond to its warranties and agreements contained in Sections 10.3, and 11, or relieve the Vendee of its obligations to the Manufacturer hereunder.

12.3. Upon any such assignment either the assignor or the assignee shall give written notice to the Vendee and the Railroad, together with a counterpart or copy of such assignment, stating the identity and post office address of the assignee, and such assignee shall, by virtue of such assignment, acquire all of the assigning Manufacturer's right, security title and interest in and to the Equipment, or in and to a portion thereof, as the case may be, subject only to such reservations as may be contained in such assignment. From and after the receipt by the Vendee and the Railroad, respectively, of the notification of any such assignment, all payments thereafter to be made by the Vendee hereunder shall, to the extent so assigned, be made to the assignee at the address of the assignee specified in the aforesaid notice.

12.4. The Vendee recognizes that it is the custom of railroad equipment manufacturers or sellers to assign agreements of this character and understands that the assignment of this Agreement, or of some or all of the rights of the Manufacturer hereunder, is contemplated. The Vendee expressly represents, for the purpose of assurance to any person, firm or corporation considering the acquisition of this Agreement or of all or any of the rights of the Manufacturer hereunder, and for the purpose of inducing such acquisition, that in the event of such assignment by the Manufacturer as hereinbefore provided the rights of such assignee to the entire unpaid indebtedness in respect of the Purchase Price of the Equipment or such part thereof as may be assigned, together with the interest thereon, as well as any other rights hereunder which may be so assigned, shall not be subject to any defense, set-off, counterclaim or recoupment whatsoever arising out of any breach of any obligation of the Manufacturer with respect to the Equipment or the delivery or warranty thereof, or with respect to any indemnity herein contained, nor subject to any defense, set-off, counterclaim or recoupment whatsoever arising by reason of any other indebtedness or liability at any time owing to the Vendee by the Manufacturer. Any and all such obligations, howsoever arising, shall be and remain enforceable by the Vendee against and only against the Manufacturer.

12.5. In the event of any such assignment or successive assignments by the Manufacturer of security title to the Equipment and of the Manufacturer's rights hereunder with respect thereto, the Vendee will, whenever requested by such assignee, change the names and word or words to be marked on each side of each Item of Equipment or, in the event such Item shall then be leased to the Railroad, the Vendee will use its best efforts to cause the Railroad pursuant to Section 4 of the Lease to change the names and word or words to be marked on each side of such Item, so as to indicate the security title of such assignee to the Equipment with such names and word or words as shall be specified by such assignee, subject to the requirements of the laws of the jurisdictions in which the Equipment shall be operated relating to such names and word or words for use on equipment covered by conditional sale agreements with respect to railroad equipment. The cost of marking such names and word or words with respect to the first assignee of this Agreement (or to a successor agent or trustee in case the first assignee is an agent or trustee) and with respect to the Vendee shall be borne by the Manufacturer. The cost of marking such names and word or words in connection with any subsequent assignment (other than to a successor agent or trustee if the first assignee is an agent or trustee) will be borne by the subsequent assignee.

12.4. The Vendee recognizes that it is the custom of railroad equipment manufacturers or sellers to assign agreements of this character and understands that the assignment of this Agreement, or of some or all of the rights of the Manufacturer hereunder, is contemplated. The Vendee expressly represents, for the purpose of assurance to any person, firm or corporation considering the acquisition of this Agreement or of all or any of the rights of the Manufacturer hereunder, and for the purpose of inducing such acquisition, that in the event of such assignment by the Manufacturer as hereinbefore provided the rights of such assignee to the entire unpaid indebtedness in respect of the Purchase Price of the Equipment or such part thereof as may be assigned, together with the interest thereon, as well as any other rights hereunder which may be so assigned, shall not be subject to any defense, set-off, counterclaim or recoupment whatsoever arising out of any breach of any obligation of the Manufacturer with respect to the Equipment or the delivery or warranty thereof, or with respect to any indemnity herein contained, nor subject to any defense, set-off, counterclaim or recoupment whatsoever arising by reason of any other indebtedness or liability at any time owing to the Vendee by the Manufacturer. Any and all such obligations, howsoever arising, shall be and remain enforceable by the Vendee against and only against the Manufacturer.

12.5. In the event of any such assignment or successive assignments by the Manufacturer of security title to the Equipment and of the Manufacturer's rights hereunder with respect thereto, the Vendee will, whenever requested by such assignee, change the names and word or words to be marked on each side of each Item of Equipment or, in the event such Item shall then be leased to the Railroad, the Vendee will use its best efforts to cause the Railroad pursuant to Section 4 of the Lease to change the names and word or words to be marked on each side of such Item, so as to indicate the security title of such assignee to the Equipment with such names and word or words as shall be specified by such assignee, subject to the requirements of the laws of the jurisdictions in which the Equipment shall be operated relating to such names and word or words for use on equipment covered by conditional sale agreements with respect to railroad equipment. The cost of marking such names and word or words with respect to the first assignee of this Agreement (or to a successor agent or trustee in case the first assignee is an agent or trustee) and with respect to the Vendee shall be borne by the Manufacturer. The cost of marking such names and word or words in connection with any subsequent assignment (other than to a successor agent or trustee if the first assignee is an agent or trustee) will be borne by the subsequent assignee.

12.6. In the event of any such assignment prior to the completion of delivery of the Equipment, the Vendee will, in connection with settlement for any Group of Equipment subsequent to such assignment, deliver to the assignee, at the time of delivery by the Vendee of notice fixing the Closing Date with respect to such Group, all documents reasonably required by the terms of such assignment to be delivered by the Vendee to the assignee in connection with such settlement, in such number of counterparts as may reasonably be requested, except for any opinion of counsel for the assignee.

SECTION 13. LIMITATION OF VENDEE'S OBLIGATIONS.

13.1. It is expressly understood and agreed by and between the Vendee and the Manufacturer and their respective successors and assigns that this Agreement is executed by Trust Company for USL, Inc. not individually or personally but solely as Trustee under the Trust Agreement in the exercise of the power and authority conferred and vested in it as such Trustee (and Trust Company for USL, Inc. hereby warrants that it possesses full power and authority to enter into and perform this Agreement), that each and all of the representations, undertakings and agreements herein made on the part of the Vendee are each and every one of them made and intended not as personal representations, undertakings and agreements by the Vendee or the Trustor, or for the purpose or with the intention of binding the Vendee or the Trustor personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Trust Agreement, that this Agreement is executed and delivered by the Vendee solely in the exercise of the powers expressly conferred upon the Vendee as trustee under the Trust Agreement, that actions to be taken by the Vendee pursuant to its obligations hereunder may, in certain instances, be taken by the Vendee only upon specific authority of the Trustor, that nothing herein contained shall be construed as creating any liability on Trust Company for USL, Inc., or on the Trustor individually or personally, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of, Trust Company for USL, Inc. or the Trustor, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Manufacturer and by each and every person now or hereafter claiming by, through or under the Manufacturer, and that so far as Trust Company for USL, Inc. or the Trustor or the Manufacturer, individually or personally are concerned, the Manufacturer and any person claiming by, through or under the Manufacturer shall look solely to the Trust Estate as defined in the Trust Agreement for payment of the Conditional Sale Indebtedness, together with interest thereon and all other payments and obligations as herein provided. Nothing in this Section 13 shall limit any rights of the Manufacturer under this Agreement against the Railroad. The term "Vendee" as used in this Agreement shall include any trustee succeeding the Vendee as Trustee under the Trust Agreement or the

Trustor if the trust created thereby is revoked. Nothing contained in this Agreement shall restrict the operation of the provisions of the Trust Agreement with respect to its revocation or the resignation or removal of the Trustee thereunder.

13.2. Without limiting the effect of Section 13.1 hereof, the Vendee and the Trust Estate shall be liable in respect of, and shall be obligated to pay, the Conditional Sale Indebtedness, interest thereon and any other obligations of the Vendee hereunder only to the extent the Vendee has indefeasibly received equivalent amounts from the Railroad under the Lease; provided, however, that the Vendee shall be obligated to make the payment set forth in Section 3.3(b)(1) notwithstanding that the Vendee has not received an equivalent amount from the Railroad; and further provided that the following amounts, for the purposes of this Section 13.2, will not be deemed to be "equivalent amounts from the Railroad": (1) amounts distributed by the Vendee to the Trustor while, to the actual knowledge of the Vendee, no Event of Default hereunder was continuing, (ii) amounts paid to the Vendee or the Trustor pursuant to the Tax Indemnity Agreement dated as of the date hereof among the Vendee, the Trustor and the Railroad, and (iii) amounts payable to the Vendee or the Trustor pursuant to Section 6 of the Lease.

13.3. Without limiting the effect of Section 13.1 hereof, the obligations of the Vendee and the Trust Estate under Sections 2.4, 5, 6.1, 7, 9.1, 10.1, 12.5, 15.2, 15.7 and 18 hereof shall be deemed in all respects satisfied by the Railroad's undertakings contained in the Lease. The Vendee and the Trust Estate shall not have any responsibility for the Railroad's failure to perform such undertakings, but if the same shall not be performed they shall constitute the basis for an Event of Default hereunder pursuant to Section 14 hereof.

SECTION 14. DEFAULTS.

14.1. In the event that any one or more of the following Events of Default shall occur and be continuing, to-wit:

- (a) The Vendee shall fail to pay in full any sum payable by the Vendee when payment thereof shall be due hereunder and such default shall continue for ten days; or

(b) The Vendee shall fail or refuse to comply with any covenant, agreement, term or provision of this Agreement or to make provision satisfactory to the Manufacturer for such compliance for more than 30 days after written notice from the Manufacturer specifying the default and demanding the same to be remedied; or

(c) Any proceedings shall be commenced by or against the Vendee under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, re-adjustment of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of the obligations of the Vendee under this Agreement), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Vendee under this Agreement shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Vendee or for the property of the Vendee in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier; or

(d) The Vendee shall make or suffer any unauthorized assignment or transfer of this Agreement or any interest herein or any unauthorized transfer of the right to possession of any Item of Equipment; or

(e) An Event of Default shall have occurred and be continuing under the Lease;

then at any time after the occurrence and during the continuance of such an Event of Default the Manufacturer may, upon written notice to the Vendee and upon compliance with any legal requirements then in force and applicable to such action by the Manufacturer, declare the entire indebtedness in respect of the Purchase Price of the Equipment, together with the interest thereon then accrued and unpaid, immediately due and payable, without further demand, and thereafter the aggregate of the unpaid balance of such indebtedness and interest shall bear interest from the date of such declaration at the rate of 9% per annum, to the extent legally enforceable, and the Manufacturer shall thereupon be entitled, subject to the provisions and limitations of Section 13 hereof, to recover judgment for the entire unpaid balance of the indebtedness in respect of the Purchase Price of the Equipment so payable, with interest as aforesaid, and to collect such judgment out of any property of the Vendee subject to the provisions and limitations of Section 13 hereof.

14.2. Except as hereinafter provided, if an Event of Default under the Lease of which the Manufacturer has knowledge shall have occurred and be continuing, the Manufacturer shall give the Vendee not less than fifteen days' prior written notice of the date (the "Enforcement Date") on which the Manufacturer will exercise any remedy or remedies pursuant to Section 15 hereof. If an Event of Default under the Lease shall have occurred and be continuing, the Vendee shall have the following rights hereunder:

(a) In the event of the occurrence of an Event of Default in respect of the payment of Fixed Rental under the Lease on the day it becomes due and payable, or in the event of the occurrence of an Event of Default in respect of any other obligation of the Railroad under the Lease, the Vendee may, prior to the Enforcement Date, pay to the Manufacturer an amount equal to any principal and interest (including interest, if any, on overdue payments of principal and interest) then due and payable in respect of the Conditional Sale Indebtedness, or, as the case may be, perform in a manner satisfactory to the Manufacturer any other such obligation and such payment or such performance by the Vendee shall be deemed to cure any Event of Default under the Lease which would otherwise have arisen on account of the non-payment by the Railroad of such installment of Rental or the non-performance of such obligation under the Lease.

Except as hereinafter in this Section 14.2(a) provided, any claims of the Vendee against the Railroad or any other party for the repayment of any amount so paid by the Vendee or on account of costs or expenses incurred in connection with such claims shall not impair the prior right and security interest of the Manufacturer in and to the Equipment or any Rentals or other amounts payable therefor under the Lease. If no other Event of Default shall have occurred and be continuing and if all principal and interest payments due in respect of the Conditional Sale Indebtedness have been paid at the time of receipt by the Manufacturer from the Railroad of an overdue installment of Interim Rental or Fixed Rental in respect of which the Vendee shall have made payment pursuant to the preceding paragraph of this Section 14.2(a) and interest payable by the Railroad on account of such overdue installment, such installment and interest thereon shall be released to or upon the order of the Vendee.

(b) Whether or not the Vendee shall then have the right to cure an Event of Default under the Lease pursuant to Section 14.2(a) above, the Vendee may at its option pay to the Manufacturer the total unpaid balance of the indebtedness in respect of the Purchase Price of the Equipment, together with interest thereon accrued and unpaid and all other payments due under this Agreement.

14.3 The Manufacturer may waive any such Event of Default and its consequences and rescind and annul any such declaration by notice to the Vendee in writing to that effect, and thereupon the

respective rights of the parties shall be as they would have been if no such default had existed and no such declaration had been made. Notwithstanding the provisions of this paragraph, it is expressly understood and agreed by the Vendee that time is of the essence of this Agreement and that no such waiver, rescission or annulment shall extend to or affect any other or subsequent default or impair any rights or remedies consequent thereon.

SECTION 15. REMEDIES.

15.1. If an Event of Default shall have occurred and be continuing as hereinbefore provided, then at any time after the entire indebtedness in respect of the Purchase Price of the Equipment shall have been declared immediately due and payable as hereinbefore provided and during the continuance of such default, the Manufacturer may, upon such further notice, if any, as may be required for compliance with any mandatory requirements of law then in force and applicable to the action to be taken by the Manufacturer, take or cause to be taken by its agent or agents immediate possession of the Equipment, or any Item thereof, without liability to return to the Vendee any sums theretofore paid and free from all claims whatsoever, except as hereinafter in this Section 15 expressly provided, and may remove the same from possession and use of the Vendee (but subject to the then existing rights and interests of the Railroad under the Lease, if any) and for such purpose may enter upon premises where the Equipment may be located without judicial process if this can be done without breach of the peace, and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities or means of the Vendee.

15.2. In case the Manufacturer shall rightly demand possession of the Equipment in pursuance of this Agreement and shall reasonably designate a terminal facility on the lines of the Railroad for the delivery of the Equipment to the Manufacturer, the Vendee shall use its best efforts to cause the Railroad, at the expense of the Railroad, forthwith and in the usual manner to cause the Equipment to be moved to such terminal facility as shall be reasonably designated by the Manufacturer and shall there deliver the Equipment or cause it to be delivered to the Manufacturer. The agreement to deliver the Equipment

as hereinbefore provided is of the essence of this Agreement between the parties, and, upon application to any court of equity having jurisdiction in the premises, the Manufacturer shall be entitled to a decree against the Vendee requiring specific performance hereof. The Vendee hereby expressly waives any and all claims against the Manufacturer and its agent or agents for damages of whatever nature in connection with any retaking of any Item of Equipment in any reasonable manner.

15.3. If an Event of Default shall have occurred and be continuing as hereinbefore provided, then at any time thereafter during the continuance of such default and after the entire indebtedness in respect of the Purchase Price of the Equipment shall have been declared immediately due and payable as hereinbefore provided, the Manufacturer with or without the retaking of possession thereof may, at its election, sell the Equipment, or any Item thereof, free from any and all claims of the Vendee, or of any other party claiming by, through or under the Vendee (but subject to the then existing rights of the Railroad under the Lease, if any), at law or in equity, at public or private sale and with or without advertisement as the Manufacturer may determine and as is commercially reasonable; and the proceeds of such sale, less the attorneys' fees and any other expenses incurred by the Manufacturer in taking possession of, removing, storing and selling the Equipment, shall be credited to the amount due to the Manufacturer under the provisions of this Agreement.

15.4. Any sale hereunder may be held or conducted at such place or places and at such time or times as the Manufacturer may specify, in one lot and as an entirety, or in separate lots and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner as the Manufacturer may determine, provided that the Vendee shall be given written notice of such sale not less than ten days prior thereto, by mail addressed as provided herein and provided further that such sale shall be conducted in a commercially reasonable manner. If such sale shall be a private sale, it shall be subject to the rights of the Vendee and each Trustor to purchase or provide a purchaser, within ten days after notice of the proposed sale price, at the same price offered by the intending purchaser or a better price. The Manufacturer may bid for and become the purchaser of the Equipment, or any Item thereof, so offered for sale without accountability to the Vendee (except to the extent of surplus money received as hereinafter provided in this Section), and in payment of the purchase price therefor the Manufacturer shall be entitled to have credited on account thereof all sums due to the Manufacturer from the Vendee hereunder.

15.5. Each and every power and remedy hereby specifically given to the Manufacturer shall be in addition to every other power and remedy hereby specifically given or now or hereafter existing at law or in equity, and each and every power and remedy may be exercised from time to time and simultaneously and as often and in such order as may be deemed expedient by the Manufacturer. All such powers and remedies shall be cumulative, and the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Manufacturer in the exercise of any such power or remedy and no renewal or extension of any payments due hereunder shall impair any such power or remedy or shall be construed to be a waiver of any default or an acquiescence therein.

15.6. All sums of money realized by the Manufacturer under the remedies herein provided shall be applied, first to the payment of costs and expenses of suit, if any, and of such sale and of all proper expenses, liabilities and advances, including legal expenses and attorneys' fees incurred or made by the Manufacturer (but only to the extent such costs, expenses, liabilities and advances have not been otherwise paid by the Railroad), second to the payment of interest on the indebtedness in respect of the Purchase Price of the Equipment accrued and unpaid, and third to the payment of the indebtedness in respect of the Purchase Price of the Equipment. If, after applying as aforesaid all sums of money realized by the Manufacturer, there shall remain any amount due to it under the provisions of this Agreement, the Manufacturer may bring suit therefor and shall be entitled to recover a judgment therefor against the Vendee, subject to the provisions of Section 13 hereof. If, after applying as aforesaid all sums realized by the Manufacturer, there shall remain a surplus in the possession of the Manufacturer, such surplus shall be paid to the Vendee.

15.7. The Vendee, subject to the provisions of Section 13 hereof, will pay all reasonable expenses, including attorneys' fees, incurred by the Manufacturer in enforcing its remedies under the terms of this Agreement. In the event that the Manufacturer shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit the Manufacturer may recover reasonable expenses, including attorneys' fees and the amount thereof shall be included in such judgment.

15.8. The foregoing provisions of this Section are subject in all respects to all mandatory requirements of law at the time in force and applicable thereto. No remedies herein provided shall be exercised in such manner as to violate any rights of the Lessee under the Lease unless an Event of Default shall have occurred and be continuing under the Lease.

SECTION 16. APPLICABLE STATE LAWS.

16.1. Any provision of this Agreement prohibited by any applicable law of any state, or which by any applicable law of any state would convert this Agreement into any instrument other than an agreement of conditional sale, shall as to such state be ineffective, without modifying the remaining provisions of this Agreement. Where, however, the conflicting provisions of any applicable state law may be waived, they are hereby waived by the Vendee to the full extent permitted by law, to the end that this Agreement shall be deemed to be a conditional sale and enforced as such.

16.2. Except as otherwise provided in this Agreement, the Vendee, to the full extent permitted by law, hereby waives all statutory or other legal requirements for any notice of any kind, notice of intention to take possession of or to sell the Equipment, or any Item thereof, and any other requirements as to the time, place and terms of sale thereof, and other requirements with respect to the enforcement of the Manufacturer's rights hereunder and any and all rights of redemption.

16.3. Nothing in this Section 16 or any other provision of this Agreement shall be deemed to make ineffective, or to modify or waive, the provisions and limitations of Section 13 hereof.

SECTION 17. EXTENSION NOT A WAIVER.

No delay or omission in the exercise of any power or remedy herein provided or otherwise available to the Manufacturer shall impair or affect the Manufacturer's right thereafter to exercise the same. Any extension of time for payment hereunder or other indulgence duly granted to the Vendee shall not otherwise alter or affect the Manufacturer's rights or the obligations of the Vendee hereunder. The Manufacturer's acceptance of any payment after it shall have become due hereunder shall not be deemed to alter or affect the Vendee's obligations or the Manufacturer's rights hereunder with respect to any subsequent payments or defaults therein.

SECTION 18. RECORDING.

Subject to the provisions of Section 13 hereof, the Vendee will cause this Agreement, the first assignment hereof and any supplements hereto and thereto (or a financing or continuation statement or similar notice thereof if and to the extent permitted or required by applicable law) to be filed, recorded or deposited and refiled, re-recorded or redeposited, if necessary, in all public offices as may be required by law or reasonably requested by the Manufacturer for the purpose of proper

protection, to the satisfaction of counsel for the Manufacturer of their security title to the Equipment and their rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Railroad will promptly furnish to the Manufacturer certificates or other evidences of such filing, recording or depositing, and an opinion or opinions of counsel for the Railroad with respect thereto, satisfactory to the Manufacturer.

SECTION 19. NOTICE.

Any notice hereunder to any of the parties designated below shall be deemed to be properly served if delivered or mailed to it at its chief place of business at the following specified addresses:

(a) to the Vendee: Trust Company for USL, Inc., Trustee under Burlington Northern Trust No. 77-11, 1211 West 22nd Street, Oak Brook, Illinois 60521, with a copy to United States Leasing International, Inc., 633 Battery Street, San Francisco, California 94111, Attention: Vice President - Lease Underwriting Group, and with a copy to City National Bank, 404 North Roxbury Drive, Beverly Hills, California 90210, Attention: Finance Division,

(b) to the Railroad: Burlington Northern Inc., 176 East Fifth Street, St. Paul, Minnesota 55101, Attention: R. C. Burton, Jr., Assistant Vice President, Financial Planning,

(c) to the Manufacturer: Portec, Inc. (Paragon Division), 300 Windsor Drive, Oak Brook, Illinois 60521, Attention: Vice President,

(d) if to the Assignee: Continental Illinois National Bank and Trust Company of Chicago, 231 South LaSalle Street, Chicago, Illinois 60693, Attention: Corporate Trust Division,

(e) to any other assignee of the Manufacturer, or of the Vendee, at such address as may have been furnished in writing to the Vendee or the Manufacturer, as the case may be, and to the Railroad, by such assignee,

or at such other address as may have been furnished in writing by such party to the other parties to this Agreement.

SECTION 20. HEADINGS AND TABLE OF CONTENTS.

All section headings and the table of contents are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

SECTION 21. EFFECT AND MODIFICATION OF AGREEMENTS.

This Agreement and the Schedules relating hereto, together with the Lease exclusively and completely state the rights and agreements of the Manufacturer and the Vendee with respect to the Equipment and supersede all other agreements, oral or written, with respect to the Equipment. Except as otherwise provided herein, no variation of this Agreement and no waiver of any of its provisions or conditions shall be valid unless in writing and duly executed on behalf of the Manufacturer, the Vendee and the Railroad. Without the prior written consent of the Manufacturer, the Vendee will not consent to any amendment, modification, waiver or supplement to the Lease or, except in accordance with Section 13 thereof, cancel or terminate the Lease prior to the payment in full of the indebtedness in respect of the Purchase Price of the Equipment, together with interest thereon.

SECTION 22. LAW GOVERNING.

The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act and such additional rights arising out of the filing, recording or depositing hereof and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited.

SECTION 23. CERTAIN DEFINITIONS.

The term "Manufacturer", whenever used in this Agreement, means, before any assignment of any of its rights hereunder, Portec, Inc. (Paragon Division), and any successor or successors for the time being to the manufacturing properties and business of each respectively, and, after any such assignment, any assignee or assignees for the time being of such particular assigned rights as regards such rights, and also any assignor as regards any rights hereunder that are retained and excluded from any assignment.

SECTION 24. ASSIGNMENT OVER AND GRANT OF SECURITY INTEREST IN THE LEASE.

24.1 (a) In order to further secure the payment of the indebtedness in respect of the Purchase Price of the Equipment, the interest and premium, if any, and the payment or performance of all of the Vendee's obligations contained in this Agreement and the Finance Agreement, the Vendee hereby assigns, transfers and sets over to the Manufacturer and grants the Manufacturer a security interest in all right, title, interest, claims and demands of the Vendee as lessor in, under and to the Lease, including all extensions of the term of the Lease, together with all rights, powers, privileges, options and other benefits of the Vendee as lessor under the Lease, including, without limitation:

(1) the immediate and continuing right to receive and collect all rentals, insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable to or receivable by the lessor under the Lease pursuant thereto;

(2) the right to make all waivers and agreements and to give and receive duplicate copies of all notices and other instruments or communications; and

(3) the right to take such action upon the occurrence of a default or an Event of Default under the Lease, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Lease or by law, and to do any and all other things whatsoever which the Vendee or any lessor is or may be entitled to do under the Lease;

it being the intent and purpose hereof that the assignment and transfer to the Manufacturer of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Manufacturer shall have the right to collect and receive said rentals and other sums for application to the payment of the Conditional Sale Indebtedness, together with the interest and premium, if any, thereon and the other obligations of the Vendee hereby secured at all times during the period from and after the date of this Agreement until the Conditional Sale Indebtedness, together with the interest and premium, if any, thereon and all other obligations of the Vendee hereby secured have been fully paid and discharged.

(b) Notwithstanding the provisions of paragraph (a) above, so long as, to the knowledge of the Manufacturer, no Event of Default as defined herein or in the Lease has occurred and is continuing and no event has occurred and is continuing which would be an Event of Default as therein defined with the lapse of time or the giving of notice or both:

(1) the amount of each semiannual installment of Fixed Rental received by the Assignee which is in excess of the installment of principal and interest due and payable on the Conditional Sale Indebtedness on the payment date of such Fixed Rental installment; and

(2) the amount of the Casualty Value payment received by the Manufacturer pursuant to Section 11 of the Lease for any Item or Items of Equipment which is in excess of the Casualty Payment due and payable for such Item or Items of Equipment pursuant to Section 6 of the Conditional Sale Agreement;

shall be paid over and released to or upon the order of the Vendee.

24.2. The Vendee agrees that it will not:

(a) declare a default or exercise the remedies of the lessor under, or terminate, modify or accept a surrender of, or offer or agree to any termination, modification, surrender or termination of, the Lease in respect of the Equipment (except as otherwise expressly provided herein) or by affirmative act consent, to the creation or existence of any security interest or other lien to secure the payment of indebtedness upon the leasehold estate created by the Lease or any part thereof; or

(b) receive or collect or permit the receipt or collection of any interim rentals, fixed rentals, Casualty Value payments prior to the date for the payment thereof provided for by the Lease (unless received without fault and promptly remitted to the Manufacturer) or assign, transfer or hypothecate (other than to the Manufacturer hereunder) any interim rentals, fixed rentals or Casualty Value payments then due or to accrue in the future under the Lease;

provided, however, that if an Event of Default under the Lease shall occur and be continuing with respect to, and only with respect to, any portion of any installment of Fixed Rental or any portion of any Casualty Value payment due and payable by the Railroad, which portion is not then or soon thereafter necessary to meet an obligation of the Vendee, to the Manufacturer hereunder

the Vendee shall have the right to declare that an Event of Default exists under the Lease and the right to exercise the remedies, but only those remedies, provided for in Section 14.2(a) of the Lease to enforce performance by the Railroad of any obligation of the Railroad to pay such amounts or to recover damages for the breach thereof.

24.3. The Vendee does hereby irrevocably constitute and appoint the Manufacturer its true and lawful attorney with full power of substitution, for it and in its name, place and stead, to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all rentals and other payments and sums which are assigned under Section 24.1 hereof with full power to settle, adjust or compromise any claim thereunder as fully as the Vendee could itself do, and to endorse the name of the Vendee on all commercial paper given in payment or in part payment thereof, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Vendee or otherwise, which the Manufacturer may deem necessary or appropriate to protect and preserve the right, title and interest of the Manufacturer in and to such rentals and other payments and sums and the security intended to be afforded hereby.

24.4. This assignment being made only as security shall not subject the Manufacturer to, or transfer, or pass, or in any way affect or modify, the liability of the Vendee under the Lease, it being understood and agreed that notwithstanding this assignment, or any subsequent assignment, all obligations of the Vendee to the Railroad, as lessee under the Lease, shall be and remain enforceable by the Railroad, as lessee, its successors and assigns, against, and only against, the Vendee. Further, the Vendee covenants and agrees that it will perform all its obligations to be performed under the terms of the Lease, and hereby irrevocably authorizes and empowers the Manufacturer, in its own name, or in the name of its nominee, or in the name of the Vendee, as its attorney, on the happening of any failure by the Vendee to perform or cause to be performed, any such obligation.

24.5. Upon the full discharge and satisfaction of the full amount of the indebtedness in respect of the purchase price of the Equipment, together with interest thereon, and all other payments as herein provided and the performance of all of the Vendee's obligations herein contained, the assignment made hereby and all rights herein assigned to the Manufacturer shall cease and terminate, and all estate, right, security title and interest of the Vendee in and to the Lease shall revert to the Vendee.

24.6. There are expressly excepted and reserved from the assignment and security interest provided for in Section 24.1 above the following described properties, rights, interests and privileges:

(a) all payments of any indemnity under Section 6 of the Lease which are payable to the Vendee or the Trustor for its own account;

(b) if an Event of Default under the Lease based on a breach of any covenant of the Lessee to pay any such indemnity or payment referred to under paragraph (a) of this Section 24.6 shall occur and be continuing, the right of the Vendee to declare that an Event of Default exists under the Lease and the right of the Vendee or the Trustor to exercise the remedies, but only those remedies, provided for in Section 14.2(a) of the Lease to enforce performance by the Lessee of any covenants of the Lessee to pay any such indemnity or payment directly to the Vendee or the Trustor or to recover damages for the breach thereof; and

(c) any insurance proceeds payable under general public liability policies maintained by the Lessee pursuant to Section 11.1 of the Lease which by the terms of such policies or the terms of the Lease are payable directly to the Vendee or the Trustor for its own account.

It is understood and agreed that nothing in this Section 24 shall be deemed to constitute an assignment by the Vendee of any of its rights in and under that certain Indemnity Agreement between the Trustor and the Railroad, as defined in the Trust Agreement.

SECTION 25. EXECUTION.

This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same contract, which shall be sufficiently evidenced by any such original counterpart. Although this Agreement is dated for convenience as of the date first above written, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in their respective corporate names by their officers or representatives, thereunto duly authorized, and

their respective corporate seals to be hereunto affixed, duly attested, all as of the date first above written.

PORTEC, INC.
(PARAGON DIVISION)

By *R. P. White*
Vice President

(Corporate Seal)

Attest:

Jane Horton
Secretary

TRUST COMPANY FOR USL, INC.,
as Trustee under Burlington
Northern Trust No. 77-11

By *Richard A. Coy*
Its Vice-President

(Corporate Seal)

Attest:

[Signature]
Its Secretary

STATE OF ILLINOIS)
) SS
COUNTY OF DUPAGE)

On this 27th day of June, 1977, before me personally appeared L. L. White Jr., to me personally known, who being by me duly sworn, says that he is a Vice President of PORTEC, INC. (PARAGON DIVISION), that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Shirley J. Bielanski
Notary Public

(Seal)

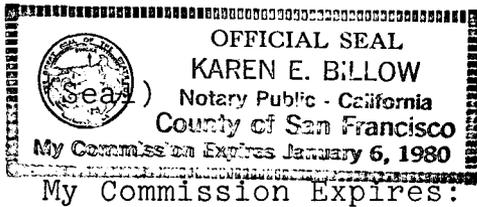
My Commission Expires: March 6, 1978



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

On this 29th day of June, 1977,
before me personally appeared RICHARD A. COGAN, to me
personally known, who being by me duly sworn, says that he is
an _____ Vice President of TRUST COMPANY FOR USL, INC.,
that the seal affixed to the foregoing instrument is the corporate
seal of said corporation, that said instrument was signed and
sealed on behalf of said corporation by authority of its Board
of Directors, and he acknowledged that the execution of the
foregoing instrument was the free act and deed of said corporation.


Notary Public



MANUFACTURER:

Portec, Inc.
(Paragon Division)

PLANT OF MANUFACTURER:

Novi, Michigan and Clinton, Illinois

DESCRIPTION OF ITEMS
OF EQUIPMENT:

Type A (Ford Service): 50 screened Bi-level Auto Racks without end doors, which shall bear Railroad's identifying numbers BN 2148 through BN 2197 and Manufacturer's serial numbers 2009-1 through 2009-50, both inclusive.

Type B (Import Service): 77 enclosed Tri-level Auto Racks without end doors, which shall bear Railroad's identifying numbers BN 4316 through BN 4392 and Manufacturer's Serial numbers 40307-1 through 40307-77 both inclusive.

Type C (G.M. Service): 23 enclosed Tri-level Auto Racks with end doors, which shall bear Railroad's identifying numbers BN 4393 through BN 4415 and Manufacturer's serial numbers 40621-1 through 40621-23 both inclusive.

SPECIFICATIONS:

Purchase Order No. OB 30466-6 (Type C), OB 30465-6 (Type B), OB 30467-6 (Type A).

BASE PRICE (SUBJECT TO CHANGE):

Type A: \$12,050 per Item (\$602,500 for 50 Items)

Type B: \$25,050 per Item (\$1,928,850 for 77 Items)

Type C: \$29,050 per Item (\$668,150 for 23 Items)

MAXIMUM AGGREGATE PURCHASE PRICE:

\$3,519,450 for 150 Items

DELIVER TO:

Burlington Northern Inc.

PLACE OF DELIVERY:

Novi, Michigan and Clinton, Michigan

ESTIMATED DELIVERY DATE:

July, 1977 - October, 1977

OUTSIDE DELIVERY DATE:

March 31, 1978

Lessee: Burlington Northern Inc.

Assignee of Manufacturer: Continental Illinois National Bank and Trust
Company of Chicago

(Burlington Northern Trust No. 77-11)

DEBT AMORTIZATION SCHEDULE

(All figures in this Schedule B are shown
as percentages of the Conditional Sale Indebtedness)

<u>Payment Number</u>	<u>Date</u>	<u>Interest Payment</u>	<u>Principal Payment</u>	<u>Total Debt Service</u>	<u>Principal Balance</u>
0	1-5-78	[Variable]	0.000%	[Variable]	100.000%
1	7-5-78	4.000%*	3.750%	7.750%*	96.250%
2	1-5-79	3.850%	3.900%	7.750%	92.350%
3	7-5-79	3.694%	4.056%	7.750%	88.294%
4	1-5-80	3.532%	4.218%	7.750%	84.076%
5	7-5-80	3.363%	4.387%	7.750%	79.689%
6	1-5-81	3.187%	4.563%	7.750%	75.126%
7	7-5-81	3.005%	4.745%	7.750%	70.381%
8	1-5-82	2.815%	5.832%	8.647%	64.549%
9	7-5-82	2.582%	6.065%	8.647%	58.484%
10	1-5-83	2.339%	6.323%	8.662%	52.161%
11	7-5-83	2.086%	6.576%	8.662%	45.585%
12	1-5-84	1.823%	6.855%	8.678%	38.730%
13	7-5-84	1.549%	7.129%	8.678%	31.601%
14	1-5-85	1.264%	7.432%	8.696%	24.169%
15	7-5-85	.967%	7.729%	8.696%	16.440%
16	1-5-86	.658%	8.057%	8.715%	8.383%
17	7-5-86	.335%	8.383%	8.718%	0.000%

*In the event the Closing Date for any Item of Equipment shall occur after January 5, 1978 and on or before March 31, 1978, the installment due on July 5, 1978 with respect to such Item of Equipment shall be reduced by an amount equal to interest only at the rate of 8% per annum, for the period from and including January 5, 1978 to but not including such Closing Date.

SCHEDULE B
(to Conditional Sale Agreement)