

8701

RECORDATION NO. Filed & Recorded

File First

APR 26 1977 - II 40 AM



INTERSTATE COMMERCE COMMISSION SEABOARD COAST LINE RAILROAD COMPANY

Treasury Department
P. O. Box 27581
Richmond, Virginia 23261

7-116 A023
50

LEONARD G. ANDERSON
VICE PRESIDENT AND TREASURER

April 26, 1977

Mr. Robert L. Oswald, Secretary
Interstate Commerce Commission
Washington, D. C. 20423

Dear Mr. Oswald:

I am enclosing for filing and recordation under the provisions of Section 20c of the Interstate Commerce Act, as amended, counterparts Nos. 1 - 4, inclusive, of Reconstruction and Conditional Sale Agreement dated as of April 1, 1977, described in detail below. Such document by its terms provides that each counterpart shall be deemed an original and, accordingly, counterpart No. 4 may be treated as the original and the others as counterparts thereof.

1. Names and addresses of the parties to the Reconstruction and Conditional Sale Agreement

- (a) Vendor - Mercantile-Safe Deposit and Trust Company, as Agent, P. O. Box 2258, Baltimore, Maryland 21203
- (b) Vendee - Trust Company for USL, Inc., as Owner Trustee, P. O. Box 66011, AMF, OHARE, Chicago, Illinois 60666 (See NOTE attached)
- (c) Builder - Seaboard Coast Line Railroad Company, 3600 West Broad Street, Richmond, Virginia 23230

2. Description of the equipment

Identifying marks:

"Ownership Subject to a Security Agreement filed under the Interstate Commerce Act, Section 20c"

Leonard G. Anderson

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REC'D

Mr. Robert L. Oswald

<u>General Description</u>	<u>Type of Equipment</u>	<u>A.A.R.Mech. Design.</u>	<u>Number</u>	<u>SCL Road Numbers</u>
Covered Cement Phosphate Hopper Cars	77-ton	LO	200	202550-202749, incl.
Box Cars	50' 55-ton	XM & XL	500	27800-28299, incl.
Coal Hopper Cars	77-ton	HT	350	162975-163324, incl.

3. Counterparts Nos. 2, 3 and 4 of the above-mentioned document should be returned to Mr. Erle J. Zoll, Jr., representing the undersigned, 1000 Connecticut Avenue, N. W., Washington, D. C. 20036.

I am enclosing this company's check in the amount of \$50.00 made payable to the Commission covering the recordation fee for the above-mentioned document.

Very truly yours,

SEABOARD COAST LINE RAILROAD COMPANY

By 
Leonard G. Anderson
Vice President and Treasurer

NOTE:

For the purpose of further clarifying the enclosed financing document, it is pointed out that Trust Company for USL, Inc., P. O. Box 66011, AMF, OHARE, Chicago, Illinois, 60666, is the Owner Trustee under a certain Trust Agreement dated as of April 1, 1977, for the benefit of the equity participants Security Pacific National Leasing, Inc., One Embarcadero Center, Executive Offices, Suite 710, San Francisco, California 94111, and City National Bank, 400 North Roxbury Drive, P. O. Box 1141, Beverly Hills, California 90210.

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

April 26, 1977

Leonard G. Anderson
Seaboard Coast Line Railroad Company
P. O. Box 27581
Richmond, VA 23261

Dear

Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 20(c) of the Interstate Commerce Act, 49 U.S.C. 20(c), on 4-26-77 at 1:40 AM , and assigned recordation number(s) 8791, 8791-A and 8791-B.

Sincerely yours,


Robert L. Oswald
Secretary

Enclosure(s)

SE-30
(5/76)

RECORDATION NO. 8791 Filed & Recorded

COUNTERPART NO. 1 OF
9 COUNTERPARTS.

APR 26 1977 - 11 40 AM

INTERNATIONAL COMMERCE COMMISSION

RECONSTRUCTION AND CONDITIONAL SALE
AGREEMENT

Dated as of April 1, 1977

among

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY
not in its individual capacity but
solely as Agent,

SEABOARD COAST LINE
RAILROAD COMPANY

and

TRUST COMPANY FOR USL, INC.
as Owner Trustee

RECONSTRUCTION AND CONDITIONAL
SALE AGREEMENT

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RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT dated as of April 1, 1977, among MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, not in its individual capacity but solely as Agent (hereinafter called the Vendor) under a Participation Agreement dated as of the date hereof in the form of Exhibit E hereto (hereinafter called the Participation Agreement), SEABOARD COAST LINE RAILROAD COMPANY, a Virginia corporation, in its capacity as builder (hereinafter called the Builder) and TRUST COMPANY FOR USL, INC., an Illinois corporation, not in its individual capacity but solely as Trustee (hereinafter called the Vendee) under a Trust Agreement dated as of April 1, 1977 (hereinafter called the Trust Agreement), with certain trust beneficiaries (hereinafter collectively called the Beneficiaries).

The Vendee proposes to acquire all right, title and interest in certain railroad equipment (hereinafter called the Hulks) from the Builder pursuant to a Hulk Purchase Agreement (hereinafter called the Hulk Purchase Agreement) dated as of April 1, 1977, in substantially the form of Exhibit D hereto, and will subject the same to a security interest in favor of the Vendor for the purpose of causing the Hulks to be reconstructed.

The Vendor will acquire security title to the Hulks pursuant to a transfer agreement or agreements (hereinafter collectively called the Transfer Agreement) in substantially the form of Exhibit A hereto, for the purpose of causing the same to be reconstructed as described herein and thereupon selling its interest in the same to the Vendee and the Vendee has agreed to purchase the Hulks as so reconstructed (the reconstructed equipment described in Schedule A hereto being hereinafter called the Equipment).

The Hulks will be delivered to the Builder and the Builder has agreed with the Vendor to cause the Hulks to be reconstructed in accordance with specifications of the Builder and as required hereby to enable delivery of the Equipment to be made to the Vendee in accordance herewith.

The Vendee and the Lessee are entering into a

Lease of Railroad Equipment, dated as of the date hereof (hereinafter called the Lease), substantially in the form of Exhibit B hereto, pursuant to which the Vendee is leasing the Equipment to the Lessee, subject to this Agreement, and the Vendee is assigning for security purposes its rights in, to and under the Lease to the Vendor pursuant to an Assignment of Lease and Agreement dated as of the date hereof (hereinafter called the Lease Assignment), substantially in the form of Exhibit C hereto. The rights acquired by the Vendor pursuant to this Reconstruction and Conditional Sale Agreement shall be and are acquired for the benefit of the Investors identified in the Participation Agreement for whom the Vendor is acting as Agent pursuant to the terms of such Participation Agreement.

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements hereinafter set forth, the parties hereto do hereby agree as follows:

ARTICLE 1. Reconstruction and Sale. Pursuant to this Agreement, the Builder will cause the Hulks to be reconstructed into the Equipment as described in Schedule A hereto and will deliver the Equipment to the Vendee on behalf of the Vendor and the Vendee will accept delivery of and pay for the Equipment as hereinafter provided, each unit of which shall be standard gauge railroad equipment reconstructed in accordance with the specifications of the Builder referred to in Schedule A hereto and in accordance with such modifications thereof as may be agreed upon in writing by the parties hereto (which specifications and modifications, if any, are by reference made a part of this Agreement as fully as though expressly set forth herein and are hereinafter called the Specifications). The Builder warrants to the Vendor and the Vendee that the design, quality and component parts of the Equipment will conform, on the date of delivery of each thereof, to all Department of Transportation and Interstate Commerce Commission requirements and specifications, and to all standards recommended by the Association of American Railroads reasonably interpreted as being applicable to railroad equipment of the character of the Equipment as of the date of this Agreement.

ARTICLE 2. Inspection and Delivery. The Builder will deliver the units of the Equipment, on behalf of the Vendor, to the Vendee at such point or points within the United States of America specified in Schedule A hereto

(or such other place or places designated from time to time by the Builder) on or prior to March 15, 1978, freight charges, if any, prepaid; provided, however, that delivery of any unit of the Equipment shall not be made until this Agreement, the Transfer Agreement, the Lease and the Lease Assignment have been filed pursuant to Section 20c of the Interstate Commerce Act. The Builder agrees not to commence any reconstruction of, any Hulk if the Builder (A) does not reasonably anticipate that such Hulk will be fully reconstructed within 90 days following such commencement of reconstruction and in any case that such Hulk will be fully reconstructed prior to March 15, 1978, or (B) has received written notice from the Vendee, the Vendor or the Beneficiaries (a) of the occurrence of any event of default as defined in Article 14 hereof or any event (including the commencement of any proceeding or the filing of any petition of the nature specified in subparagraphs (c) and (d) of Article 14 hereof) which, with lapse of time, failure to take affirmative action and/or demand, could constitute an event of default hereunder shall have occurred, or (b) that any of the conditions contained in Paragraphs 6 or 7 of the Participation Agreement have not been met or waived or (c) that the Vendee is no longer obligated under the terms of Hulk Purchase Agreement to accept delivery of and to pay for any additional Hulks thereunder for any of the reasons therein provided.

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

During reconstruction, the Equipment shall be subject to inspection and approval by the authorized inspectors of the Vendee (who may be employees of the Lessee) and the Builder shall grant to such authorized inspectors reasonable access to its plant. The Builder agrees to inspect all materials used in the reconstruction of the Equipment in accordance with the standard quality control practices of the Builder. Upon completion of each unit or of a number of units of the Equipment, such unit or units shall be presented to an inspector of the Vendee for inspection at the place specified for delivery of such unit or units, and if each such unit conforms to the Specifications, requirements

and standards applicable thereto, such inspector or an authorized representative of the Vendee (who may be an employee of the Lessee) shall execute and deliver to the Builder a certificate of acceptance (hereinafter called the Certificate of Acceptance) stating that such unit or units have been inspected and accepted on behalf of the Vendee and are marked in accordance with Article 8 hereof; provided, however, that the Builder shall not thereby be relieved of its warranties set forth or referred to in Article 12 hereof.

ARTICLE 3. Purchase Price and Payment. The cost of the Hulks (the "Hulk Purchase Price") and the estimated base reconstruction cost per unit of the Equipment are set forth in Schedule A hereto. The term "Reconstruction Cost" as used herein shall mean the base reconstruction cost per unit set forth in Schedule A hereto, as increased or decreased by agreement among the Builder, the Vendor and the Vendee, but the aggregate Reconstruction Cost shall in no event exceed the lesser of (i) the actual cost to the Builder of doing the reconstruction work plus a reasonable overhead and profit factor or (ii) \$10,584,000 in the aggregate. The term "Purchase Price" as used herein means the sum of the Hulk Purchase Price and the Reconstruction Cost.

For the purpose of settlement therefor, the Equipment shall be divided into not more than four groups of units of the Equipment unless the Vendee, the Vendor and the Builder shall otherwise agree (each such group being hereinafter called a Group). The term "Closing Date" with respect to any Group shall mean such date not later than March 15, 1978 (herein sometimes called the Cut-Off Date), occurring not more than five business days following presentation by the Builder to the Vendee of the invoice (addressed to the Vendor and approved as to price by the Vendee) and the Certificate or Certificates of Acceptance for such Group, as shall be fixed by the Builder by written notice delivered to the Vendee and the Vendor, with a copy thereof to each Beneficiary, at least three business days prior to the Closing Date designated therein; provided, however, that the first such Closing Date shall not be prior to the date specified in Item 1 of Schedule B hereto and with respect to any Closing Date prior to the respective dates specified in Item 2, Item 3 and Item 4 of said Schedule B, the aggregate of the Invoiced Purchase Prices of all Equipment settled for hereunder prior to each such respective date shall not exceed the amount specified in said Item 1 (in the case of the date specified in Item 2), Item 2 (in the case of the date specified in Item 3) and Item 3 (in the

case of the date specified in Item 4). The term "business days" as used herein means calendar days, excluding Saturdays, Sundays, holidays and any other day on which banking institutions in Baltimore, Maryland, the State of California or New York, New York, are authorized to remain closed.

The Vendee hereby acknowledges itself to be indebted to the Vendor in the amount of, and hereby promises to pay (and the Builder is hereby constituted a third party beneficiary of such obligation) in Baltimore Federal funds to the Vendor at such place as the Vendor may designate, the Purchase Price of each Group of the Equipment, as follows:

(a) in 14 semiannual instalments, as hereinafter provided, an amount (herein called the Conditional Sale Indebtedness) equal to the lesser of (y) 65.3821% of the aggregate of the Purchase Prices of the units of the Equipment in the Group for which settlement is then being made as set forth in the Invoice or Invoices therefor (said invoice prices being hereinafter called the Invoiced Purchase Prices) or (z) the Available Investors' Funds (as defined in the eighth paragraph of this Article 3); and

(b) on the Closing Date with respect to each Group an amount (herein called the Down Payment) equal to the aggregate Purchase Price of such Group, less the amount payable pursuant to subparagraph (a) of this paragraph; provided, however, that the Vendee shall not be required to make such payment until there shall have been delivered to the Vendor on or prior to such date the documents required to be delivered thereto pursuant to the eighth paragraph of this Article 3.

The instalments of the Conditional Sale Indebtedness shall be payable on each April 1 and October 1 commencing October 1, 1978, to and including April 1, 1985 (or, if any such date is not a business day, on the next succeeding business day), each such date being hereinafter called a Payment Date. The unpaid balance of the Conditional Sale Indebtedness shall bear interest from the Closing Date upon which such Conditional Sale Indebtedness was incurred at the rate of 8.10% per annum, and such interest shall be payable, to the extent accrued, on April 1, 1978, and each Payment Date. The instalments of principal payable on each Payment Date shall be calculated on such a basis so that the amount and allocation of principal and interest on such Payment

Date shall be as set forth in Schedule I hereto. Promptly following the earlier of the last Closing Date or the Cut-Off Date, the Vendee will furnish to the Vendor and the Builder a payment schedule showing the respective amounts of principal and interest payable on each Payment Date.

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

The Vendee will pay interest at the rate of 9.10% per annum, to the extent legally enforceable, upon all amounts remaining unpaid after the same shall have become due and payable pursuant to the terms hereof, anything herein to the contrary notwithstanding.

All payments provided for in this Agreement shall be made 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. The Vendee shall not have the privilege of prepaying any portion of the Conditional Sale Indebtedness prior to the date it becomes due, provided, however, that the Conditional Sale Indebtedness may be prepaid as provided for in Article 6 hereof.

On the Closing Date with respect to each Group, an amount equal to the Invoiced Purchase Prices of such Group shall be paid in Richmond, Virginia, Clearing House funds by the Vendor to the Builder from the proceeds of (y) the amounts (herein called the Available Investors' Funds) available to the Vendor under and pursuant to the terms of the Participation Agreement to make payments on such Closing Date in amounts equal to the Conditional Sale Indebtedness and (z) the Down Payment payable by the Vendee pursuant to clause (b) of the third paragraph of this Article 3, provided that there shall have been delivered to the Vendor the following documents, in form and substance satisfactory to it and its special counsel:

(a) the Certificate or Certificates of Acceptance contemplated by Article 2 hereof and Section 1 of the Lease with respect to the Equipment in such Group;

(b) invoices of the Builder for the reconstruction of the Equipment in the Group and for the Hulks, accompanied by or having endorsed on the former the approval

of the Vendee of the price stated therein and a certification by the Builder that the Invoiced Purchase Prices have been calculated as provided in the first paragraph of this Article 3 and do not exceed the prices that would be charged by an independent car builder for comparable equipment; and

(c) a favorable opinion of counsel for the Builder, dated as of such Closing Date, stating that at the time of delivery of the units of the Equipment in such Group on behalf of the Vendor to the Vendee hereunder, title to such units was free of all claims, liens, security interests and other encumbrances of the Builder or of anyone claiming through the Builder.

The obligation of the Vendor to make payment for the Equipment is expressly conditioned on the Vendee having made the Down Payment to the Vendor required by subparagraph (b) of the third paragraph of this Article 3. If on any Closing Date the Down Payment exceeds 34.6179% of the Purchase Price of any Group, the Vendee may, by written notice to the Vendor and the Builder, postpone such Closing Date for a period of not more than 30 days. Notwithstanding anything to the contrary herein expressed or implied, the parties hereto agree that the Vendor shall have no obligation with respect to the reconstruction of the Hulks and delivery of the Equipment hereunder to the Vendee.

Notwithstanding any other provision of this Agreement (including, but not limited to, any provision of Articles 14 and 15 hereof), but not limiting the effect of Article 21 hereof, the Vendor agrees that the liability of the Vendee or any assignee of the Vendee or the Beneficiaries for all payments to be made by it under this Agreement (including, without limitation, amounts to be paid as interest pursuant to the sixth paragraph of this Article 3), with the exception only of the payments to be made pursuant to subparagraph (b) of the third paragraph of Article 3 and the obligations set forth in the proviso in the third paragraph of Article 11 hereof, shall not exceed an amount equal to, and shall be payable only out of, the "income and proceeds from the Equipment", and such payments shall be made by the Vendee only to the extent that the Vendee (which term as used in this sentence includes the Vendor to the extent payments under the Lease are made to the Vendor as contemplated therein and any assignee of the Vendee) shall have actually received sufficient "income or proceeds from

the Equipment" to make such payments. In addition, the Vendor agrees that the Vendee (i) makes no representation or warranty, and is not responsible for, the due execution, validity or enforceability of the Lease or any document relating thereto (except for the due authorization, execution and delivery thereof by the Vendee) or of any of the Lessee's obligations thereunder and (ii) shall have no obligation or liability whatsoever to see to or be responsible for the performance by the Lessee of any of its agreements, representations, indemnities, obligations or other undertakings under the Lease; it being understood that as to all such matters the Vendor will look solely to the Vendor's rights under this Agreement against the Equipment and to the Vendor's rights under the Lease against the Lessee and the Equipment. As used herein, the term "income and proceeds from the Equipment" shall mean (i) if one of the events of default specified in Article 14 hereof shall have occurred and while it shall be continuing, so much of the following amounts as are indefeasibly received by the Vendee at any time after any such event and during the continuance thereof: (a) all amounts of rental and amounts in respect of Casualty Occurrences (as hereinafter defined in Article 6 hereof) paid for or with respect to the Equipment pursuant to the Lease and any and all other payments received under Section 9 or any other provision of the Lease and (b) any and all payments or proceeds received by the Vendee under the Lease or received by the Vendee for or with respect to the Equipment as the result of the sale, lease or other disposition thereof and after deducting all costs and expenses of such sale, lease or other disposition (it being understood and agreed that all payments of "income and proceeds from the Equipment" received pursuant to this subclause (i) in excess of the unpaid Conditional Sale Indebtedness and all other payments due to the Vendor under this Agreement shall be paid to the Vendee) and (ii) at any other time only that portion of the amounts referred to in the foregoing clauses (a) and (b) as are indefeasibly received by the Vendee and as shall be required to discharge the portion of the Conditional Sale Indebtedness (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon, due and payable on the date such amounts were required to be paid pursuant to the Lease or as shall be required to discharge any other payments then due and payable under this Agreement; it being understood that "income and proceeds from the Equipment" shall in no event include amounts referred to in the foregoing clauses (a) and (b) which were received by the Vendee prior to the existence

of such an event of default which exceeded the amounts required to discharge that portion of the Conditional Sale Indebtedness (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon due and payable on the date on which amounts with respect thereto received by the Vendee were required to be paid to it pursuant to the Lease or which exceeded any other payments due and payable under this Agreement at the time such amounts were due and payable under the Lease. Notwithstanding anything to the contrary contained in Articles 14 and 15 hereof, the Vendor agrees that in the event it shall obtain a judgment against the Vendee for an amount in excess of the amounts payable by the Vendee pursuant to the limitations set forth in this paragraph, it will, accordingly, limit its execution of such judgment against the Vendee to amounts payable pursuant to the limitations set forth in this paragraph. It is further agreed by the parties hereto that nothing contained herein limiting the liability of the Vendee shall derogate from the right of the Vendor to proceed against the Equipment as provided for herein for the full unpaid Purchase Price of the Equipment and interest thereon and all other payments and obligations hereunder or to proceed against the Lessee under the Lease or the Consent. Except in respect of a failure of the Beneficiaries to make the down payment as is required by this Agreement, in no event shall the Beneficiaries or their property (other than the Trust Estate) be involved by the Vendor or the Vendee in any litigation arising out of or in connection with the obligations or liabilities of the Vendee under this Agreement. The Beneficiaries are constituted third party beneficiaries to this covenant.

ARTICLE 4. Title to the Equipment. The Vendor shall and hereby does retain a security interest in the Hulks delivered to the Builder hereunder for reconstruction and shall continue to retain such security interest during the entire period that the Hulks are being reconstructed and thereafter in the Equipment until the Vendee shall have made all its payments under this Agreement in respect of the Equipment and shall have kept and performed all its agreements herein contained in respect thereof, notwithstanding any provision of this Agreement limiting the liability of the Vendee and notwithstanding the delivery of the Equipment to and the possession and use thereof by the Vendee and the Lessee as provided in this Agreement and the Lease. Any and all additions, modifications and improvements to the Hulks and the Equipment, and any and all parts installed on and

additions and replacements made to any unit of the Hulks prior to their delivery and acceptance hereunder, shall constitute accessions thereto and shall be subject to all the terms and conditions of this Agreement and included in the term "Equipment" as used in this Agreement, except for any additions, modifications and improvements which, under the provisions of Section 8 of the Lease, are owned by the Lessee.

Except as otherwise specifically provided in Article 6 hereof, when and only when the Vendor shall have been paid the full Conditional Sale Indebtedness, together with interest and all other payments as herein provided, and all the Vendee's obligations herein contained shall have been performed, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee without further transfer or action on the part of the Vendor. However, the Vendor, if so requested by the Vendee at that time, will (a) execute and deliver to the Vendee a bill or bills of sale for the Equipment releasing its security interest therein to the Vendee, free of all claims, rights, liens, security interests and other encumbrances created or retained hereby, (b) execute and deliver to the Vendee for filing, 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 (c) pay to the Vendee any money paid to the Vendor pursuant to Article 6 hereof and not theretofore applied as therein provided. 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 instrument or instruments or to file any such 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 instrument or instruments or to file such certificate within a reasonable time after written demand by the Vendee.

ARTICLE 5. Taxes. All payments to be made by the Vendee hereunder will be free of expense to the Vendor for collection or other charges and will be free of expense to the Vendor with respect to the amount of any local, state, Federal or foreign taxes (other than net income taxes, gross receipts taxes [except gross receipts taxes in the nature of or in lieu of sale, use or rental taxes], franchise taxes

measured by net income based upon such receipts, excess profits taxes and similar taxes) or license fees, assessments, documentary stamp taxes, charges, fines or penalties (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called impositions) hereafter levied or imposed upon or in connection with or measured by this Agreement or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof, all of which impositions the Vendee assumes and agrees to pay on demand in addition to the Purchase Price of the Equipment. The Vendee will also pay promptly all impositions which may be imposed upon the Equipment delivered to it or for the use or operation thereof or upon the earnings arising therefrom or upon the Vendor solely by reason of its ownership thereof and will keep at all times all and every part of the Equipment free and clear of all impositions which might in any way affect the security interest of the Vendor or result in a lien upon any part of the Equipment; provided, however, that the Vendee shall be under no obligation to pay any impositions of any kind so long as it is contesting in good faith (after written notice to the Vendor) and by appropriate legal proceedings such impositions and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the title, property or rights of the Vendor in or to the Equipment or otherwise under this Agreement. If any impositions shall have been charged or levied against the Vendor directly and paid by the Vendor, the Vendee shall reimburse the Vendor upon presentation of an invoice therefor, and any amounts so paid by the Vendor shall be secured by and under this Agreement; provided, however, that the Vendee shall not be obligated to reimburse the Vendor for any impositions so paid unless the Vendor shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for the Vendor acceptable to Vendee) or unless the Vendee shall have approved the payment thereof.

ARTICLE 6. Maintenance and Repair; Casualty Occurrences. The Vendee agrees that, at its own cost and expense, it will maintain and keep each unit of the Equipment in good operating order, repair and condition.

In the event that any unit of the Equipment shall be or become worn out, lost, stolen, destroyed or, in the opinion of the Lessee, irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise by the United States government for a period which

shall exceed the then remaining term of the Lease or by any other governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days or until the end of the term of the Lease (each such occurrence being herein called a Casualty Occurrence), the Vendee shall, within 30 days after it shall have determined that such unit has suffered a Casualty Occurrence, cause the Vendor to be fully informed in regard thereto. Notwithstanding any such Casualty Occurrence, the Vendee shall continue making payment of all instalments of principal and interest in respect of such unit until the next succeeding date for the payment of interest on the Conditional Sale Indebtedness (hereinafter called a Casualty Payment Date). On such date the Vendee shall, subject to the provisions of the last paragraph of Article 3 hereof, pay to the Vendor a sum equal to the Casualty Value (as hereinafter defined) of such unit suffering a Casualty Occurrence as of the date of such payment and shall file, or cause to be filed, with the Vendor a certificate setting forth the Casualty Value of such unit. Any money paid to the Vendor pursuant to this paragraph shall be applied on the date that such Casualty Value is paid (after the payment of the interest and principal due on such date) to prepay the Conditional Sale Indebtedness without penalty or premium, ratably in accordance with the unpaid balance of the Conditional Sale Indebtedness with respect to such Unit or Units of each instalment, and the Vendee will promptly furnish to the Vendor and the Lessee a revised schedule of payments of principal and interest thereafter to be made, in such number of counterparts as the Vendor may request.

Upon payment by the Vendee to the Vendor of the Casualty Value of any unit of the Equipment having suffered a Casualty Occurrence, absolute right to the possession of, title to and property in such unit shall pass to and vest in the Vendee, without further transfer or action on the part of the Vendor, except that the Vendor, if requested by the Vendee, will execute and deliver to the Vendee, at the expense of the Vendee, an appropriate instrument, confirming such passage to the Vendee of all the Vendor's right, title and interest, and the release of the Vendor's security interest, in such unit, in recordable form, in order that the Vendee may make clear upon the public records the title of the Vendee to such unit.

The Casualty Value of each unit of the Equipment suffering a Casualty Occurrence shall be deemed to be that

portion of the original Conditional Sale Indebtedness with respect to such unit remaining unpaid on the date as of which such Casualty Value shall be determined (without giving effect to any prepayment or prepayments theretofore made under this Article with respect to any other Unit), plus interest accrued thereon but unpaid as of such date. For the purpose of this paragraph, each payment of Conditional Sale Indebtedness in respect of Equipment made pursuant to Article 3 hereof shall be deemed to be a payment on each unit of the Equipment in like proportion as the original Purchase Price of such unit bears to the aggregate original Purchase Price of all the units of Equipment.

If the Vendor shall receive any insurance proceeds or condemnation payments in respect of such units suffering a Casualty Occurrence, the Vendor shall, subject to the Vendor having received payment of the Casualty Value hereunder, pay such insurance proceeds or condemnation payments to the Vendee. All insurance proceeds or condemnation payments received by the Vendor in respect of any unit or units of Equipment not suffering a Casualty Occurrence shall be paid to the Vendee upon proof satisfactory to the Vendor that any damage to such unit in respect of which such proceeds were paid has been fully repaired.

ARTICLE 7. Reports and Inspections. On or before March 31 in each year, commencing with the calendar year 1978, the Vendee shall cause to be furnished to the Vendor an accurate statement setting forth as of the preceding December 31 the amount, description and numbers of the Equipment (a) then covered hereby, (b) that have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Agreement in the case of the first such statement) and (c) then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs and setting forth such other information regarding the condition and state of repair of the Equipment as the Vendor may reasonably request and stating that, in the case of all Equipment repaired or repainted during the period covered by such statement, markings required by Article 8 hereof have been preserved or replaced. The Vendor shall have the right, by its agents, to inspect the Equipment and the Lessee's records with respect thereto at such reasonable times as the Vendor may request during the continuance of this Agreement.

ARTICLE 8. Marking of Equipment. The Vendee will cause each unit of the Equipment to be kept numbered with its

identifying number as set forth in Schedule A hereto, or, in the case of Equipment not there listed, such identifying number as shall be set forth in any amendment or supplement hereto extending this Agreement to cover such Equipment, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each unit, in letters not less than one inch in height, the following legend: "Ownership Subject to a Security Agreement filed under the Interstate Commerce Act, Section 20c" or other appropriate words designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Vendor's security title to and property in the Equipment and its rights under this Agreement. The Vendee will not knowingly permit any such unit to be placed in operation or exercise any control over the same until such legend shall have been so marked on both sides thereof and will replace or will cause to be replaced promptly any such legend which may be removed, obliterated, defaced or destroyed. The Vendee will not knowingly permit the identifying number of any unit of the Equipment to be changed except in accordance with a statement of a new number or numbers to be substituted therefor, which statement previously shall have been filed with the Vendor and filed, recorded and deposited by the Vendee in all public offices where this Agreement shall have been filed, recorded and deposited.

Except as provided in the immediately preceding paragraph, the Vendee will not allow the name of any person, association or corporation to be placed on any unit of the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Vendee may allow the Equipment to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on railroad equipment used by them of the same or a similar type for convenience of identification of the rights of the Lessee or its affiliates to use the Equipment as permitted under the Lease.

ARTICLE 9. Compliance with Laws and Rules. During the term of this Agreement, the Vendee will comply, and will cause every lessee or user of the Equipment to comply, in all respects (including, without limitation, with respect to the use, maintenance and operation of the Equipment) with all laws of the jurisdictions in which its or such lessees' operations involving the Equipment may extend, with the interchange rules of the Association of American Railroads

and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment, and in the event that such laws or rules require any alteration, replacement or modification, of or to any part on any unit of the Equipment, the Vendee will conform therewith at its own expense; provided, however, that the Vendee may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Vendor, adversely affect the property or rights of the Vendor under this Agreement.

ARTICLE 10. Possession and Use. The Vendee, so long as an event of default shall not have occurred and be continuing under this Agreement, shall be entitled, from and after delivery of the Equipment 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.

The parties hereto acknowledge that the Vendee simultaneously herewith is leasing the Equipment to the Lessee as provided in the Lease, and the rights of the Lessee and its permitted assigns under the Lease shall be subordinated and junior in rank to the rights, and shall be subject to the remedies, of the Vendor under this Agreement. The Lease shall not be amended or terminated (except in accordance with its terms) without the prior written consent of the Vendor.

Subject to the provisions of the preceding paragraph of this Article 10, the Equipment may be used as provided in Section 11 of the Lease. Except as otherwise provided in the Lease, the Vendee may also lease the Equipment to any other railroad company with the prior written consent of the Vendor; provided, however, that (i) such lease shall provide that the rights of such lessee are made expressly subordinate to the rights and remedies of the Vendor under this Agreement, (ii) such lessee shall expressly agree not to assign or permit the assignment of any unit of the Equipment to service involving the regular operation and maintenance thereof outside the United States of America and (iii) a copy of such lease shall be furnished to the Vendor.

ARTICLE 11. Prohibition Against Liens. The Vendee will pay or discharge any and all sums claimed by any

party from, through or under the Vendee or its successors or assigns which, if unpaid, might become a lien, charge, security interest or other encumbrance upon or with respect to the Equipment, or any unit thereof, or the Vendee's interests in the Lease or the payments due and to become due thereunder, or any part thereof, equal to or superior to the Vendor's security interest therein, and will promptly discharge any such lien, charge, security interest or other encumbrance which arises, 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 any appropriate legal proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the property or rights of the Vendor in or to the Equipment or otherwise under this Agreement. Any amounts paid by the Vendor in discharge of any claims, liens, charges or security interests upon the Equipment shall be secured by and under this Agreement.

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.

The foregoing provisions of this Article 11 shall be subject to the limitations set forth in the last paragraph of Article 3 hereof and the provisions of Article 21 hereof; provided, however, that the Vendee will pay or discharge any and all claims, liens, charges or security interests claimed by any party from, through or under the Vendee or the Beneficiaries or their respective successors or assigns, not arising out of the transactions contemplated hereby (but including tax liens arising out of the failure of the Vendee or the Beneficiaries to pay net income or franchise taxes), equal or superior to the Vendor's security interest therein, which, if unpaid, might become a lien, charge or security interest on or with respect to the Equipment, or any unit thereof, or the Vendee's interest in the Lease and the payments to be made thereunder, but the Vendee shall not be required to pay or discharge any such claim so long as the validity or priority thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the security interest of the Vendor in or

to the Equipment or otherwise under this Agreement or in and to the Lease and the payments to be made thereunder.

ARTICLE 12. Indemnities and Warranties. The Vendee agrees to indemnify, protect and hold harmless the Vendor from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including but not limited to counsel fees and expenses, penalties and interest, arising out of or as the result of the entering into or the performance of this Agreement, the retention by the Vendor of security title to or a security interest in the Equipment, the ordering, acquisition, use, operation, condition, reconstruction, purchase, delivery, rejection, storage or return of any of the Equipment, any accident in connection with the operation, use, condition, reconstruction, possession, storage or return of any of the Equipment resulting in damage to property or injury or death to any person during the period when title thereto remains in the Vendor or the transfer of title to the Equipment by the Vendor pursuant to any of the provisions of this Agreement, except, however, any losses, damages, injuries, liabilities, claims and demands whatsoever arising out of any tort, breach of warranty or failure to perform any covenant hereunder by the Builder. This covenant of indemnity shall continue in full force and effect notwithstanding the full payment of the indebtedness in respect of the Purchase Price of, and the release of the security interest in, the Equipment, as provided in the last paragraph of Article 4 hereof, or the termination of this Agreement in any manner whatsoever.

The Vendee will bear the responsibility for and risk of, and shall not be released from its obligations hereunder in the event of, any damage to or the destruction or loss of any unit of or all the Equipment.

THE VENDOR MAKES NO WARRANTIES WHETHER WRITTEN, ORAL, STATUTORY OR IMPLIED, INCLUDING THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO THE HULKS OR THE EQUIPMENT OR IN CONNECTION WITH THIS AGREEMENT OR THE DELIVERY AND SALE OF THE EQUIPMENT HEREUNDER.

The Builder warrants that the Hulks will be reconstructed in accordance with the Specifications and standards set forth or referred to in Article 1 hereof and warrants

that the Equipment will be free from defects in material or workmanship or design under normal use and service. THIS WARRANTY IS EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, WITH RESPECT TO RECONSTRUCTION, EXPRESSED OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. The Builder agrees to and does hereby, 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 Vendor and, subject to the rights of the Vendor under this Agreement, to the Vendee, every claim, right and cause of action which the Builder has or hereafter shall have against any party who shall perform any of the reconstruction of the Hulks and the Builder agrees to execute and deliver to the Vendor and the Vendee all and every such further assurance as may be reasonably requested more fully to effectuate the assignment, transfer and delivery of every such claim, right and cause of action.

The Builder agrees to indemnify, protect and hold harmless the Vendor and 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 Vendor and the Vendee (i) because of the use in or about the construction or operation of the Equipment or the reconstruction of the Hulks, or any unit thereof, of any design, article or material infringing or claimed to infringe on any patent or other right or (ii) arising out of any accident or tort in connection with the reconstruction, operation, use, condition, possession or storage by the Builder of any of the Hulks or any unit of the Equipment resulting in damage to property or injury or death to any person. The Vendor and the Vendee will give notice to the Builder of any claim known to it from which liability may be charged against the Builder under this paragraph.

The warranties and indemnities contained or referred to in this Article 12 and in any other Articles hereof and all other covenants and obligations of the Builder contained in this Agreement shall inure to the benefit of, and be enforceable by the Vendee, the Vendor, any lessor, lessee, assignee or transferee of this Agreement or of any units of the Equipment reconstructed by the Builder hereunder.

ARTICLE 13. Assignments. The Vendee will not (a) except as provided in Article 10 hereof or in the Trust Agreement, transfer the right to possession of any unit

of the Equipment or (b) sell, assign, transfer or otherwise dispose of its rights under this Agreement unless such sale, assignment, transfer or disposition (i) is made expressly subject in all respects to the rights and remedies of the Vendor hereunder (including without limitation, rights and remedies against the Vendee) and (ii) is made to a bank or trust company having capital and surplus aggregating at least \$50,000,000, and such bank or trust company expressly assumes, in writing, in form reasonably satisfactory to the Vendor, all the obligations of the Vendee under this Agreement.

All or any of the rights, benefits and advantages of the Vendor under this Agreement, including the right to receive the payments herein provided to be made by the Vendee, may be assigned by the Vendor and reassigned by any assignee at any time or from time to time. No such assignment shall subject any assignee to, or relieve the Builder from, any of the obligations of the Builder to reconstruct and deliver the Equipment in accordance herewith or to respond to its warranties and indemnities contained or referred to in Article 12 hereof or relieve the Vendee of its obligations to the Builder contained or referred to in this Agreement.

Upon any such assignment, either the assignor or the assignee shall give written notice to the Vendee, 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 the assignor's right, title and interest in and to the Equipment and this Agreement, 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 of the notification of any such assignment, all payments thereafter to be made by the Vendee under this Agreement shall, to the extent so assigned, be made to the assignee in such manner as it may direct and shall constitute full compliance with the terms of this Agreement. The Vendee may rely upon instruments or documents which it believes in good faith to be true and authentic.

ARTICLE 14. Defaults. In the event that any one or more of the following events of default shall occur and be continuing (without regard to the limitations provided for in the last paragraph of Article 3 hereof or in Article 21 hereof) 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 after written notice thereof; or

(b) the Vendee shall, for more than 30 days after the Vendor shall have demanded in writing performance thereof, fail or refuse to comply with any other covenant, agreement, term or provision of this Agreement or of any agreement entered into concurrently herewith relating to the financing of the Equipment, on its part to be kept and performed or to make provision satisfactory to the Vendor for such compliance; or

(c) a petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may be hereafter amended, shall be filed by or against the Lessee and, unless such petition 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 Lessee under the Lease shall not have been (and shall not continue to be), duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings (whether or not subject to ratification) in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees, within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier; or

(d) any proceeding shall be commenced by or against the Vendee, any Beneficiary or the Lessee for any relief under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of the obligations hereunder or under the Lease, the Lease Assignment, the Consent or the Participation Agreement of the Vendee, any Beneficiary or the Lessee, as the case may be), 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, any Beneficiary or the Lessee under this Agreement, the Lease, the Lease Assignment, the Consent and/or the Participation Agreement, as the case may be, shall not have been (and shall not continue to be), 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, any Beneficiary or the Lessee, as the case may be, or for its or their property in connection with any such proceedings in such manner that such obligations have the same status as expenses of administration and 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

(e) the Vendee shall make or permit any unauthorized assignment or transfer of this Agreement or any interest herein or any unauthorized transfer of the right to possession of any unit of the Equipment; or

(f) an Event of Default shall occur under the Lease;

then at any time after the occurrence of such an event of default the Vendor may upon written notice to the Vendee and the Beneficiaries and upon compliance with any legal requirements then in force and applicable to such action by the Vendor, (i) cause the term of the Lease immediately upon such notice to terminate (and the Vendee acknowledges the right of the Vendor to terminate the Lease) but without affecting the indemnities or other agreements of the Lessee which by the provisions of the Lease survive the termination of its term and/or (ii) declare (hereinafter called a Declaration of Default) the entire unpaid Conditional Sale Indebtedness 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 of Default at the rate per annum specified in Article 3 hereof as being applicable to amounts remaining unpaid after becoming due and payable, to the extent legally enforceable. Upon a Declaration of Default, subject to Article 3 hereof, the Vendor shall be entitled to recover judgment for the entire unpaid balance of the Conditional Sale Indebtedness, with interest as aforesaid (except that if the event of default is as defined in paragraph (f) above, the Vendor shall recover solely from the Lessee the amount by which the interest payable under the sixth paragraph of Article 3 exceeds the 8.10% interest payable under the Conditional Sale Indebtedness), and to collect such judgment out of any property of the Vendee, subject to the limitations of Articles 3 and 21 hereof, wherever situated. The Vendee agrees to promptly notify the Vendor of any event of which it has knowledge which constitutes, or with the giving of notice and/or lapse of time could constitute, an event of default under this Agreement.

The Vendor may, at its election, waive any such event of default and its consequences and rescind and annul any Declaration of Default or notice of termination of the Lease 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 event of default had occurred and no Declaration of Default or notice of termination of the Lease had been made or given. 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.

ARTICLE 15. Remedies. At any time during the continuance of a Declaration of Default, the Vendor may, upon such further notice and action, if any, as may be required for compliance with any mandatory legal requirements then in force and applicable to the action to be taken by the Vendor, take or cause to be taken, by its agent or agents, immediate possession of the Equipment, or one or more of the units thereof, without liability to return to the Vendee any sums theretofore paid and free from all claims whatsoever, except as hereinafter in this Article 15 expressly provided, and may remove the same from possession and use of the Vendee, the Lessee or any other person and for such purpose may enter upon the premises of the Vendee or the Lessee or any other premises where the Equipment may be located 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 or the Lessee, subject to all mandatory requirements of due process of law.

In case the Vendor shall demand possession of the Equipment pursuant to this Agreement and shall designate a reasonable point or points for the delivery of the Equipment to the Vendor, the Vendee shall, at its own expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, causing prompt telegraphic and written notice to be given to the Association of American Railroads and all railroads to which any unit or units of the Equipment have been interchanged to return the unit or units so interchanged) cause the Equipment to be placed upon such storage tracks of the Lessee as the Vendor reasonably may designate;

(b) permit the Vendor to store the Equipment on

such tracks at the risk of the Vendee without charge for insurance, rent or storage until the Equipment has been sold, leased or otherwise disposed of by the Vendor; and

(c) cause the Equipment to be transported to any reasonable place on the lines of railroad operated by the Lessee or any of its affiliates or to any connecting carrier for shipment, all as directed by the Vendor.

During any storage period, the Vendee will, at its own cost and expense, insure, maintain and keep each such unit in good order and repair and will permit the inspection of the Equipment by the Vendor, the Vendor's representatives and prospective purchasers, lessees and users. This agreement to deliver the Equipment and furnish facilities as hereinbefore provided is of the essence of the agreement between the parties, and, upon application to any court of equity having jurisdiction in the premises, the Vendor shall be entitled to a decree against the Vendee requiring specific performance hereof. The Vendee hereby expressly waives any and all claims against the Vendor and its agent or agents for damages of whatever nature in connection with any retaking of any unit of the Equipment in any reasonable manner.

At any time during the continuance of a Declaration of Default, the Vendor (after retaking possession of the Equipment as hereinbefore in this Article 15 provided) may, at its election and upon such notice as is hereinafter set forth, retain the Equipment in satisfaction of the entire Conditional Sale Indebtedness and make such disposition thereof as the Vendor shall deem fit. Written notice of the Vendor's election to retain the Equipment shall be given to the Vendee and the Beneficiaries by telegram or registered mail, addressed as provided in Article 20 hereof, and to any other persons to whom the law may require notice, within 30 days after such Declaration of Default. In the event that the Vendor should elect to retain the Equipment and no objection is made thereto within the 30-day period described in the second proviso below, all the Vendee's rights in the Equipment shall thereupon terminate and all payments made by the Vendee may be retained by the Vendor as compensation for the use of the Equipment; provided, however, that if the Vendee, before the expiration of the 30-day period described in the proviso below, should pay or cause to be paid to the Vendor 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, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee; provided, further, that if the Vendee or any other persons notified under the terms of this paragraph object in writing to the Vendor within 30 days from the receipt of notice of the Vendor's election to retain the Equipment, then the Vendor may not so retain the Equipment, but shall sell, lease or otherwise dispose of it or continue to hold it pending sale, lease or other disposition as hereinafter provided or as may otherwise be permitted by law. If the Vendor shall not have given notice to retain as hereinabove provided or notice of intention to dispose of the Equipment in any other manner, it shall be deemed to have elected to sell the Equipment in accordance with the provisions of this Article 15.

At any time during the continuance of a Declaration of Default, the Vendor, with or without retaking possession thereof, at its election and upon reasonable notice to the Vendee and any other persons to whom the law may require notice of the time and place, may sell the Equipment, or one or more of the units thereof, free from any and all claims of the Vendee or any other party claiming from, through or under the Vendee at law or in equity, at public or private sale and with or without advertisement as the Vendor may determine; provided, however, that if, prior to such sale and prior to the making of a contract for such sale, the Vendee should tender full payment of 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 as well as expenses of the Vendor in retaking possession of, removing, storing, holding and preparing the Equipment for, and otherwise arranging for, the sale and the Vendor's reasonable attorneys' fees, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee. The proceeds of such sale or other disposition, less the attorneys' fees and any other expenses incurred by the Vendor in retaking possession of, removing, storing, holding, preparing for sale and selling or otherwise disposing of the Equipment, shall be credited on the amount due to the Vendor under the provisions of this Agreement.

Any sale hereunder may be held or conducted at New York, New York, at such time or times as the Vendor may

specify (unless the Vendor shall specify a different place or places, in which case the sale shall be held at such place or places as the Vendor 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 Vendor may determine, so long as such sale shall be in a commercially reasonable manner. The Vendor, or the Vendee may bid for and become the purchaser of the Equipment, or any unit thereof, so offered for sale. The Vendee shall be given written notice of such sale not less than ten days prior thereto by telegram or registered mail, addressed as provided in Article 20 hereof. If such sale shall be a private sale (which shall be deemed to mean only a sale where an advertisement for bids has not been published in a newspaper of general circulation or a sale where less than 40 offerees have been solicited in writing to submit bids), it shall be subject to the right of the Vendee 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. In the event that the Vendor shall be the purchaser thereof, it shall not be accountable to the Vendee (except to the extent of surplus money received as hereinafter provided in this Article 15), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all sums due to the Vendor hereunder.

Each and every power and remedy hereby specifically given to the Vendor 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 Vendor. 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 Vendor 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. Any extension of time for payment hereunder or other indulgence duly granted to the Vendee shall not otherwise alter or affect the Vendor's rights or the Vendee's obligations hereunder. The Vendor'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 Vendor's rights hereunder with respect to any subsequent

payments or default therein. The Vendor, the Vendee and the Builder agree that the Vendor shall be entitled to all rights provided for in § 77(j) of the Bankruptcy Act or any comparable provision of any amendment thereto, or of any other bankruptcy act, so that the Vendor shall have the right to take possession of the Equipment upon an event of default under this Agreement regardless of whether or not the Railroad is in reorganization.

If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall remain any amount due to it under the provisions of this Agreement, the Vendee shall, subject to the provisions of the last paragraph of Article 3 hereof, pay the amount of such deficiency to the Vendor upon demand, together with interest from the date of such demand to the date of payment, at the rate per annum specified in Article 3 hereof as being applicable to amounts remaining unpaid after becoming due and payable, and, if the Vendee shall fail to pay such deficiency, the Vendor may bring suit therefor and shall, subject to the limitations of the last paragraph of Article 3 hereof, be entitled to recover a judgment therefor against the Vendee. If, after applying as aforesaid all sums realized by the Vendor, there shall remain a surplus in the possession of the Vendor, such surplus shall be paid to the Vendee.

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

The foregoing provisions of this Article 15 are subject in all respects to all mandatory legal requirements at the time in force and applicable thereto.

ARTICLE 16. Applicable State Laws. Any provision of this Agreement prohibited by any applicable law of any jurisdiction (which is not overridden by applicable Federal law) shall as to such jurisdiction be ineffective, without modifying the remaining provisions of this Agreement. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby waived by the Vendee to the full extent permitted by law, it being the intention of the parties hereto that this Agreement shall be deemed to be a conditional sale and enforced as such.

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 or lease the Equipment, or any one or more units thereof, and any other requirements as to the time, place and terms of the sale or lease thereof, any other requirements with respect to the enforcement of the Vendor's rights under this Agreement and any an all rights of redemption.

ARTICLE 17. Recording. The Vendee will cause this Agreement, any assignments hereof and any amendments or supplements hereto or thereto to be filed and recorded in accordance with Section 20c of the Interstate Commerce Act; and the Vendee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record any and all further instruments required by law or reasonably requested by the Vendor for the purpose of proper protection, to the satisfaction of special counsel for the Vendor, of its security title to the Equipment and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Vendee will promptly furnish to the Vendor certificates or other evidence of such filing, registering, depositing and recording satisfactory to the Vendor.

ARTICLE 18. Article Headings. The table of contents and all article headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

ARTICLE 19. Effect and Modification of Agreement. Except for the Participation Agreement, this Agreement, including any annexes or schedules or exhibits hereto, exclusively and completely states the rights of the parties hereto with respect to the Hulks and the Equipment and supersedes all other agreements oral or written, with respect to the Hulks and the Equipment. No variation or modification of this Agreement and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized representatives of the parties hereto.

ARTICLE 20. 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 place of business at the following specified addresses; provided, however, that notice pursuant to the second paragraph of Article 3 establishing the Closing Date shall not be deemed served until received:

(a) to the Vendor, at P. O. Box 2258, Baltimore,

Maryland 21203, attention of Corporate Trust Department,

(b) to the Vendee, at P. O. Box 66011, AMF O'HARE, Chicago, Illinois 60666, attention of Corporate Trust Officer, with a copy to the Beneficiaries, and to United States Leasing International, Inc., at the address set forth in the Trust Agreement,

(c) to the Beneficiaries, at their respective addresses specified in the Trust Agreement,

(d) to the Builder, at 3600 West Broad Street, Richmond, Virginia 23230, Attention of L. G. Anderson, Esq., Vice President and Treasurer,

(e) to any assignee of the Vendor, or of the Vendee, at such address as may have been furnished in writing to the Vendee, or the Vendor, as the case may be, 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.

ARTICLE 21. Immunities; Satisfaction of Undertakings. No recourse shall be had in respect of any obligation due under this Agreement, or referred to herein, against any incorporator, stockholder, beneficiary, director or officer, as such, past, present or future, of the parties hereto, whether by virtue of any constitutional provision, statute or rule of law or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such incorporators, beneficiaries, stockholders, directors or officers being forever released as a condition of and as consideration for the execution of this Agreement.

The obligations of the Vendee under the second, seventh and eighth paragraphs of Article 15 and under Articles 2, 5, 6 (other than the third and fourth sentences of the second paragraph thereof to the extent requiring delivery of certificates and payment schedules as therein provided), 7, 8, 9, 11 (other than the proviso to the last paragraph thereof), 12 and 17 hereof, or any other obligations hereunder not covered by the provisions of the last paragraph of Article 3 hereof, shall be deemed in all respects satisfied by the Lessee's undertakings contained in the Lease. The Vendee shall not have any responsibility for the Lessee's failure to perform such obligations, but if the same shall not be performed they shall constitute the basis for an event

of default hereunder pursuant to Article 14 hereof. No waiver or amendment of the Lessee's undertakings under the Lease shall be effective unless joined in by the Vendor.

It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the warranties, representations, undertakings and agreements herein made on the part of the Vendee, are made and intended not as personal warranties, representations, undertakings and agreements by Trust Company for USL, Inc. or for the purpose or with the intention of binding said trust company personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, subject to the limitations of Article 3, and this Agreement is executed and delivered by said trust company not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of wilful misconduct or gross negligence, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said trust company or the Beneficiaries (except pursuant to the proviso to the last paragraph of Article 11 and pursuant to Section 1.03 of the Trust Agreement), on account of this Agreement or on account of any warranty, representation, undertaking or agreement of the said trust company or the Beneficiaries, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived and released by the Vendor and by all persons claiming by, through or under the Vendor.

It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that this Agreement is executed and delivered by Mercantile-Safe Deposit and Trust Company, not in its individual capacity but solely as Agent under the Participation Agreement.

ARTICLE 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 deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions

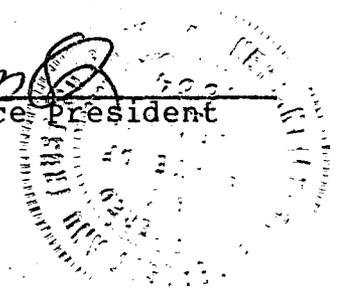
in which this Agreement or any assignment hereof shall be filed, recorded or deposited.

ARTICLE 23. 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 as of the date set forth on the cover hereof, for convenience, 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 executed or caused this instrument to be executed all as of the date first above written.

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, not in its individual capacity but solely as Agent,

by [Signature]
Assistant Vice President



[Corporate Seal]

Attest:

[Signature: FH Gilber]
Asst. Corporate Trust Officer

SEABOARD COAST LINE RAILROAD COMPANY, in its capacity as Builder,

by [Signature: Samuel B. Anderson]
Vice President and Treasurer

[Corporate Seal]

Attest:

[Signature: James H. Stevens]
Assistant Secretary





TRUST COMPANY FOR USL, INC.,
not personally but solely as
trustee as aforesaid,

by

A handwritten signature in dark ink, consisting of several loops and flourishes, is written over a horizontal line.

Trust Officer

[Corporate Seal]

Attest:

A handwritten signature in dark ink, similar in style to the one above, is written over a horizontal line.

Authorized Officer

STATE OF MARYLAND,)
) ss.:
CITY OF BALTIMORE,)

On this 25th day of April 1977, before me personally appeared **G. J. Johnston**, to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, 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.



Notary Public

DOROTHY E. SCHANK
NOTARY PUBLIC

My Commission Expires July 1, 1978

[Notarial Seal]

My Commission expires 7-1-78

COMMONWEALTH OF VIRGINIA,)
) ss.:
CITY OF RICHMOND,)

On this 26th day of April 1977, before me personally appeared Leonard G. Anderson, to me personally known, who, being by me duly sworn, says that he is Vice President and Treasurer of SEABOARD COAST LINE RAILROAD COMPANY, 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.



Notary Public

[Notarial Seal]

My Commission expires JUNE 4, 1978

STATE OF ILLINOIS,)
) ss.:
COUNTY OF DUPAGE,)

On this *25th* day of April 1977, before me personally appeared Thomas G. Thomson, to me personally known, who, being by me duly sworn, says that he is Trust Officer of TRUST COMPANY FOR USL, INC., 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.

Suzanne P. Paulsen
Notary Public

[Notarial Seal]

My Commission expires

March 24, 1981



SCHEDULE I

Allocation Schedule of Each
\$100,000 of Conditional
Sale Indebtedness

<u>Payment Number</u>	<u>Beginning Principal</u>	<u>Interest Payment</u>	<u>Principal Payment</u>	<u>Ending Principal</u>
1	\$100,000.00	4,050.00	5,737.31	94,262.69
2	94,262.69	3,817.64	5,969.67	88,293.02
3	88,293.02	3,575.87	6,211.44	82,081.58
4	82,081.58	3,324.30	6,463.01	75,618.57
5	75,618.57	3,062.55	6,724.76	68,893.81
6	68,893.81	2,790.20	6,997.11	61,896.70
7	61,896.70	2,506.82	7,280.49	54,616.21
8	54,616.21	2,211.96	6,904.46	47,711.75
9	47,711.75	1,932.33	7,184.09	40,527.66
10	40,527.66	1,641.37	7,475.05	33,052.61
11	33,052.61	1,338.63	7,777.79	25,274.82
12	25,274.82	1,023.63	8,092.79	17,182.03
13	17,182.03	695.87	8,420.55	8,761.48
14	8,761.48	354.84	8,761.48	0.00

SCHEDULE A-RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT

<u>Quantity</u>	<u>AAR Mechanical Designation</u>	<u>Description</u>	<u>SCL Railroad Road Numbers (Inclusive)</u>	<u>Builder's Specification</u>	<u>Hulk</u>		<u>Base</u>		<u>Purchase Price</u>		<u>Place of Delivery</u>
					<u>Per Unit</u>	<u>Total</u>	<u>Reconstruction Cost Per Unit</u>	<u>Total</u>	<u>Per Unit</u>	<u>Total</u>	
200	LO	77-ton covered cement Phosphate Hopper Cars	202550- 202749	1/3/77	\$431	\$86,200	\$7,860	\$1,572,000	\$8,291	\$1,658,200	Tampa Fla. and/or Waycross Ga.
500	XM + XL	50' 55-ton Box Cars	27800- 28299	1/3/77	594	297,000	10,987	5,493,500	11,581	5,790,500	"
350	HT	77-ton Coal Hopper Cars	162975- 163324	1/3/77	790	276,500	8,168	2,858,800	8,958	3,135,300	"
									Total	<u>10,584,000</u>	

SCHEDULE B

Schedule of Closings

	<u>Date</u>	<u>Cumulative Total Amount Available</u>
Item 1:	July 14, 1977	2,525,454
Item 2:	October 13, 1977	5,445,060
Item 3:	December 15, 1977	8,054,744
Item 4:	March 15, 1978	10,584,000

A. Equipment Data

	<u>Acceptance Period</u>	<u>% of total Purchase Price of all Units</u>	<u>ITC</u>
1.	4/77 to 7/77	22.3600	10.0000% reconstructed
2.	4/77 to 7/77	1.5000	0.0000% hulk
3.	8/77 to 10/77	25.7600	10.0000% reconstructed
4.	8/77 to 10/77	1.8300	0.0000% hulk
5.	10/77 to 12/77	23.1100	10.0000% reconstructed
6.	10/77 to 12/77	1.5500	0.0000% hulk
7.	1/78 to 3/78	22.5300	10.0000% reconstructed
8.	1/78 to 3/78	1.3600	0.0000% hulk

B. Depreciation Data

	<u>% Deprec.</u>	<u>Life</u>	<u>Salvage</u>	<u>No. Mos/Yr. 1</u>	<u>Method</u>
1.	100.00%	8.83	10.00	8.0	200% DB/SL
2.	100.00%	8.83	10.00	8.0	150% DB/SL
3.	100.00%	8.58	10.00	5.0	200% DB/SL
4.	100.00%	8.58	10.00	5.0	150% DB/SL
5.	100.00%	8.42	10.00	3.0	200% DB/SL
6.	100.00%	8.42	10.00	3.0	150% DB/SL
7.	100.00%	8.16	10.00	12.0	200% DB/SL
8.	100.00%	8.16	10.00	12.0	150% DB/SL

EXHIBIT A
TO RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

TRANSFER AGREEMENT

April 1, 1977

Mercantile-Safe Deposit
and Trust Company,
not in its individual
capacity but solely as
Agent,
P.O. Box 2258,
Baltimore, Maryland 21203.

Attention of Corporate Trust Department.

The undersigned proposes to acquire the used railroad equipment described in Annex I hereto (hereinafter called the Hulks) from Seaboard Coast Line Railroad Company (hereinafter called the Builder) and desires to have such Hulks reconstructed. The undersigned hereby agrees with you as follows:

1. In order to cause the Hulks to be reconstructed and sold to us by you on conditional sale, the undersigned hereby assigns and transfers to you, without any warranties, including, but not limited to, warranties as to title, fitness, merchantability or workmanship, security title to the Hulks.

2. You will hold security title under and pursuant to the Reconstruction and Conditional Sale Agreement dated as of April 1, 1977 (hereinafter called the Agreement), among you, the Builder and us, and you will request that the Hulks be reconstructed, pursuant thereto in accordance with the specifications referred to in Schedule A thereto. In accordance with the Agreement the undersigned will cause the Hulks to be delivered to the Builder on your behalf.

3. Upon completion of the reconstruction, the reconstructed Hulks will be delivered and conditionally sold by you to us in accordance with the Agreement.

4. If Hulks are excluded from the Agreement you shall release and reassign to us your security interest in such Hulks, without warranty.

5. It is understood and agreed that this Agreement is being entered into solely to permit you to effectuate the foregoing and your interests in the Hulks, in pres-

ent form or as reconstructed, is a security interest and that we shall at all times be the owner of the same. It is further understood and agreed that we shall have no personal liability under this Agreement, our obligations being solely as set forth in that certain Participation Agreement dated as of April 1, 1977, among us, the Builder and the other parties listed at the foot thereof, and the other agreements annexed to such Participation Agreement.

6. It is understood and agreed that this Agreement may be executed by you and us 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.

If the foregoing is in accordance with your understanding, please sign each of the enclosed counterparts of this letter in the space provided and return one counterpart to us.

Very truly yours,

TRUST COMPANY FOR USL, INC.,
not personally but solely as
trustee,

by

Vice President

[CORPORATE SEAL]
Attest:

by

Authorized Officer
Title:

ACCEPTED:

MERCANTILE-SAFE DEPOSIT
AND TRUST COMPANY,
not in its individual
capacity but solely as
Agent,

by

Assistant Vice President

[Corporate Seal]

Attest:

by

Corporate Trust Officer

TRANSFER AGREEMENT

ANNEX I

<u>Quantity</u>	<u>Description</u>	<u>To Be Selected from Series Bearing SCL Road Numbers</u>
500	50' 55-ton Box Cars	631000/631799 827000/827449 632000/632339
350	77-ton Coal Hopper Cars	838650/839849 840000/840499
200	77-ton Covered Cement Phosphate Hopper Cars	686100/687299

EXHIBIT B
to the
RECONSTRUCTION AND
CONDITIONAL SALE
AGREEMENT

LEASE OF RAILROAD EQUIPMENT

Dated as of April 1, 1977

Between

SEABOARD COAST LINE RAILROAD COMPANY

and

TRUST COMPANY FOR USL, INC.,
as Owner Trustee

LEASE OF RAILROAD EQUIPMENT

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* This Table of Contents has been included in this document for convenience only and does not form a part of, or affect any construction or interpretation of this document.

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LEASE OF RAILROAD EQUIPMENT, dated as of April 1, 1977, between SEABOARD COAST LINE RAILROAD COMPANY, a Virginia corporation (hereinafter called the Lessee or the Builder) and TRUST COMPANY FOR USL, INC., an Illinois corporation, not in its individual capacity but solely as Trustee (hereinafter called the Lessor or the Vendee) under a Trust Agreement dated as of April 1, 1977 (hereinafter called the Trust Agreement), with certain trust beneficiaries (hereinafter collectively called the Beneficiaries).

Mercantile-Safe Deposit and Trust Company, not in its individual capacity but solely as Agent (said trust company as so acting, being hereinafter, together with its successors and assigns, called the Vendor), under a Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement) with the Lessor, the Lessee, the Beneficiaries and the party named in Schedule A thereto, the Builder and the Vendee are entering into a Reconstruction and Conditional Sale Agreement dated as of the date hereof (hereinafter called the Security Document), wherein the Vendor has agreed to sell to the Vendee its interest in the railroad equipment described in Schedule A hereto after it has been reconstructed by the Builder.

The Lessee desires to lease all the units of said equipment, or such lesser number as are delivered, accepted and settled for under the Security Document (such units being hereinafter called the Units), at the rentals and for the terms and upon the conditions hereinafter provided.

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions, but subject to all the rights and remedies of the Vendor under the Security Document:

Section 1. Delivery and Acceptance of Units.

The Lessor will cause each Unit to be tendered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under the Security Document. Upon such tender, the Lessee will cause

an authorized representative of the Lessee to inspect the same, and if such Unit is found to be in good order, to accept delivery of such Unit and execute and deliver to the Lessor a certificate of acceptance and delivery (hereinafter called the Certificate of Acceptance), whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

Section 2. Rental. The Lessee agrees to pay to the Lessor as rental for each Unit subject to this Lease two interim and 16 consecutive semiannual payments. The interim payments are payable on April 1, 1978, and the Cut-Off Date (as defined in the Participation Agreement) (or as promptly thereafter as practicable). The 16 semiannual payments are payable on April 1 and October 1 in each year, commencing April 1, 1978, to and including October 1, 1985. The interim payment payable on April 1, 1978, shall be in an amount equal to the product of the Purchase Price (as such term is defined in the Security Document) for each Unit subject to the Lease multiplied by .02250% for each calendar day elapsed from and including the date such Unit is settled for under the Security Document to but not including April 1, 1978. The interim payment payable on the Cut-Off Date (or as promptly thereafter as practicable) shall be in an amount equal to the amount payable by the Lessor to the Agent pursuant to clause (a) of the penultimate paragraph of Paragraph 9 of the Participation Agreement plus an amount, if any, equal to the deficiency payable pursuant to the first paragraph of said Paragraph 9. The interim payment payable on April 1, 1978, shall be increased by such amount, if any, equal to the amount required by the Lessor to make the payments provided for in clause (b) of the penultimate paragraph of Paragraph 9 of the Participation Agreement. The 16 semiannual rental payments with respect to each Unit shall each be in an amount equal to 6.39915% of the Purchase Price of each such Unit then subject to this Lease. The foregoing rental rates have been calculated on the assumption that (i) 65.3821% of the Purchase Price of the Units will be provided by the Vendor out of Available Investors' Funds (as such term is defined in Article 3 of the Security Document); (ii) 34.6179% of the Purchase Price of the Units shall be paid by the Lessor; (iii) the interest payable on the Conditional Sale Indebtedness shall be 8.10% per annum; and (iv) the acceptance dates for the Units will be evenly spread over the anticipated acceptance period in accordance with Schedule B of the Security Document, and the ratios of the cost of the Hulk portion and the cost of the reconstructed portion of the Units to the Total Purchase Price of all Units, will be as set forth in said Schedule B. If for any

reason the Available Investors' Funds are not so available and the Lessor pays more than 34.6179% of the Purchase Price of any Unit pursuant to the third paragraph of Article 3 of the Security Document on a Closing Date (as such term is defined in the Security Document) or if the funds deposited by the Investors (as such term is defined in the Participation Agreement) bear an interest rate other than 8.10% per annum or if the acceptance dates for the Units are not evenly spread over the anticipated acceptance period in accordance with Schedule B of the Security Document or if the ratios of the cost of the Hulk portion and the cost of the reconstructed portion of the Units to the total Purchase Price of all the Units are not as set forth in Schedule B, the Lessor and the Lessee agree that the rentals payable hereunder and the Casualty Value percentages set forth in Schedule B hereto will be adjusted, if necessary in the Lessor's opinion, in order that the Beneficiaries' net after-tax return (computed on the same assumptions, including, without limitation, tax rates, as were utilized by the Beneficiaries in originally evaluating this transaction) will not be increased or decreased by reason thereof; provided, however, that the rentals and Casualty Value percentages, as so adjusted, shall be sufficient to satisfy the obligations of the Lessor under the Security Document, notwithstanding any limitation of liability contained therein.

If any of the rental payment dates referred to above is not a business day the rental payment otherwise payable on such date shall be payable on the next succeeding business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, State of California or Baltimore, Maryland, are authorized or obligated to remain closed.

This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due to, or by reason of, any past, present or future claims of the Lessee against the Lessor under this Lease or under the Security Document, or the Builder or the Vendor or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or failure of title of the Lessor to any of the Units or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against Lessee's use of all or any of

the Units, the taking or requisitioning of any of the Units by condemnation or otherwise, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency, bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

Section 3. Term of Lease. The term of this Lease as to each Unit shall begin on the date of the delivery to and acceptance by the Lessee of such Unit and, subject to the provisions of Sections 6, 9 and 12 hereof, shall terminate 6 months following the date on which the final payment of rent in respect thereof is due hereunder; provided, however, all the obligations of the Lessee, except for the payment of rent and the furnishing of annual reports, shall continue until surrender of the Units in accordance with Section 13.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the Security Document. If an event of default should occur under the Security Document, the Vendor may terminate this Lease (or rescind its termination), all as provided therein.

Section 4. Identification Marks. The Lessee, so long as this Lease shall remain in effect, will cause each Unit to be kept numbered with the road number set forth in Schedule A hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of such Unit, the legend required by Article 8 of the

Security Document or other appropriate markings designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect Lessor's and Vendor's title to and property in such Unit and the rights of the Lessor under this Lease and of the Vendor under the Security Document. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such legend shall have been so marked on both sides thereof and will replace promptly any such legend which may be removed, obliterated, defaced or destroyed. The Lessee will not change the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and filed, recorded and deposited by the Lessee in all public offices where this Lease and the Security Document shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to that effect and to the further effect that such filing, recordation and deposit will protect the Vendor's and the Lessor's interests in such Units and that no filing, recording, depositing or giving of notice with or to any other Federal, state or local government or agency thereof is necessary to protect the interests of the Vendor and the Lessor in such Units.

Except as above provided, the Lessee, so long as this Lease shall remain in effect, will not allow the name of any person, association or corporation to be placed on the Units as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Units to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on railroad equipment used by them of the same or a similar type for convenience of identification of their rights to use the Units as permitted under this Lease.

Section 5. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, Federal or foreign taxes (other than any United States Federal income tax and, to the extent that the Lessor receives credit therefor against its United States Federal income tax liability, any foreign income tax payable by the Lessor in consequence of the receipt of payments provided herein and other than the aggregate of all state and city income taxes and franchise taxes measured by net income except any such tax

which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided), assessments, documentary stamp taxes, or license fees and any charges, fines or penalties in connection therewith (hereinafter called impositions) now or hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the Security Document, all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all impositions which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all impositions which might in any way affect the title of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any impositions so long as it is contesting in good faith and by appropriate legal proceedings such impositions and the nonpayment thereof does not, in the advance opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or of the Vendee under the Security Document. If any impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor.

In the event that the Lessor shall become obligated to make any payment to the Vendor pursuant to Article 5 of the Security Document not covered by the foregoing paragraph of this Section 5, the Lessee shall pay such additional amounts (which shall also be deemed impositions hereunder) to the Lessor as will enable the Lessor to fulfill completely its obligations pursuant to said Article 5.

In the event any reports with regard to impositions are required to be made on the basis of individual Units or otherwise, the Lessee will, where permitted to do so under applicable rules or regulations, make and timely file such reports in such manner as to show the interest of the Lessor and the Vendor in the Units as shall be satisfactory to the Lessor and the Vendor or, where not so permitted, will notify the Lessor and the Vendor of such requirement and will prepare and deliver such reports to the Lessor and the Vendor within a reasonable time prior to the time such reports

are to be filed in such manner as shall be satisfactory to the Lessor and the Vendor.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any impositions, pursuant to this Section 5, such liability shall continue, notwithstanding the expiration of this Lease, until all such impositions are paid or reimbursed by the Lessee.

Section 6. Maintenance; Payment for Casualty Occurrences; Insurance. The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit which is subject to this Lease in good operating order, repair and condition.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed or, in the opinion of the Lessee, irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise by the United States Government for a period which shall exceed the then remaining term of this Lease or by any other governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days or until the end of the term of this Lease (each such occurrence being hereinafter called a Casualty Occurrence) prior to the return of such Unit in the manner set forth in Section 13 hereof, the Lessee shall, within 30 days after it shall have determined that such Unit has suffered a Casualty Occurrence, fully notify the Lessor and the Vendor in writing with respect thereto. Notwithstanding any such Casualty Occurrence, the Lessee shall continue making all payments provided for in this Lease in respect of such Unit until the rental payment date listed in Table 1 of Schedule B hereto next succeeding such notice. On such rental payment date the Lessee shall pay to the Lessor the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with Schedule B hereto. Upon the making of all such payments by the Lessee in respect of any Unit, the rental for such Unit shall thereafter cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent, to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is, and with all faults" basis. Provided that the Lessee

has previously paid the Casualty Value to Lessor, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

The Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be an amount equal to the sum of (a) that percentage of the Purchase Price of such Unit as is set forth in Table 1 of Schedule B hereto opposite such date with respect to such Unit plus (b) that percentage of the Reconstruction Cost thereof as set forth in Table 2 of said Schedule B with respect to such Unit.

Whenever any Unit shall suffer a Casualty Occurrence at the end of the term of this Lease or after termination of this Lease and before such Unit shall have been returned in the manner provided in Section 13 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be an amount equal to 20% of the Purchase Price of such Unit. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering such Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is, and with all faults" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

Except as hereinabove in this Section 6 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the responsibility for and risk of, any Casualty Occurrence to any Unit after delivery to and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times prior to the return of the Equipment to the Lessor, at its own expense, cause to be carried and maintained insurance in respect of the Units at the time subject hereto, in amounts and against risks customarily insured against by the Lessee in respect of similar equipment owned by it.

Section 7. Annual Reports. On or before March 31 in each year, commencing with the calendar year 1978, the Lessee will cause to be furnished to the Lessor, the Beneficiaries and the Vendor (at the addresses shown in Section 16 hereof), an accurate statement, as of the preceding December 31, showing the amount, description and numbers of the Units (a) then leased hereunder and/or covered by the Security Document, (b) that have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Lease in the case of the first such statement) and (c) then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs and setting forth such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request, and stating that, in the case of all Units repainted or repaired during the period covered by such statement, the markings required by Section 4 hereof and by Article 8 of the Security Document shall have been preserved or replaced. The Lessor and the Beneficiaries, respectively, shall have the right at its sole cost, risk and expense, by its authorized representatives, to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor or the Beneficiaries, respectively, may request during the continuance of this Lease.

Section 8. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE, OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder under the provisions of Article 12 of the Security Document; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense,

such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation, or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that all Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units, and in the event that, prior to the expiration of this Lease or any renewal thereof, such laws or rules require any alteration, replacement, addition or modification of or to any part of any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the advance opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or the Vendor, respectively, under this Lease or under the Security Document. The Lessee, at its own cost and expense, may furnish additions, modifications and improvements to the Units during the term of this Lease provided that such additions, modifications and improvements are readily removable without causing material damage to the Units. The additions, modifications and improvements made by the Lessee under the first sentence of this paragraph shall be owned by the Lessor, and the

additions, modifications and improvements made by the Lessee under the second sentence of this paragraph shall be owned by the Lessee.

The Lessee agrees to indemnify, protect and hold harmless the Lessor (specifically including for the purposes of this provision the Beneficiaries, each of whom may enforce these indemnities directly in its name) and the Vendor from and against all losses, damages, injuries, liabilities, claims (including, without limitation, claims made against the Beneficiaries by the Lessor or its Agent, as identified in the Trust Agreement, except for claims arising out of the failure of the Beneficiaries to pay the Down Payment pursuant to Article 3 of the Security Document or to pay or discharge the sums required to be paid for discharge under the proviso to the last paragraph of Article 11 of the Security Document) and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as a result of (i) the entering into or the performance of the Security Document, the Participation Agreement, the Hulk Purchase Agreement, or this Lease, or any of the instruments or agreements referred to therein or herein or contemplated thereby or hereby, (ii) the ownership of any Hulk or any Unit, (iii) the ordering, acquisition, use, operation, maintenance, condition, reconstruction, purchase, delivery, rejection, storage or return of any Hulk or any Unit, (iv) any accident in connection with the operation, use, condition, reconstruction, possession, storage or return of any Hulk or any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in Section 13 of this Lease, including without limitation any claim based upon the doctrines of product liability or strict liability in tort, or (v) the transfer of title to the Equipment by the Vendor pursuant to any provision of the Security Document. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the delivery of the Equipment or the full payment and performance of all obligations under this Lease and the Hulk Purchase Agreement or the expiration or termination of the term of this Lease and/or the Hulk Purchase Agreement, provided, however, that the foregoing indemnification shall not apply to any failure of payment of any of the principal of or interest on the Conditional Sale Indebtedness.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date

of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax returns) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units or the leasing thereof to the Lessee.

Section 9. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein sometimes called an Event of Default) shall occur:

A. default shall be made in the payment of any amount provided for in Sections 2, 6 or 12 hereof and such default shall continue for ten days after written notice thereof (but without waiver of any interest or late charges);

B. the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest therein, or of the right to possession of the Units, or any thereof;

C. default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Participation Agreement and such default shall continue for 25 days after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

D. a petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may hereafter be amended, shall be filed by or against the Lessee and, unless such petition 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 Lessee under the Security Document and this Lease shall not have been (and shall not continue to be) duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings (whether or not subject to ratification) in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees, within 30 days after such appointment, if any, or 60

days after such petition shall have been filed, whichever shall be earlier;

E. any proceedings shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee under this Lease, the Participation Agreement or the Consent under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder, under the Participation Agreement or under the Consent), 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 Lessee under this Lease, under the Participation Agreement or under the Consent, as the case may be, shall not have been (and shall not continue to be) 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 Lessee or for the property of the Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a 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;

F. Any of the Lessee's representations or warranties made herein or any statement or certificate at any time given in writing pursuant hereto or in connection herewith shall be breached or found to be false or misleading in any material respect;

then, in any such case, the Lessor, at its option, may:

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

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the

use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 5% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated; or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this part (b) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of

such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the rental payment date on or next preceding the date of termination over the net proceeds of such sale.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

Should the Lessee fail to make any payment or to do any act as provided by this Lease, then the Lessor shall have the right (but not the obligation), without notice to the Lessee of its intention to do so and without releasing the Lessee from any obligation hereunder to make or to do the same, to make advances to preserve the Equipment or the Lessor's title thereto, and to pay, purchase, contest or compromise any insurance premium, encumbrance, charge, tax, lien or other sum which in the judgment of the Lessor appears to affect the Equipment, and in exercising any such rights, the Lessor may insure any liability and expend whatever amounts in its absolute discretion it may deem necessary therefor. All sums so incurred or expended by the Lessor shall be due and payable by the Lessee within ten (10) days of notice thereof.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make rental payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver

of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

Section 10. Return of Units upon Default. If this Lease shall terminate pursuant to Section 9 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units so interchanged) place such Units upon such storage tracks of the Lessee as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for insurance, rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and

(c) transport the same to any place on the lines of railroad operated by it or any of its affiliates or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own cost and expense, insure, maintain and keep the Equipment in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its

employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence.

All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which the per diem interchange rate for such Unit for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 10, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney-in-fact of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

Section 11. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. The rights of the Lessor hereunder (including, but not limited to, the rights under Sections 5, 6, 8 and 9 and the rights to receive the rentals payable under this Lease) shall inure to the benefit of the Vendor as assignee under the Assignment of Lease and Agreement dated as of the date hereof between the Vendor and the Lessor (hereinafter called the Assignment) in the manner and to the extent therein provided.

So long as the Lessee shall not be in default under this Lease and no event of default exists under the Security Document, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease but, without the prior written consent of the Lessor and the Vendor, the Lessee shall not assign or trans-

fer its leasehold interest under this Lease in the Units or any of them, and any such assignment or transfer without said consent shall be void. The Lessee, at its own expense, will promptly pay or discharge or cause to be duly discharged any and all sums claimed by any party which if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor or the Vendor after the date hereof or resulting from claims against the Lessor or the Vendor not related to the ownership of the Units), upon or with respect to any Unit or the interest of the Lessor, the Vendor or the Lessee therein, and will promptly discharge any such lien, charge, security interest or other encumbrance which arises. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the next succeeding paragraph hereof.

Subject to the terms of this Lease, the Lessee shall be entitled to the possession of the Units and to the use thereof by it or any affiliate upon lines of railroad owned or operated by it or any such affiliate or upon the lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is regularly operated pursuant to contract, and also to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic and equipment, but only upon and subject to all the terms and conditions of this Lease, including the last paragraph of this Section 11, and the Security Document. The Lessee may receive and retain compensation for such use from other railroads so using any of the Units.

Nothing in this Section 11 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the railroad properties of the Lessee as an entirety or substantially as an entirety, provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease.

The Lessee agrees that during the term of this Lease, it will not assign any Unit to service involving the regular operation and maintenance thereof outside the United States of America.

Section 12. Renewal Option; Purchase Option.
Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may elect, by written notice delivered to the Lessor not less than 180 days prior to the end of the original term of this Lease or the first extended term hereof, to extend the term of this Lease in respect of all, but not fewer than all, the Units covered by this Lease for an additional two-year period commencing on the scheduled expiration of the original term or the extended term of this Lease, as the case may be, provided that the Lessee may not so elect to extend the term of this Lease for more than two such additional two-year periods, at a rental payable in advance in semiannual payments, in an amount equal to the "Fair Market Rental" of such Units as of the commencement of such extended term, such semiannual payments to be made on April 1 and October 1 in each year of the applicable extended term.

Fair Market Rental shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee (other than (i) a lessee currently in possession or (ii) a used equipment dealer) and an informed and willing lessor under no compulsion to lease and, in such determination, costs of removal from the location of current use shall not be a deduction from such value.

Provided that the Lessee is not in default, the Lessee shall have the right to purchase all but not less than all of the Units then leased hereunder at the expiration of the original term or of any renewal term pursuant to this Section 12 at a price equal to the Fair Market Value of such Units (as hereinafter defined). The Lessee shall give the Lessor written notice 180 days prior to the end of the term or any extended term of this Lease of its election to exercise the purchase option provided for in this Section. Payment of the option price shall be made at the office of the Lessor specified in Section 16 hereof in immediately available funds against delivery of a bill of sale transferring and assigning to the Lessee all right, title and interest of the Lessor in and to the Units and containing warranty against liens or claims of persons claiming by,

through or under the Lessor except liens and claims which the Lessee assumed or is obligated to discharge under the terms of the Lease. The Lessor shall not be required to make any representation or warranty as to the condition of the Units or any other matters.

Fair Market Value shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing purchaser (other than (i) a lessee currently in possession or (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell and, in such determination, costs of removal from the location of current use shall not be a deduction from such value.

Notwithstanding any election of the Lessee to purchase as provided in this Section 12, the provisions of Section 6 hereof shall continue in full force and effect until the date of purchase and the passage of ownership of the Units purchased by the Lessee upon such date unless the purchase price has been agreed upon by the parties pursuant to this Section 12, in which event the amount payable under Section 6 hereof shall be the greater of the amount otherwise payable under said Section 6 or such purchase price.

If on or before 120 days prior to the expiration of any term of this Lease, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental or the Fair Market Value, as the case may be, of the Units, such value shall be determined in accordance with the foregoing definitions, respectively, by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of such value by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 business days after such notice is given, each party shall appoint an independent appraiser within 25 business days after such notice is given, and the two appraisers so appointed shall within 35 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 35 business days after such notice is given, either party may apply, to make such appointment, to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine such value of the

Units within 90 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of such value of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding upon the parties hereto as such value. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Rental and/or Fair Market Value, as the case may be, and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne by the Lessee.

Section 13. Return of Units upon Expiration of Term. As soon as practicable on or after the expiration of the original or any extended term of this Lease with respect to any Unit but in any event not later than 90 days after such expiration, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon such storage tracks of the Lessee as the Lessee may designate and permit the Lessor to store such Unit on such tracks for a period not exceeding 60 days and transport the same, on a one time basis at any time within such 60 day period, to any connecting carrier for shipment, all as directed by the Lessor, the movement and storage of such Unit to be at the expense and risk of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this Section 13 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted, (ii) meet the

standards then in effect under the Interchange Rules of the Association of American Railroads, if applicable, and/or the applicable rules of any governmental agency or other organization with jurisdiction and (iii) have removed therefrom by the Lessee without cost or expense to the Lessor all additions, modifications and improvements which the Lessee owns pursuant to Section 8 hereof. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units.

All amounts earned in respect of the Units after the end of the term of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after the end of the term of this Lease, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which the per diem interchange rate for such Unit for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day.

Section 14. Recording; Expenses. The Lessee, at its own expense, will cause this Lease, the Transfer Agreement, the Security Document and any assignment hereof or thereof to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. The Lessee will undertake the filing, recording and depositing and refiling, rerecording and redepositing required of the Lessor under the Security Document and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, reregister, rerecord or redeposit whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease or the assignment hereof to the Vendor, or the Security Document; and the Lessee will promptly furnish to the Vendor and the Lessor evidences of all such filing, registering, recording or depositing, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory

to the Vendor and the Lessor. This Lease, the Assignment, the Transfer Agreement and the Security Document shall be filed and recorded with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any unit.

Section 15. Interest on Overdue Rentals. Anything to the contrary herein notwithstanding, any nonpayment of rentals and other obligations when due hereunder shall result in the obligation on the part of the Lessee promptly to pay also an amount equal to 9.10% per annum of the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

Section 16. Notices. Any instruction or notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States mails, first-class postage prepaid, addressed as follows:

if to the Lessor, at

P. O. Box 66011
AMF, O'HARE
Chicago, Illinois 60666

Attention of Corporate Trust Officer,

with a copy to the Beneficiaries and United States Leasing International, Inc., at the addresses set forth in the Trust Agreement,

if to the Lessee, at

3600 West Broad Street
Richmond, Virginia 23230

Attention of L. G. Anderson, Esq.
Vice President and Treasurer,

if to the Vendor, at

P. O. Box 2258
Baltimore, Maryland 21203

Attention of Corporate Trust Department

if to the Beneficiaries, at their respective addresses specified in the Trust Agreement,

or addressed to any such party at such other address as such party shall hereafter furnish to the other party in writing. Copies of each such notice shall be given to the Vendor as hereinabove provided.

Section 17. Effect and Modification of Lease.

Except for the Participation Agreement, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized officers of the Lessor and the Lessee.

Section 18. Definitions. Whenever the term

"Lessor" is used in this Lease it shall include the Beneficiaries and any assignee and, where the context so requires (including but not limited to certain of the provisions of Section 9) shall refer only to the Beneficiaries or such assignee. If and so long as this Lease is assigned to the Vendor (or any successor thereto) for collateral purposes, wherever the term "Lessor" is used in this Lease it shall also apply and refer to the Vendor and any successors thereto unless the context shall otherwise require and except that the Vendor shall not be subject to any liabilities or obligations under this Lease; and the fact that the Vendor is specifically named in certain provisions shall not be construed to mean that the Vendor (and any successors thereto) is not entitled to the benefits of other provisions where only the Lessor is named or where only the Vendor, as the case may be, is named.

Section 19. Execution.

This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor shall be deemed to be the original counterpart. Although this Lease is dated as of the date first set forth above for convenience, 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.

Section 20. Law Governing; Severability. The

terms of this Lease 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.

Any provision of this Lease which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 21. Immunities; No Recourse. It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all the warranties, representations, undertakings and agreements herein made on the part of the Lessor are each and every one of them made and intended not as personal warranties, representations, covenants, undertakings and agreements by Trust Company for USL, Inc., or for the purpose or with the intention of binding said trust company personally, but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Lease is executed and delivered by said trust company, solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of wilful misconduct or gross negligence, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said trust company or the Beneficiaries or on account of any warranty, representation, covenant, undertaking or agreement of the Lessor, either express or implied, all such personal liability, if any, being expressly waived and released by the Lessee.

IN WITNESS WHEREOF, the parties hereto, each pursuant to due corporate authority, have caused this instrument to be executed in their respective corporate names by duly authorized officers, and their respective corporate seals

to be hereunto affixed and duly attested, all as of the date first above written.

TRUST COMPANY FOR USL, INC.
not personally but solely as
trustee as aforesaid,

by

[Corporate Seal]

Trust Officer

Attest:

SEABOARD COAST LINE RAILROAD COMPANY,

by

[Corporate Seal]

Vice President and Treasurer

Attest:

Assistant Secretary

SCHEDULE A

<u>Quantity</u>	<u>AAR Mechanical Designation</u>	<u>Description</u>	<u>Lessee's Road Numbers (Inclusive)</u>
200	LO	77-ton covered Cement Phosphate Hopper Cars	SCL 202550- SCL 202749
500	XM & XL	50' 55-ton Box Cars	SCL 27800- SCL 28299
350	HT	77-ton Coal Hopper Cars	SCL 162975- SCL 163324

SCHEDULE B

Casualty Value Percentages Schedule

Table 1

<u>Rental Payment Date</u>	<u>Percentage</u>
*	*
4/78	89.4715
10/78	83.7941
4/79	81.0381
10/79	77.9037
4/80	74.4442
10/80	70.7160
4/81	66.7440
10/81	62.5872
4/82	58.2553
10/82	53.7857
4/83	49.1745
10/83	44.4842
4/84	39.7008
10/84	34.8918
4/85	30.0354
10/85	25.1980
4/86	20.0000

(*) Casualty Value for any Unit reported lost or destroyed prior to December 15, 1977 will be settled as of December 30, 1977 and calculated as follows:

Purchase Price of the Unit plus.....
 Interest at 11% per annum from the Closing Date
 (as defined in the Security Documentation)
 in respect of that unit to December 30, 1977
plus interim payments for the same period under
 the first paragraph of Section 2 of the Lease.

Table 2

The percentages set forth in Table 1 of this Schedule B have been computed without regard to recapture of the Investment Credit (as defined in an agreement between the Lessor and the Lessee dated the date hereof relating to certain tax indemnities). Consequently, the Casualty Value of any Unit suffering a Casualty Occurrence on or before the third, fifth or seventh Anniversary of the date of delivery and acceptance of such Unit shall be increased by the applicable percentage of the Reconstruction Cost set forth below:

<u>Anniversary of Delivery and Acceptance</u>	<u>Percentage of Reconstruction Cost</u>
Third	22.10433
Fifth	14.73696
Seventh	7.36737

EXHIBIT C to the
RECONSTRUCTION
AND CONDITIONAL
SALE AGREEMENT

ASSIGNMENT OF LEASE AND AGREEMENT

Dated as of April 1, 1977

between

TRUST COMPANY FOR USL, INC.,
as Owner Trustee

and

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY,
not in its individual capacity but solely
as Agent

ASSIGNMENT OF LEASE AND AGREEMENT

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* This Table of Contents has been included in this document for convenience only and does not form a part of, or affect any construction or interpretation of this document.

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LESSEE'S CONSENT AND AGREEMENT	

ASSIGNMENT OF LEASE AND AGREEMENT dated as of April 1, 1977, by and between TRUST COMPANY FOR USL, INC., an Illinois corporation not in its individual capacity but solely as Trustee under a Trust Agreement dated as of the date hereof (hereinafter called the Lessor or the Vendee) with certain trust beneficiaries (hereinafter collectively called the Beneficiaries), and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, a Maryland corporation not in its individual capacity but solely as Agent (hereinafter called the Vendor), under a Participation Agreement dated as of the date hereof.

The Vendee and the Vendor have entered into a Reconstruction and Conditional Sale Agreement dated as of the date hereof (hereinafter called the Security Document), with Seaboard Coast Line Railroad Company, in its capacity as builder, providing for the sale to the Vendee of the interest of the Vendor in such units of railroad equipment (hereinafter called the Units) described in Schedule A thereto as are delivered to and accepted by the Vendee thereunder.

The Lessor and Seaboard Coast Line Railroad Company (hereinafter called the Lessee) have entered into a Lease of Railroad Equipment dated as of the date hereof (hereinafter called the Lease), providing for the leasing by the Lessor to the Lessee of the Units.

In order to provide security for the obligations of the Lessor under the Security Document and as an inducement to the Vendor to invest in the Conditional Sale Indebtedness (as that term is defined in the Security Document), the Lessor has agreed to assign for security purposes its rights in, to and under the Lease to the Vendor.

NOW, THEREFORE, in consideration of the premises and of the payments to be made and the covenants hereinafter mentioned to be kept and performed, the parties hereto agree as follows:

1. The Lessor hereby assigns, transfers and sets over unto the Vendor, as collateral security for the payment and performance of the obligations of the Lessor as Vendee

under the Security Document, all the Lessor's right, title and interest, powers, privileges, and other benefits under the Lease, including, without limitation, the immediate right to receive and collect all rentals, profits and other sums payable to or receivable by the Lessor from the Lessee under or pursuant to the provisions of the Lease whether as rent, casualty payment, indemnity, liquidated damages, or otherwise (such moneys being hereinafter called the Payments), and the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of an Event of Default specified in the Lease, and to do any and all other things whatsoever which the Lessor is or may become entitled to do under the Lease. In furtherance of the foregoing assignment, the Lessor hereby irrevocably authorizes and empowers the Vendor in its own name, or in the name of its nominee, or in the name of the Lessor or as its attorney, to ask, demand, sue for, collect and receive any and all sums to which the Lessor is or may become entitled under the Lease, and to enforce compliance by the Lessee with all the terms and provisions thereof.

The Vendor agrees to accept any Payments made by the Lessee for the account of the Lessor pursuant to Section 2 of the Lease. To the extent received, the Vendor will apply such Payments to satisfy the obligations of the Lessor under the Security Document, and to provide for the payments required to be made by the Lessor to the Vendor pursuant to Paragraph 9 of the Participation Agreement under which the Vendor is acting as Agent, and so long as no event of default (or event which, with notice or lapse of time, or both, could constitute an event of default) under the Security Document shall have occurred and be continuing, any balance shall be paid to the Lessor, or to such other party as the Lessor may direct in writing, in Chicago Federal funds not later than the first business day following receipt of such balance. If the Vendor shall not receive any rental payment under the first paragraph of Section 2 of the Lease when due, the Vendor shall notify the Lessor at the address set forth in the Lease and the Beneficiaries at the addresses set forth in the Participation Agreement; provided, however, that the failure of the Vendor to so notify the Lessor shall not affect the obligations of the Lessor hereunder or under the Security Document.

2. This Assignment is executed only as security and, therefore, the execution and delivery of this Assignment shall not subject the Vendor to, or transfer, or pass,

or in any way affect or modify the liability of the Lessor under the Lease, it being understood and agreed that notwithstanding this Assignment or any subsequent assignment, all obligations of the Lessor to the Lessee shall be and remain enforceable by the Lessee, its successors and assigns, against, and only against, the Lessor or persons other than the Vendor.

3. To protect the security afforded by this Assignment the Lessor agrees that, without the written consent of the Vendor, the Lessor will not anticipate the rents under the Lease or waive, excuse, condone, forgive or in any manner release or discharge the Lessee thereunder of or from the obligations, covenants, conditions and agreements to be performed by the Lessee, including, without limitation, the obligation to pay the rents in the manner and at the time and place specified therein or enter into any agreement amending, modifying or terminating the Lease and the Lessor agrees that any amendment, modification or termination thereof without such consent shall be void; provided, however, that the Lessor may amend or supplement the Lease to provide for an increase or decrease of amounts due as rentals under Section 2 thereof and/or Casualty Values under Section 6 thereof provided that no such decrease shall reduce said amounts below that which are necessary to satisfy the obligations of the Lessor under the Security Document, notwithstanding any limitation of liability of the Lessor contained therein.

4. The Lessor does hereby constitute the Vendor the Lessor's true and lawful attorney, irrevocably, with full power (in the name of the Lessor, or otherwise), to ask, require, demand, and receive, any and all Payments due and to become due under or arising out of the Lease to which the Lessor is or may become entitled, to enforce compliance by the Lessee with all the terms and provisions of the Lease, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which the Vendor may deem to be necessary or advisable in the premises.

5. Upon the full discharge and satisfaction of all the Lessor's obligations under the Security Document and the Participation Agreement, this Assignment and all rights herein assigned to the Vendor shall terminate, and all estate, right, title and interest of the Vendor in and to the Lease shall revert to the Lessor.

6. If an event of default under the Security Document shall occur and be continuing, the Vendor may declare all sums secured hereby immediately due and payable and may apply all such sums against the amounts due and payable under the Security Document.

7. The Lessor will, from time to time, do and perform any other act and will execute, acknowledge, deliver and file, register, deposit and record (and will refile, re-register, re-record or redeposit whenever required) any and all further instruments required by law or reasonably requested by the Vendor in order to confirm or further assure the interests of the Vendor hereunder.

8. The Vendor may assign all or any of the rights assigned to it hereby or arising under the Lease, including, without limitation, the right to receive any Payments due or to become due. In the event of any such assignment, any such subsequent or successive assignee or assignees shall, to the extent of such assignment, enjoy all the rights and privileges and be subject to all the obligations of the Vendor hereunder; provided, however, the Vendee and the Lessee shall not be bound to honor such assignment until they have received written notice thereof. Payment to the assignee of any Payments shall constitute full compliance with the terms of this Agreement and the Lease. Vendee and Lessee may rely on instruments and documents of assignment which they believe in good faith to be true and authentic.

9. The Lessor will pay and discharge any and all claims, liens, charges or security interests (other than created by the Security Document) on the Lease or the rentals or other payments due or to become due thereunder claimed by any party from, through or under the Lessor or the Beneficiaries, or their successors and assigns (other than the Vendor), not arising out of the transactions contemplated by the Security Document or the Lease (but including tax liens arising out of the receipt of the income and proceeds from the Units) which, if unpaid, might become a claim, lien, charge or security interest on or with respect to the Lease or such rentals or other payments equal or superior to the Vendor's interest therein, unless the Lessor or the Beneficiaries shall be contesting the same in good faith by appropriate proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect such interests of the Vendor.

10. This Assignment shall be governed by the laws of the State of Illinois, but the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

11. The Lessor shall cause copies of all notices received in connection with the Lease and all payments hereunder to be promptly delivered or made to the Vendor at its address set forth in Article 20 of the Security Document, or at such other address as the Vendor shall designate.

12. The Vendor hereby agrees with the Lessor that the Vendor will not, so long as no Event of Default under the Lease or event of default under the Security Document has occurred and is continuing, exercise or enforce, or seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits which are assigned and transferred by the Lessor to the Vendor by this Assignment, except the right to receive and apply the Payments as provided in Paragraph 1 hereof, and that, subject to the terms of the Lease and the Security Document, the Lessor may, so long as no event of default under the Security Document or Event of Default under the Lease has occurred and is continuing, exercise or enforce, or seek to exercise or enforce or avail itself of, such rights, powers, privileges, authorizations or benefits; provided, however, that the Lessor shall not, and shall not have any authority to, take any action which would terminate the Lease without the prior written consent of the Vendor.

13. Notwithstanding any other provision of this Assignment (including, but not limited to, any provision of the first paragraph of Paragraph 1 and Paragraph 3 hereof), (a) the terms of this Assignment shall not impose any obligations on the Lessor in addition to the obligations of the Lessor under the Lease or under the Security Document or in any way limit the effect of the last paragraph of Article 3 of the Security Document, Article 21 of the Security Document or Section 21 of the Lease, (b) so long as there is no event of default under the Security Document, and to the extent that the Vendor does not seek to receive and collect any Payments under the Lease in excess of the amounts required to discharge the obligations of the Lessor under the Security Document, the terms of this Assignment shall not limit or in any way affect the Lessor's right to receive and collect any Payments under the Lease in excess of the obligations of the Lessor under the Security Document, or

empower the Vendor in any way to waive or release the Lessee's obligation to pay such excess amounts, and the Lessor shall continue to be empowered to ask, demand, sue for, collect and receive any and all of such excess amounts, but shall not take any action under subparagraph (b) of Section 9 of the Lease without the written consent of the Vendor and (c) each and all of the warranties, representations, undertakings and agreements herein made on the part of the Lessor are each and every one of them made and intended not as personal representations, undertakings and agreements by Trust Company for USL, Inc., or for the purpose or with the intention of binding said company personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Assignment is executed and delivered by the said company solely in the exercise of the powers expressly conferred upon said company as trustee under the Trust Agreement, and that no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said company, except for wilful misconduct or gross negligence, or against the Beneficiaries under the Trust Agreement (except under Sections 1.03 and 5.02 thereof) or on account of any representation, undertaking or agreement of the Lessor or such Beneficiaries, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived and released by the Vendor and by all persons claiming by, through or under the Vendor; provided, however, that the Vendor or any person claiming by, through or under it, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

14. This Assignment may be executed in any number of counterparts, all of which together shall constitute a single instrument, but the counterpart delivered to the Vendor shall be deemed to be the original counterpart.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in their respective corporate names by officers thereunto duly authorized, and their respective corporate seals to be affixed and duly attested, all as of the date first above written.

MERCANTILE-SAFE DEPOSIT AND
TRUST COMPANY, not in its
individual capacity but solely
as Agent,

[Corporate Seal]

by

Attest:

Assistant Vice President

Corporate Trust Officer

TRUST COMPANY FOR USL, INC.,
not personally but solely as
trustee as aforesaid,

by

Trust Officer

[Corporate Seal]

Attest:

Authorized Officer

STATE OF MARYLAND,)
) ss.:
CITY OF BALTIMORE,)

On this day of April 1977, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, 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.

Notary Public

[Notarial Seal]

My Commission expires

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this day of April 1977, before me personally appeared THOMAS G. THOMSON, to me personally known, who, being by me duly sworn, says that he is Trust Officer of TRUST COMPANY FOR USL, INC., 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.

Notary Public

[Notarial Seal]

My Commission expires

LESSEE'S CONSENT AND AGREEMENT

The undersigned, SEABOARD COAST LINE RAILROAD COMPANY, a corporation duly incorporated under the laws of the Commonwealth of Virginia, the Lessee (hereinafter called the Lessee) named in the Lease (hereinafter called the Lease) referred to in the foregoing Assignment of Lease and Agreement (hereinafter called the Assignment), hereby (a) acknowledges receipt of a copy of the Assignment and (b) consents to all the terms and conditions of the Assignment and agrees that:

(1) it will pay all rentals, casualty payments, liquidated damages, indemnities and other moneys provided for in the Lease in Baltimore Federal funds to Mercantile-Safe Deposit and Trust Company, not in its individual capacity but solely as Agent (hereinafter called the Vendor), the assignee named in the Assignment, P.O. Box 2258, Baltimore, Maryland 21203, Attention of Corporate Trust Department (or at such other address as may be furnished in writing to the undersigned by the Vendor);

(2) the Vendor shall be entitled to the benefits of, and to receive and enforce performance of, all the covenants to be performed by the undersigned under the Lease as though the Vendor were named therein as the Lessor;

(3) the Vendor shall not, by virtue of the Assignment or this Consent and Agreement, be or become subject to any liability or obligation under the Lease or otherwise; and

(4) the Lease shall not, without the prior written consent of the Vendor, be amended, terminated or modified, nor shall any action be taken or omitted by the undersigned, the taking or omission of which might result in an alteration or impairment of the Lease or this Consent and Agreement or of any of the rights created by any thereof.

This Consent and Agreement shall be construed in

accordance with the laws of the State of Illinois.

Dated as of April 1, 1977

SEABOARD COAST LINE RAILROAD
COMPANY,

by

Vice President and Treasurer

[Corporate Seal]

Attest:

Assistant Secretary

The foregoing Consent and Agreement is hereby accepted,
as of the 1st day of April 1977.

MERCANTILE-SAFE DEPOSIT AND
TRUST COMPANY, not in its
individual capacity but
solely as Agent,

by

Assistant Vice President

[Corporate Seal]

Attest:

Corporate Trust Officer

EXHIBIT D TO THE
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

HULK PURCHASE AGREEMENT

Seaboard Coast Line Railroad Company

April 1, 1977

Gentlemen:

Seaboard Coast Line Railroad Company, a corporation organized under the laws of the Commonwealth of Virginia (the "Seller"), owns the railroad equipment described in Exhibit A hereto (collectively, the "Hulks" and individually a "Hulk"). The Seller desires to sell the Hulks and Trust Company for USL, Inc. (the "Buyer"), acting as trustee under a Trust Agreement dated as of the date hereof, desires to purchase the Hulks for the Purchase Price set forth in Exhibit A (the "Purchase Price").

The Seller will, from time to time, prior to delivery thereof to the Builder for reconstruction, as provided in the Reconstruction and Conditional Sale Agreement (the "Conditional Sale Agreement") dated as of the date hereof among the Buyer, Mercantile-Safe Deposit and Trust Company, not in its individual capacity but solely as agent (the "Agent") under a Participation Agreement (the "Participation Agreement") dated as of the date hereof, and Seaboard Coast Line Railroad Company, in its capacity as builder (the "Builder"), deliver to the Buyer a Bill or Bills of Sale transferring title to a group or groups of Hulks and warranting that at the date of such Bill or Bills of Sale the Seller had legal title to such Hulks and good and lawful right to sell the same and that title to such Hulks transferred to the Buyer by such Bill or Bills of Sale was free of all claims, liens, security interests, security titles and other encumbrances of any nature whatsoever. On or after the date of such Bill or Bills of Sale, the Seller will deliver the Hulks in such group or groups to an authorized representative of the Buyer at such point or points within the United States of America as shall be specified by the Seller. The sale and delivery of the Hulks pursuant to this Agreement shall commence as soon as practicable and shall be completed on or before such date as shall permit the completion of reconstruction of each Hulk by March 15, 1978.

Notwithstanding anything to the contrary contained herein, the Buyer shall have no obligation to accept any Hulk, or to pay the purchase price therefor, which is delivered hereunder after (i) any event of default as defined in Article 14 of the Conditional Sale Agreement or any event (including the commencement of any proceeding or the filing of any petition of the nature specified in subparagraphs (c) and (d) of Article 14 thereof) which, with lapse of time, failure to take affirmative action and/or demand, could constitute an event of default thereunder shall have occurred, (ii) the Buyer shall have delivered written notice to the Seller that any of the conditions contained in Paragraph 7 of the Participation Agreement have not been met or waived, or (iii) the sum of (a) the difference between (1) the aggregate Purchase Price for all Hulks theretofore delivered and accepted hereunder plus the aggregate Reconstruction Cost therefor under the Conditional Sale Agreement and (2) the aggregate amount of funds theretofore disbursed by the Agent from amounts constituting Available Investors' Funds (as defined in the eighth paragraph of Article 3 of the Conditional Sale Agreement) in payment of a portion of such aggregate Purchase Price and Reconstruction Cost pursuant to the Conditional Sale Agreement and (b) the Purchase Price of the next Hulk to be delivered hereunder plus the Reconstruction Cost thereof under the Conditional Sale Agreement, would exceed the sum of (x) \$10,584,000 and (y) the amount of Available Investors' Funds then on deposit with the Agent under the Participation Agreement and held for disbursement to the Seller and the Builder on a Closing Date pursuant to the eighth paragraph of Article 3 of the Conditional Sale Agreement.

The Buyer at the times hereafter specified will pay to the Seller the Purchase Price of each Hulk in each group subject to all the terms and conditions of this Agreement, including without limitation the receipt by the Buyer of (a) the Bill or Bills of Sale with respect thereto specified in the second and fifth paragraphs hereof, (b) a Certificate or Certificates of Acceptance signed by the Buyer's authorized representative stating that the Hulks in such group have been delivered to and accepted on behalf of the Buyer, and (c) a written opinion of counsel for the Seller dated the date of such Bill or Bills of Sale, addressed to the Buyer and stating that such Bill or Bills of Sale are valid and effective to transfer the Seller's title to such Hulks to the Buyer.

Each such Bill of Sale shall contain the following information with respect to each type of Hulk included in the group of Hulks covered thereby: quantity, description, the Seller's identifying numbers and place of delivery. Subject only to the conditions set forth in this Agreement and in Paragraph 7 of the Participation Agreement, the Buyer will pay the Purchase Price of each Hulk delivered and accepted as aforesaid to the Seller either on (i) the Closing Date relating to such Hulk fixed as provided in the Conditional Sale Agreement or (ii) March 15, 1978, whichever is earlier.

The Buyer may assign and/or transfer any or all of its rights under this Agreement and/or any or all of its rights to possession of any of the Hulks. Any such assignment or transfer may be made by the Buyer without the assignee or transferee assuming any of the obligations of the Buyer hereunder. The Buyer and the Seller acknowledge that such assignment or transfer is contemplated. All of the rights of the Buyer hereunder shall inure to the benefit of the Buyer's assigns.

Notwithstanding the delivery of any Bill or Bills of Sale hereunder, the Seller agrees that all responsibility with respect to any Hulk covered by such Bill or Bills of Sale, its use and operation and risk of loss thereof, shall remain with the Seller until such Hulk is delivered to and accepted by the authorized representative of the Buyer, as provided above, and the Seller agrees to indemnify and hold the Buyer harmless from any claim made against the Buyer solely by reason of the transfer of title to the Hulks or with respect to the validity of such title, free from all claims, liens, security interests, security title or encumbrances of any nature other than those of the Buyer at the time of such delivery and acceptance. Upon such delivery and acceptance, all responsibility and risk of loss with respect to such Hulk shall pass to the Buyer.

In the event that any Hulk is not so delivered to the Buyer after the date of any Bill or Bills of Sale with respect thereto the Buyer will assign to the Seller, without warranty of any kind, whatever right, title and interest the Buyer may then have in such Hulk and such Hulk shall thereafter be excluded from the provisions of this Agreement.

The Seller hereby represents and warrants to the

Buyer, its successors and assigns, that this Agreement was duly authorized by it and lawfully executed and delivered for a valid consideration.

The Seller hereby covenants and agrees with the Buyer that not later than the date of payment for any Hulk, the Seller will discharge in full all obligations, if any, securing encumbrances with respect thereto. Without limitation as to any other rights or actions which the Buyer may enforce against the Seller due to a breach by the Seller of its obligation set forth in the preceding sentence, in the event any such obligation has not been satisfied prior to payment for any Hulk by the Buyer, the Seller hereby agrees that the Buyer may, in lieu of making payments for any Hulks then to be made to the Seller hereunder, pay all or any portion of such payments to one or more holders of obligations secured by such encumbrances to the extent necessary to satisfy such obligations in full and to remove such encumbrances.

It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the warranties, representations, undertakings and agreements herein made on the part of the Buyer, are made and intended not as personal warranties, representations, undertakings and agreements by Trust Company for USL, Inc., or for the purpose or with the intention of binding said company personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement hereinabove referred to, and this Agreement is executed and accepted by said company not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and that no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said company or the Trustors hereinabove referred to on account of this Agreement or on account of any warranty, representation, undertaking or agreement of said company, either express or implied, all such personal liability, if any, being expressly waived and released by the Seller and by all persons claiming by, through or under the Seller; provided, however, that the Seller or any person claiming by, through or under it, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois.

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.

If the foregoing arrangement concerning sale of the Hulks is satisfactory to the Buyer, please confirm by signing each of the enclosed counterparts of this letter and delivering same to the Agent for acknowledgment and return to Seller of all except one executed counterpart, and giving the telegraphic confirmation of execution to the Agent.

Very truly yours,

SEABOARD COAST LINE RAILROAD
COMPANY,

by

Vice President and Treasurer

Accepted as of the date
first set forth above.

TRUST COMPANY FOR USL, INC.,
not personally but solely as
trustee as aforesaid,

by

Trust Officer

Receipt of the executed counter-
parts of the foregoing is hereby
acknowledged as of this day
of April 1977.

MERCANTILE-SAFE DEPOSIT AND TRUST
COMPANY, as Agent,

by

Assistant Vice President

HULK PURCHASE AGREEMENT

EXHIBIT A

<u>Quantity</u>	<u>Description</u>	<u>To be selected from Series Bearing SCL Road Numbers</u>	<u>Hulk Purchase Price</u>	<u>Total Purchase Price</u>
500	50' 55-ton Box Cars	631000/631799 827000/827449 632000/632339	\$594	\$297,000
350	77-ton Coal Hopper Cars	838650/839849 840000/840499	\$790	\$276,500
200	77-ton Covered Cement Phosphate Hopper Cars	686100/687299	\$431	\$ 86,200

PARTICIPATION AGREEMENT

Dated as of April 1, 1977

among

SEABOARD COAST LINE RAILROAD COMPANY,

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY,
as Agent,

SECURITY PACIFIC NATIONAL LEASING, INC.,

CITY NATIONAL BANK

TRUST COMPANY FOR USL, INC.,
As Owner Trustee,

and

THE PARTY NAMED IN SCHEDULE A HERETO

Covering 200 Reconstructed Phosphate Hopper Cars,
500 Reconstructed Box Cars and
350 Reconstructed Coal Hopper Cars

8.10% Conditional Sale Indebtedness Due April 1, 1985

PARTICIPATION AGREEMENT

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ANNEX B--TRUST AGREEMENT

ANNEX C--CERTIFICATE OF INTEREST

PARTICIPATION AGREEMENT dated as of April 1, 1977, among MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY (hereinafter called the Agent), SECURITY PACIFIC NATIONAL LEASING, INC., a Delaware corporation, and CITY NATIONAL BANK, a national banking association (such corporation and banking association being hereinafter individually called an Owner Participant and collectively called the Owner Participants), TRUST COMPANY FOR USL, INC., an Illinois corporation (hereinafter called the Lessor or the Owner Trustee), acting not in its individual capacity but solely as trustee under a Trust Agreement dated the date hereof in the form annexed hereto as Annex B (hereinafter called the Trust Agreement) with the Owner Participants as beneficiaries, SEABOARD COAST LINE RAILROAD COMPANY, a Virginia corporation (hereinafter called the Lessee) and the party named in Schedule A hereto (hereinafter called the Original Investor and, together with its successors and assigns, called the Investors).

The Lessor proposes to acquire 1,050 units of used railroad equipment (hereinafter called the Hulks) from the Lessee pursuant to a Hulk Purchase Agreement dated as of April 1, 1977, in substantially the form of Exhibit D to Annex A hereto. The Agent will acquire, and the Lessor will subject the Hulks to, a security interest in favor of the Agent pursuant to a Transfer Agreement dated as of the date hereof (hereinafter called the Transfer Agreement), in substantially the form of Exhibit A to Annex A hereto. Thereafter, the Agent, the Lessor and Seaboard Coast Line Railroad Company, in its capacity as builder (hereinafter in such capacity called the Builder) will enter into a Reconstruction and Conditional Sale Agreement dated as of the date hereof (hereinafter sometimes called the Reconstruction and Conditional Sale Agreement or sometimes called the Security Document), in substantially the form of Annex A hereto, pursuant to which the Builder will cause the Hulks to be reconstructed (the reconstructed Hulks being hereinafter sometimes called the Equipment or sometimes called the Units) in accordance with specifications of the Builder for the account of the Agent. The Agent will sell its interest in the Equipment to the Lessor upon completion of reconstruction, reserving a security interest therein. It is understood that

the Lessor, notwithstanding the foregoing, will at all times remain the owner of the Hulks and the Equipment, the interests of the Agent being only a security interest reserved under the Reconstruction and Conditional Sale Agreement.

The Investors will finance up to 65.3821% of the cost of the Equipment by investing in the Conditional Sale Indebtedness (as defined in the Reconstruction and Conditional Sale Agreement), and the Owner Participants will finance the balance of the cost of the Equipment by making funds available to the the Owner Trustee pursuant to the Trust Agreement.

The Lessor proposes to lease the Equipment to the Lessee pursuant to a Lease of Railroad Equipment, dated as of the date hereof (hereinafter called the Lease) substantially in the form of Exhibit B of Annex A hereto. The Lessor then proposes for security purposes to assign its rights in, to and under the Lease to the Agent pursuant to an Assignment of Lease and Agreement dated as of the date hereof (hereinafter called the Lease Assignment), substantially in the form of Exhibit C of Annex A hereto, until the Owner Trustee fulfills all its obligations under the Reconstruction and Conditional Sale Agreement.

NOW, THEREFORE, in consideration of the mutual agreements hereinafter contained, the parties hereto agree as follows:

1. The Owner Trustee will enter into the Hulk Purchase Agreement and the Reconstruction and Conditional Sale Agreement and pursuant thereto purchase, as hereinafter provided, Hulks and units of Equipment having an aggregate Purchase Price (as defined in the Reconstruction and Conditional Sale Agreement) not exceeding \$10,584,000.

On or before the First Delivery Date (as hereinafter defined) for the Hulks, the Owner Trustee and the Lessee will enter into the Lease, the Owner Trustee will enter into the Lease Assignment in respect of the Lease with the Agent, and the Lessee will consent to the Lease Assignment pursuant to the Lessee's Consent and Agreement (hereinafter called the Consent) in substantially the form attached to the Lease Assignment.

2. Subject to the terms and conditions hereof, the Original Investor will pay to the Agent, in Baltimore Federal funds, not later than 10:00 a.m., Baltimore time, on the date

or dates set forth opposite such Investor's name in Schedule A hereto (each such date being hereinafter called a Date of Deposit), the amount set forth opposite such Investor's name in Schedule A hereto in respect of such Date of Deposit. The Agent will give to each Investor written notice of the payment to be made by such Investor at least six business days prior to its Date of Deposit. On each of the last two Dates of Deposit, the Lessee will pay to the Agent for immediate payment to the Investor a commitment fee equal to one-half of one percent per annum on the amount the Investor has paid to the Agent on such Date of Deposit computed from the date the Original Investor has signed this Agreement to the Date of Deposit.

Upon payment to the Agent of any amount required to be paid by an Investor pursuant to this Paragraph 2, the Agent will execute and deliver to the Original Investor (or, upon the written request of such Investor, to the nominee or nominees of such Investor), a certificate or certificates of interest with respect to such payment dated the Date of Deposit substantially in the form annexed hereto as Annex C.

The term "business days" as used herein means calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in Baltimore, Maryland, the State of California or New York, New York, are authorized or obligated to remain closed. All interest under this Agreement shall be calculated on the basis of a 360-day year of twelve 30-day months.

As soon as practicable after the delivery of any certificate of interest, the Agent will deliver to the holder thereof a schedule of payments reflecting the dates and amounts of principal and interest payments to be made in respect of such certificate. Each Investor, simultaneously with the final payment to it of all amounts payable in respect of such certificate, will surrender such certificate to the Agent.

Pursuant to the Lease Assignment, the Agent will acquire for security purposes the rights of the Owner Trustee in, to and under the Lease.

The forms of the Annexes to this Agreement and the Exhibits thereto are hereby approved by the Investors and the Agent is authorized to enter into those Agreements represented thereby to which it is a party. The Agent will not enter into or consent to any modification or supplement to

such forms that could adversely affect the interests of the Investors without the prior written approval of the Investors, it being understood and agreed that changes in the provisions of the Lease which are not intended or necessary to satisfy the obligations of the Owner Trustee under the Reconstruction and Conditional Sale Agreement shall not be deemed to adversely affect the interests of the Investors.

The Agent will hold the moneys deposited with it pursuant hereto and Investments (as defined in Paragraph 9 hereof) purchased by the use of such moneys and any proceeds thereof or interest thereon in respect thereof and the rights under the Reconstruction and Conditional Sale Agreement and the Transfer Agreement and security title to the Hulks and the Equipment following delivery and acceptance, as provided in the Reconstruction and Conditional Sale Agreement and the Transfer Agreement, the security interest in the Lease and any payments received by it pursuant to the Lease, in trust for the benefit of the Investors in accordance with their respective interests therein as such interests from time to time shall appear. The interests of the Investors in each instalment of the aggregate Conditional Sale Indebtedness shall be in proportion to their respective investments in the aggregate Conditional Sale Indebtedness, plus accrued and unpaid interest from time to time outstanding. It is expressly understood and agreed that the obligations of the Agent hereunder as such title holder and with respect to the payments to the Investors to be made by the Agent are only those expressly set forth herein.

3. The Lessee (in its capacity as both Lessee and Builder) represents and warrants as follows:

(a) The Lessee has not directly or indirectly offered or sold any of the Conditional Sale Indebtedness or securities to, solicited offers to buy any of the Conditional Sale Indebtedness or securities from, or otherwise approached or negotiated in respect of the purchase or sale or other disposition of any of the Conditional Sale Indebtedness or securities with, any person so as to bring the sale of the Conditional Sale Indebtedness within the provisions of Section 5 of the Securities Act of 1933, as amended. The Lessee will not offer any conditional sale indebtedness or other securities to, or solicit any offer to buy any thereof from any other person or approach or negotiate with any other person in respect thereof, so as to bring the sale of the Conditional Sale Indebtedness within the provisions of Section 5 of said Securities Act.

(b) The Lessee has furnished to the Owner Participants and the Original Investor the balance sheet of the Lessee as of December 31, 1976, and related statements of income and retained earnings for the year then ended. Such financial statements are in accordance with the books and the period covered thereby. The financial statements present fairly the financial condition of the Lessee at such dates and the results of its operations for such periods.

(c) No authorization or approval from any governmental or public body or authority of the United States of America, or of any of the States thereof or the District of Columbia, is necessary for the execution, delivery and performance of this Agreement, the Hulk Purchase Agreement, the Transfer Agreement, the Reconstruction and Conditional Sale Agreement, the Lease, the Lease Assignment or the Consent.

(d) Neither the execution and delivery of this Agreement, the Hulk Purchase Agreement, the Reconstruction and Conditional Sale Agreement, the Lease or the Consent nor the consummation of the transactions herein and therein contemplated or the fulfillment of, or compliance with, the terms and provisions hereof and thereof will conflict with, or result in a breach of, any of the terms, conditions or provisions of the restated articles of incorporation (as amended) or the by-laws (as amended) of the Lessee or of any bond, debenture, note, mortgage, indenture, agreement or other instrument to which the Lessee is now a party or by which it or its property may be bound, or constitute (with the giving of notice or the passage of time or both) a default thereunder.

(e) Neither the execution and delivery by the Lessee of this Agreement, the Hulk Purchase Agreement, the Reconstruction and Conditional Sale Agreement, the Lease or the Consent nor the consummation of the transactions herein and therein contemplated nor the fulfillment of, or compliance with, the terms and provisions hereof and thereof will conflict with, or result in a breach of, any of the terms, conditions or provisions of any law, or any regulation, order, injunction or decree of any court or governmental instrumentality.

(f) No mortgage, deed of trust or other lien of

any nature whatsoever which now covers or affects any property or interest therein of the Lessee, now attaches or hereafter will attach to the Hulks or the Equipment or in any manner affects or will affect adversely the right, title and interest of the Owner Trustee or the Agent therein, other than security and leasehold interests under the Reconstruction and Conditional Sale Agreement and the Lease.

(g) The Lessee is not entering into this Agreement, the Reconstruction and Conditional Sale Agreement, or the Lease, or any other transaction contemplated hereby and thereby, directly or indirectly in connection with any arrangement or understanding by it in any way involving any employee benefit plan (other than a governmental plan) with respect to which it, any Owner Participant or the Owner Trustee in its individual capacity is a party in interest, all within the meaning of the Employee Retirement Income Security Act of 1974 (hereinafter called ERISA). The Lessee covenants that it will not sublease the Equipment subject to the Lease to any person which is at the time a party in interest with respect to any employee benefit plan the assets of which were used by any Owner Participant or any Investor in making its investment pursuant to this Agreement, all within the meaning of ERISA.

4. Each Owner Participant represents and warrants that it has not directly or indirectly offered or sold any of the Conditional Sale Indebtedness or securities to, solicited offers to buy any of the Conditional Sale Indebtedness or securities from, or otherwise approached or negotiated in respect of the purchase or sale or other disposition of any of the Conditional Sale Indebtedness or securities with, any person so as to bring the sale of the Conditional Sale Indebtedness within the provisions of Section 5 of the Securities Act of 1933, as amended. Each Owner Participant will not offer any Conditional Sale Indebtedness or other securities to, or solicit any offer to buy any thereof from any other person or approach or negotiate with any other person in respect thereof, so as to bring the sale of the Conditional Sale Indebtedness within the provisions of Section 5 of said Securities Act.

Each Owner Participant represents and warrants that it is making its investment in the Hulks and Equipment (pursuant to the Trust Agreement and this Agreement) with its general assets, and not directly or indirectly with the

assets of, or in connection with any arrangement or understanding by it in any way involving, any employee benefit plan (other than a governmental plan), all within the meaning of ERISA. Each Owner Participant covenants that it will not transfer its interest acquired pursuant to this Agreement (and the Trust Agreement contemplated herein) directly or indirectly to, or in connection with any arrangement or understanding in any way involving, any employee benefit plan with respect to which the Lessee, any Owner Participant, the Builder or the Owner Trustee in its individual capacity is at the time a party in interest, all within the meaning of ERISA.

The Owner Trustee represents that it is not entering into this Agreement, or any other transaction contemplated hereby, directly or indirectly in connection with any arrangement by it in any way involving any employee benefit plan (other than a governmental plan) with respect to which it in its individual capacity, any Owner Participant, the Builder or the Lessee is a party in interest, all within the meaning of ERISA. The Owner Trustee covenants that it will not transfer its interests acquired pursuant to this Agreement (and the transactions contemplated herein) to any other person which is at the time a party in interest with respect to any employee benefit plan the assets of which were used by any Owner Participant or any Investor in making its investment pursuant to this Agreement, all within the meaning of ERISA.

5. Each Investor represents that it is acquiring its interest in the aggregate Conditional Sale Indebtedness for its own account, for investment and not with a view to, or for sale in connection with, the distribution of the same, nor with any present intention of distributing or selling the same, but subject, nevertheless, to any requirement of law that the disposition of its property shall at all times be within its control.

Each Investor further represents that it is not acquiring its interest in the Conditional Sale Indebtedness directly or indirectly with the assets of, or in connection with any arrangement or understanding by it in any way involving, any employee benefit plan with respect to which (i) any employee of the Lessee, any Owner Participant, the Builder or the Owner Trustee in its individual capacity is a participant or (ii) the Lessee, any Owner Participant, the Builder or the Owner Trustee in its individual capacity is otherwise a party in interest, all within the meaning of ERISA.

The interests of the Investors hereunder have not been registered under the Securities Act of 1933 and, accordingly, must be held indefinitely, unless an exemption from registration is available. Each Investor agrees that it will not transfer its interest hereunder in violation of said Act. Each Investor hereby agrees that any transfer authorized pursuant to the next preceding sentence of all or any part of its interest in the Conditional Sale Indebtedness shall be upon the express condition that the transferee thereof shall be bound by the terms of this Agreement. Prior to any such transfer such Investor shall notify the Agent in writing thereof and the Agent shall cause to be prepared and delivered to such Investor an appropriate agreement, to be entered into among such Investor, such transferee and the Agent, evidencing such transfer upon the terms hereof. Any such transfer shall be at the Investor's expense.

6. The obligation of the Original Investor to make payment to the Agent on its Date or Dates of Deposit in accordance with Paragraph 2 hereof and the obligation of the Agent to make payment on each Closing Date (as defined in the Reconstruction and Conditional Sale Agreement) to the Builder or the Lessee pursuant to the Reconstruction and Conditional Sale Agreement out of funds deposited with it pursuant to Paragraph 2 hereof or the proceeds of the Investments pursuant to Paragraph 9 hereof shall be subject to the terms and conditions of the Reconstruction and Conditional Sale Agreement and to the receipt by the Agent, on the first date of delivery of any Hulk under the Hulk Purchase Agreement (such date being hereinafter called the First Delivery Date), of the following documents:

(a) an opinion of Messrs. Cravath, Swaine & Moore, special counsel for the Original Investor and the Agent, dated as of the First Delivery Date, to the effect that

(i) this Agreement has been duly authorized, executed and delivered by the Agent and, assuming due authorization, execution and delivery by the Original Investor and the other parties hereto, constitutes a legal, valid and binding instrument;

(ii) the Reconstruction and Conditional Sale Agreement and the Lease have been duly authorized, executed and delivered by the Agent and, assuming due authorization, execution and delivery by the

other parties thereto, are legal and valid instruments, binding on the Agent and enforceable as to the Agent in accordance with their respective terms;

(iii) the Lease Assignment and the Consent have been duly authorized, executed and delivered on behalf of the Agent, and, assuming due authorization, execution and delivery by the other parties thereto, are legal, valid and binding instruments;

(iv) upon settlement for units of Equipment pursuant to and in accordance with the Reconstruction and Conditional Sale Agreement, the Agent will have a valid first and prior security interest in such units;

(v) the Reconstruction and Conditional Sale Agreement, the Transfer Agreement, the Lease, and the Lease Assignment have been duly filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act and no other filing or recordation is necessary for the protection of the rights of the Agent therein or in the Equipment in any state of the United States of America or the District of Columbia;

(vi) no authorization or approval from any governmental or public body or authority of the United States of America, or of any of the States thereof or the District of Columbia is, to the knowledge of said counsel, necessary for the execution, delivery and performance of this Agreement, the Reconstruction and Conditional Sale Agreement, the Lease, the Lease Assignment or the Consent;

(vii) under the circumstances contemplated by this Agreement it is not necessary to register the Reconstruction and Conditional Sale Agreement or the certificates of interest delivered pursuant hereto under the Securities Act of 1933, as in effect on the date of such opinion, or to qualify the Reconstruction and Conditional Sale Agreement or any other instrument or agreement contemplated hereby or thereby under the Trust Indenture Act of 1939, as in effect on the date of such opinion; and

(viii) the legal opinions referred to in subparagraphs (b), (c), (d) and (e) of this Paragraph 6 are satisfactory in form and scope to said special counsel and that in their opinion the Original Investor, the Agent and they are justified in relying thereon;

and as to such other matters incident to the transactions contemplated by this Agreement as the Original Investor may reasonably request.

(b) An opinion of counsel for each Owner Participant, dated as of the First Delivery Date, to the effect set forth in clause (i) of subparagraph (a) of this Paragraph 6, in so far as such matters relate to such Owner Participant, and to the further effect that:

(i) such Owner Participant is a corporation duly incorporated, validly existing, and in good standing under the laws of its jurisdiction of incorporation;

(ii) no mortgage, deed of trust or other lien of any nature whatsoever now in existence which now covers or affects or which may hereafter cover or affect, any property or interest therein of such Owner Participant, now attaches or hereafter will attach to the Equipment or in any manner affects or will affect adversely the right, title and interest of the Agent therein; and

(iii) the Trust Agreement has been duly authorized, executed and delivered by such Owner Participant and, assuming due authorization, execution and delivery by the Owner Trustee and the other Owner Participants, is a legal and valid instrument binding on such Owner Participant.

(c) An opinion of counsel for the Owner Trustee, dated as of the First Delivery Date, to the effect that:

(i) the Owner Trustee is a corporation duly organized, validly existing and in good standing under the laws of the State of Illinois, has the corporate power, authority and legal right to carry on its business as presently conducted, to execute and deliver the Trust Agreement and pursuant to the

terms thereof, this Agreement, the Reconstruction and Conditional Sale Agreement, the Transfer Agreement, the Lease, the Lease Assignment and the Hulk Purchase Agreement, and to observe and perform the provisions hereof and thereof.

(ii) The execution, delivery and performance by the Owner Trustee of this Agreement, the Reconstruction and Conditional Sale Agreement, the Transfer Agreement, the Lease, the Lease Assignment and the Hulk Purchase Agreement have been duly authorized by all necessary corporate action on the part of the Owner Trustee and do not require any stockholder approval.

(iii) The Trust Agreement and, pursuant to the terms thereof, this Agreement, the Reconstruction and Conditional Sale Agreement, the Transfer Agreement, the Lease, the Lease Assignment and the Hulk Purchase Agreement have been duly executed and delivered by the Owner Trustee and constitute valid and binding agreements and instruments of the Owner Trustee in accordance with their respective terms.

(iv) Neither the execution and delivery of the Trust Agreement or, pursuant to the terms thereof, this Participation Agreement, the Reconstruction and Conditional Sale Agreement, the Transfer Agreement, the Lease, the Lease Assignment or the Hulk Purchase Agreement, nor the consummation of the transactions herein and therein contemplated, nor the fulfillment of, or compliance with, the terms and provisions hereof and thereof (A) conflicts or will conflict with, or results or will result in a breach of, any of the terms, conditions or provisions of (1) the certificate of incorporation or the by-laws of the Owner Trustee, or (2) any bond, debenture, note, mortgage, indenture, agreement or other instrument to which the Owner Trustee is now a party or by which it or its property may be bound or constitutes or will constitute (with the giving of notice or the passage of time or both) a default thereunder; or (B) results or will result in the creation or imposition of any lien, charge, security interest or other encumbrance upon any assets, real or personal, tangible or intangible, of the Owner Trustee.

(v) No authorization, consent or approval from, giving of notice to, registration with, withholding of objection or authorization or order by, or taking of any other action in respect of any court, governmental or public body, agency or authority of the United States of America or Illinois is necessary for the execution, delivery and performance by the Owner Trustee of, or the consummation by the Owner Trustee of the transactions contemplated by, the Trust Agreement, or pursuant to the terms thereof, this Agreement, the Reconstruction and Conditional Sale Agreement, the Transfer Agreement, the Lease, the Lease Assignment or the Hulk Purchase Agreement.

(vi) There are no suits or proceedings pending or, to counsel's knowledge, threatened in any court or before any regulatory commission, arbiter, board or other governmental authority against or affecting the Owner Trustee which will have a material adverse effect on the ability of the Owner Trustee to fulfill its obligations under the Trust Agreement or, pursuant to the terms thereof, this Agreement, the Reconstruction and Conditional Sale Agreement, the Transfer Agreement, the Lease, the Lease Assignment or the Hulk Purchase Agreement.

(d) An opinion of counsel for the Lessee (in its capacity as both Lessee and Builder), dated as of the First Delivery Date, to the effect set forth in clauses (iv) and (v) and in so far as such matters relate to the Lessee, clauses (i), (ii) and (iii) of subparagraph (a) of this Paragraph 6, and to the further effect that:

(i) the Hulk Purchase Agreement has been duly authorized, executed and delivered on behalf of the Lessee, as Seller, and, assuming due authorization, execution and delivery by the other party thereto is a legal, valid and binding instrument;

(ii) the Lessee is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Virginia and is duly qualified to do business and in good standing in such other jurisdictions in which the business and activities of the Lessee require such qualification;

(iii) neither the execution and delivery of this Agreement, the Hulk Purchase Agreement, the Lease or the Consent nor the consummation of the transactions herein and therein contemplated or the fulfillment of, or compliance with, the terms and provisions hereof and thereof will conflict with, or result in a breach of, any of the terms, conditions or provisions of the restated articles of incorporation (as amended) or the by-laws (as amended) of the Lessee or of any bond, debenture, note, mortgage, indenture, agreement or other instrument to which the Lessee is now a party or by which it or its property may be bound, or constitute (with the giving of notice or the passage of time or both) a default thereunder;

(iv) neither the execution and delivery by the Lessee of this Agreement, the Hulk Purchase Agreement, the Lease or the Consent nor the consummation of the transactions herein and therein contemplated nor the fulfillment of, or compliance with, the terms and provisions hereof and thereof will conflict with, or result in a breach of, any of the terms, conditions or provisions of any law, or any regulation, order, injunction or decree of any court or governmental instrumentality;

(v) no authorizations, approvals, permits or licenses are required under the Interstate Commerce Act, or from the Department of Transportation, the Federal Railway Administration or the Interstate Commerce Commission or any other agency known to such counsel to have jurisdiction over railroad rolling stock in connection with the execution, delivery or performance of this Agreement, the Reconstruction and Conditional Sale Agreement, the Lease, the Hulk Purchase Agreement, the Transfer Agreement, the Consent or the Lease Assignment; and

(vi) no mortgage, deed of trust, claim, lien, security interest or other encumbrance of any nature whatsoever which now covers or affects any property or interest therein of the Lessee, now attaches or hereafter will attach to the Hulks or the Equipment being reconstructed therefrom or in any manner affects or will affect adversely the

right, title and interest of the Owner Trustee and the Agent therein; provided, however, that such liens may attach to the rights of the Lessee under the Lease in and to the Equipment.

(e) A Certificate of an officer of the Lessee, dated as of the First Delivery Date, to the effect that the Lessee is not in default under, and to his knowledge there is no event which with the giving of notice, the passage of time or both would place the Lessee in default under this Agreement, the Hulk Purchase Agreement, the Lease or the Consent and to the further effect that the representations and warranties of the Lessee contained in Paragraph 3 hereof are true and correct as of the date of such certificate with the same effect as if made on such date.

(f) A Certificate of an officer of each Owner Participant, dated as of the First Delivery Date, to the effect that such Owner Participant is not in default under this Agreement or under the Trust Agreement, and to the further effect that no Federal tax liens (including tax liens filed pursuant to section 6323 of the United States Internal Revenue Code of 1954, as amended) or, to the best of the knowledge and belief of such Owner Participant, other tax liens have been filed and are currently in effect against such Owner Participant which could adversely affect the interests of the Agent in the Hulks, the Equipment or the Lease or the rentals or other payments due or to become due thereunder.

In giving the opinions specified in this Paragraph 6, counsel may qualify its 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 similar laws affecting the enforcement of creditors' rights generally. In giving the opinion specified in subparagraph (a) of this Paragraph 6, counsel may rely (i) on the opinion of counsel of the Lessee as to the title to the Equipment and on the opinions of counsel of the Owner Trustee and the Owner Participants as to the matters specified therein and (ii) as to any matter governed by the law of any jurisdiction other than the State of New York or the United States, on the opinion of counsel for the Owner Participants, the Owner Trustee, or the Lessee as to such matter.

7. The Owner Trustee shall purchase the Hulks pursuant to the Hulk Purchase Agreement and shall pay for Hulks on (i) the Closing Date relating to the unit of Equipment reconstructed from such Hulk under Article 3 of the Reconstruction and Conditional Sale Agreement or (ii) March 15, 1978 (each of such dates being hereinafter called a Payment Date); provided, however, that the Owner Trustee's obligation to purchase and pay for Hulks on each Payment Date (and each Owner Participant's obligation to furnish to the Owner Trustee funds for that purpose under the Trust Agreement) shall be subject to (A) the receipt, on or prior to the First Delivery Date, of opinions of counsel and a certificate, all dated as of the First Delivery Date, to the same effect as the opinions and certificate set forth in subparagraphs (a), (b), (c), (d) and (e), respectively, of Paragraph 6 hereof (unless waived by the Owner Trustee and the Owner Participants by written notice to the Builder and the Agent on or prior to the First Delivery Date), (B) the receipt, on or prior to such Payment Date, of the Bill or Bills of Sale, the Certificate or Certificates of Acceptance and an opinion of counsel of the Lessee, all as referred to in the fourth paragraph of the Hulk Purchase Agreement, (C) the receipt, on or prior to such Payment Date, of the invoice or invoices of the Lessee for the Hulks required to be delivered pursuant to clause (b) of the eighth paragraph of Article 3 of the Reconstruction and Conditional Sale Agreement, (D) delivery to and acceptance by the Builder of such Hulks, (E) commencement of actual reconstruction of such Hulks by the Builder in accordance with the provisions set forth in the first paragraph of Article 2 of the Reconstruction and Conditional Sale Agreement, and (F) the Reconstruction and Conditional Sale Agreement, the Transfer Agreement, the Lease and the Lease Assignment have been duly filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act on or prior to the First Delivery Date.

Notwithstanding the foregoing, Trust Company for USL, Inc., in its individual capacity shall have no personal liability to make any payments hereunder, but shall make all such payments only out of moneys paid to it pursuant to the provisions of the Trust Agreement and the Lease applicable thereto.

The Lessee shall furnish the Agent, the Owner Trustee and the Owner Participants three business days' prior written notice of the First Delivery Date, which notice may be waived by the Agent, the Owner Trustee and the Owner Participants.

8. The Owner Trustee's obligation to pay the Reconstruction Cost with respect to each unit of Equipment being settled for on any Closing Date under the Reconstruction and Conditional Sale Agreement (and each Owner Participant's obligation to furnish to the Owner Trustee funds for that purpose under the Trust Agreement) shall be subject to (A) receipt of items and compliance with the conditions referred to in the preceding Paragraph 7, all as of such Closing Date, relating to the Hulk which was reconstructed into such unit of Equipment, and (B) the receipt, on or prior to such Closing Date, of all additional items to be delivered pursuant to the proviso of the eighth paragraph of Article 3 of the Reconstruction and Conditional Sale Agreement relating to such unit of Equipment.

9. So long as, to the actual knowledge of the Agent, the Lessee is not in default under this Agreement, and no event of default or event which with lapse of time and/or demand provided for in the Reconstruction and Conditional Sale Agreement or the Lease could constitute an event of default under the Reconstruction and Conditional Sale Agreement or an Event of Default under the Lease shall have occurred and be continuing (any such default, event of default or event being hereinafter called a Default), the Agent will, upon the written direction of the Lessee, invest and reinvest (whether through outright purchase or repurchase agreements) the moneys deposited with it pursuant to Paragraph 2 hereof in such of the following as may be specified in such direction: (i) direct obligations of the United States of America or obligations for which the full faith and credit of the United States of America is pledged to provide for the payment of principal and interest, or (ii) certificates of deposit or banker's acceptances of domestic commercial banks having total assets in excess of \$1,000,000,000, in each case maturing in not more than 90 days from the date of such investment and not later than March 15, 1978 (all such investments being hereinafter called Investments). The Agent shall not purchase any Investment at a price exceeding the par value thereof and shall not sell any Investment prior to maturity if the proceeds of such sale (including interest received on such Investment) shall be less than the cost thereof (including accrued interest). Upon any sale or payment at maturity of any Investment, the proceeds thereof, plus any interest received by the Agent thereon, shall, unless reinvested as permitted by this Paragraph 9, be held by the Agent for application pursuant to the second paragraph of this Paragraph 9. If such proceeds (plus such interest) shall be less than the cost (including accrued interest) of such Investment, the Owner Trustee will pay to the Agent an amount

equal to such deficiency, such payment to be made only out of the rentals received by the Owner Trustee from the Lessee pursuant to the Lease without any obligation or liability on, or claim against, the Owner Participants or funds paid by the Owner Participants to the Owner Trustee. Any payment in respect of such deficiency shall be held and applied by the Agent in like manner as the proceeds of the sale of Investments.

Subject to the terms and conditions hereof, upon each delivery to the Lessor under the Reconstruction and Conditional Sale Agreement of a Group (as therein defined) of the Equipment and the receipt by the Agent of the delivery papers with respect thereto to be delivered by the Builder and the Lessee in accordance with Article 3 thereof, the Agent will on each Closing Date (as defined in the Reconstruction and Conditional Sale Agreement):

(a) pay to the Lessee and the Builder, as their interests may appear, in accordance with the Reconstruction and Conditional Sale Agreement, out of moneys paid to the Agent pursuant to Paragraph 2 hereof and then on deposit with the Agent an amount equal to the Conditional Sale Indebtedness with respect to such Group; and

(b) if such moneys then on deposit are insufficient to make such payment, promptly upon receipt of notice of closing with respect to such Group under the Reconstruction and Conditional Sale Agreement and subject to the provisions hereinabove set forth in this Paragraph 9, sell such portion of the Investments as, together with such moneys, may be necessary in order to provide sufficient funds for such payment and use such moneys and the funds so derived, together with interest received on the Investments and any deficiency paid by the Owner Trustee as contemplated by the first paragraph of this Paragraph 9 and held by the Agent, to make such payment to the Builder required to be made on such Closing Date pursuant to the Reconstruction and Conditional Sale Agreement.

If, on the earlier of (1) the last Closing Date occurring under the Reconstruction and Conditional Sale Agreement or (2) March 15, 1978 (the earlier of said dates being hereinafter called the Cut-Off Date), the aggregate Conditional Sale Indebtedness will be less than the amount theretofore deposited with the Agent pursuant to Paragraph 2

hereof (less any amounts prepaid pursuant to Paragraph 10 hereof) (the amount of said difference being hereinafter called the Surplus Deposit), the Agent will promptly (i) notify the Investors thereof, (ii) sell all Investments then held by the Agent as promptly as possible and (iii) apply on the Cut-Off Date (or as promptly thereafter as possible) (a) the balance of the funds on deposit with the Agent pursuant to Paragraph 2 hereof and (b) all proceeds of the sale of Investments and interest received by the Agent on Investments, together with any deficiency paid by the Owner Trustee as contemplated by the first paragraph of this Paragraph 9 and moneys paid to the Agent pursuant to the next succeeding paragraph of this Paragraph 9 to the pro rata repayment of a portion of the investments made by the Investors hereunder without premium to the extent of the amount of the Surplus Deposit and to the payment of interest on such repayment as provided in the next succeeding paragraph hereof, against surrender by each Investor to the Agent of the certificates of interest theretofore delivered by the Agent in respect of which a repayment is to be made, as hereinafter provided, for new certificates of interest acknowledging each Investor's actual investment in the aggregate Conditional Sale Indebtedness (and a new schedule of payments reflecting such investment). Each Investor, at its option, in lieu of surrendering its certificate or certificates of interest as provided in the immediately preceding sentence, may make appropriate notation on such certificate or certificates of interest of repayment of a portion of its investment and notify the Agent and the Owner Trustee in writing that such notation has been made. Any remaining balance of such funds and proceeds and interest thereon received by the Agent shall be paid by the Agent to the Lessee so long as the Agent has no actual notice of a Default.

On each of the following dates, the Owner Trustee will pay to the Agent such amounts as, when added to interest earned on the Investments, will enable the Agent to pay to each Investor the following amounts on each of the following dates: (a) on the Cut-Off Date (or as promptly thereafter as practicable), an amount equal to interest at the rate of 8.10% per annum on the Surplus Deposit, if any, repaid to such Investor pursuant to the immediately preceding paragraph for the period from such Investor's Date or Dates of Deposit to the date of such repayment; and (b) on April 1, 1978, such amounts, if any, as, when added to the interest received by the Agent under the Reconstruction and Conditional Sale Agreement on such date, will enable the Agent to pay to each Investor an amount equal to interest at the rate of 8.10% per

annum on the unrepaid investment of such Investor from the Date of Deposit to such date. The Agent will accept such payments from the Owner Trustee and will make the payments to the Investors contemplated by the preceding sentence. All calculations of interest made for the purposes of this paragraph will be made on a daily basis using a 360-day year of twelve 30-day months.

Notwithstanding the foregoing, Trust Company for USL, Inc., in its individual capacity shall have no personal liability to make any payments hereunder, but shall make all such payments only out of moneys paid to it pursuant to the provisions of the Trust Agreement and the Lease applicable thereto.

10. The Agent will accept payments made to it by or for the account of the Owner Trustee pursuant to the Reconstruction and Conditional Sale Agreement on account of the principal of or interest on the Conditional Sale Indebtedness and will apply such payments promptly first, to the pro rata payment of interest payable to the Investors on their respective interests in the Conditional Sale Indebtedness, and second, to the pro rata payment of their respective interests in the instalments of Conditional Sale Indebtedness in the order of maturity thereof until the same shall have been paid in full.

The Agent will accept all sums paid to it pursuant to Article 6 of the Reconstruction and Conditional Sale Agreement with respect to Casualty Occurrences (as therein defined) and will apply such sums to the pro rata prepayment of each of the instalments of the aggregate Conditional Sale Indebtedness remaining unpaid (in proportion to the principal amount of aggregate Conditional Sale Indebtedness represented by each such instalment), without premium, together with interest accrued and unpaid on such prepaid Conditional Sale Indebtedness and will distribute such prepayment and interest thereon pro rata among the Investors in accordance with their respective interests in the instalments of Conditional Sale Indebtedness being prepaid. The Agent will furnish to each Investor a revised schedule or schedules of payments showing the reduction of such holder's interest in the instalments of the aggregate Conditional Sale Indebtedness remaining unpaid and the interest payable thereon.

Notwithstanding anything to the contrary contained herein, if a Declaration of Default (as defined in the Reconstruction and Conditional Sale Agreement) is in effect, all moneys held by or coming into the possession of the Agent

under the Reconstruction and Conditional Sale Agreement or the Lease applicable to the payment or prepayment of Conditional Sale Indebtedness or interest thereon (including, without limitation, the net proceeds of any repossession and sale or lease of any unit of the Equipment after deduction of all expenses, including reasonable counsel fees, incurred by the Agent in connection with such repossession and sale or lease or otherwise hereunder in connection with the Reconstruction and Conditional Sale Agreement which shall not theretofore have been reimbursed to the Agent by the Owner Trustee pursuant to the Reconstruction and Conditional Sale Agreement) immediately shall be distributed by the Agent pro rata among the Investors in accordance with their respective interests in the Conditional Sale Indebtedness thereunder at the time of such distribution and the Agent shall otherwise take such action as is referred to in this Paragraph 10.

All payments to be made by the Agent hereunder shall (subject to timely receipt by the Agent of available funds) be made by check mailed to the Investors on the date such payment is due or, upon written request of any Investor, by bank wire transfer of clearing house funds to such Investor at such address as may be specified to the Agent in writing.

So long as, to the actual knowledge of the Agent, no Default shall have occurred and be continuing, the Agent shall be entitled to use its discretion with respect to exercising or refraining from exercising any rights or taking or refraining from taking any action which may be vested in it, or which it may be entitled to assert or take, hereunder or under the Reconstruction and Conditional Sale Agreement and the Lease, except as otherwise specifically provided herein. The Agent shall not incur any liability hereunder or otherwise in acting upon any notice, certificate or other paper or instrument believed by it to be genuine and signed by the proper party or parties, or with respect to anything which it may do or refrain from doing in the exercise of its best judgment, or which may seem to it to be necessary or desirable in the premises, except liability resulting from its own misconduct or negligence; provided, however, that in case the Agent shall have actual knowledge of the occurrence of a Default it shall promptly notify the Owner Trustee, the Owner Participants, the Lessee and the Investors thereof and shall take such action and assert such rights under the Reconstruction and Conditional Sale Agreement and the Lease as shall be agreed upon by holders of interests totaling more than 50% of the aggregate Conditional Sale Indebtedness then

outstanding. In case the Agent is required to take action hereunder, it shall be indemnified against any liability or expense, including reasonable counsel fees, in connection with taking such action or asserting such rights by the holders directing the Agent to take such action in proportion to each holder's interest in the aggregate outstanding Conditional Sale Indebtedness of the holders agreeing to such action.

The Agent may consult with legal counsel of its own choice, and shall not be under any liability for any action taken or suffered in good faith by it in accordance with the opinion of such counsel.

The Agent will promptly mail or deliver one counterpart or copy of all notices, statements, documents or schedules received by it from the Owner Trustee or the Lessee pursuant to the Reconstruction and Conditional Sale Agreement or the Lease to each Investor.

All notices, instructions, directions and approvals to be delivered hereunder to the Agent by any Investor shall be in writing signed by an officer, assistant officer, manager or assistant manager of such Investor, and the Agent may rely on any notice, instruction, direction or approval so signed.

The Agent does not make any representation or assume any responsibility with respect to (i) the validity of the Reconstruction and Conditional Sale Agreement, the Transfer Agreement, the Lease, the Consent, the Lease Assignment or any certificate of interest (except with respect to its own execution thereof) or any of the matters covered thereby or (ii) the value of or the title to the Equipment.

In the event of any dispute with respect to the delivery or ownership or right to possession of funds or documents at any time held by the Agent hereunder, or with respect to title to any unit of the Hulks or the Equipment, the Agent is hereby authorized and directed to retain, without liability to anyone, all or any of such funds or documents or title to such unit until such dispute shall have been settled either by agreement of the parties concerned or by final order, decree or judgment of a court of competent jurisdiction.

The Agent shall be entitled to terminate its duties and responsibilities hereunder by giving written notice to

the Investors that it desires to terminate such duties and responsibilities on a date (at least 30 days subsequent to the giving of such notice) stated in said notice; it being understood and agreed that the Agent shall also give such notice if it is directed so to do by the holders of interests totaling more than 50% of the aggregate Conditional Sale Indebtedness then outstanding. If, prior to the date stated in said notice, the holders of interests totaling more than 50% of the aggregate Conditional Sale Indebtedness then outstanding shall have requested in writing that the Agent assign to a person or institution designated by such holders all right, title and interest of the Agent under the Reconstruction and Conditional Sale Agreement, the Transfer Agreement and the Lease Assignment and in and to the Hulks and the Equipment and the Lease, the Agent shall comply with such request. In the event that such request is not received by the Agent on or before the date designated in said notice, the Agent shall be entitled to appoint a successor to act hereunder (which successor shall be a bank or trust company located in any state of the United States of America, having capital and surplus aggregating at least \$50,000,000) and to assign to such successor, subject to the provisions of this Agreement, all such right, title and interest of the Agent. Upon such assignment by the Agent to a person or institution designated by such holders or, in the absence of such designation, to a successor appointed by the Agent, the Agent shall thereupon be relieved of all duties and responsibilities hereunder.

11. Except as otherwise agreed with any party with respect to its rights to payment, United States Leasing International, Inc., as set forth in its letter to the Lessee dated March 7, 1977, will pay (i) all the costs and expenses in connection with the preparation, execution and delivery of this Agreement, the Lease, the Reconstruction and Conditional Sale Agreement, the Lease Assignment, the Hulk Purchase Agreement, the Transfer Agreement and any tax ruling, including the reasonable fees and disbursements of Messrs. Cravath, Swaine & Moore as special counsel for the Agent and the Original Investor, (ii) the reasonable fees and disbursements of the Agent (and its successors and assigns) except those subsequent to termination of the Lease by the Agent or attributable to periods during the continuance of a Declaration of Default under the Reconstruction and Conditional Sale Agreement (which shall be paid by the Lessee) and (iii) the expenses and fees of the investment banker in connection with the arranging of financing.

12. In entering into the transaction contemplated

by the Lease and the Security Document, it is the intention that such transaction will result in making available to the Lessor (specifically including the Beneficiaries, each of whom may enforce the indemnity provided in this Section directly in its name) certain tax benefits set forth below for the purpose of determining its liability for Federal income tax purposes on the basis of the following:

- (a) the Lease constitutes a lease;
- (b) the Owner Trustee is the lessor and the Lessee is the lessee under the Lease;
- (c) all amounts includible in gross income by the Lessor with respect to the Lease will be treated as income from sources within the United States; and
- (d) the Federal and state income tax rates currently in effect.

Such tax benefits shall include the following (hereinafter called the Tax Benefits).

(x) the Lessor is entitled to the 10% investment tax credit allowed under Section 38 and related sections of the Internal Revenue Code of 1954, as amended to the date hereof (hereinafter called the Code), with respect to the portion of the Purchase Price of the Units equal to the Reconstruction Cost (as defined in the Security Document), such investment credit to be available to the Lessor for the year 1977 or 1978 (hereinafter called the Investment Credit);

(y) the Lessor is entitled to deduct the interest (hereinafter called the Interest Deduction) payable under the Security Document in computing its taxable income; and

(z) in computing its taxable net income the Lessor is entitled to (1) depreciate the portion of the Purchase Price of the Units equal to the Reconstruction Cost utilizing a depreciable life from the date of delivery of such Units to the expiration of the initial term of the Lease for such Units, employing initially the 200% declining balance method of depreciation with a change, not requiring the consent of the Commissioner of Internal Revenue, to the straight-line method of depreciation when most beneficial to the Lessor, and,

with respect to the portion of the Purchase Price of the Units equal to the Hulk Purchase Price (as defined in the Security Document), utilizing a depreciable life from the date of delivery of such Units to the expiration of the initial term of the Lease for such Units and employing initially the 150% declining balance method of depreciation with a change, not requiring the consent of the Commissioner of Internal Revenue, to the straight line method of depreciation when most beneficial to the Lessor, in accordance with Section 167 of the Code, (2) take into account a salvage value, after the reduction allowed by Section 167(f) of the Code, of 10% of the Purchase Price of the Units, and (3) calculate on the assumption that each Unit is first placed in service by the Lessor during 1977 or 1978 based upon the convention adopted by the Lessor (hereinafter called the Depreciation Deduction).

The Lessee agrees that neither it nor any corporation controlled by it, in control of it, or under common control with it, directly or indirectly, will at any time during the term of the Lease or any extended term thereof take any action or fail to take any action or file any returns, certificates or other documents inconsistent with the foregoing or which would increase the amount of rentals required to be taken into income by the Lessor, except as provided in the ninth paragraph hereof, over the amounts specified to be payable under the Lease on the dates due thereunder.

The Lessee represents and warrants that (i) the portion of the Units attributable to the Reconstruction Cost does not constitute property the reconstruction of which was begun before April 1, 1971; (ii) at the time the Lessor becomes the owner of the Units, the portion of the Units attributable to the Reconstruction Cost will qualify as "new section 38 property" within the meaning of Section 48(b) of the Code; (iii) at the time the Lessor becomes the owner of the Units, the portion of the Units attributable to the Reconstruction Cost will not have been used by any person so as to preclude "the original use of such property" within the meaning of Sections 48(b) and 167(c)(2) of the Code from commencing with the Lessor; (iv) at the time the Lessor becomes the owner of the Units, no investment credit, depreciation or other tax benefits will have been claimed by any person with respect to the portion of the Units attributable to the Reconstruction Cost; (v) at all times during the term

of the Lease, the Units will constitute "section 38 property" within the meaning of Section 48(a) of the Code, and (vi) the Lessee will not at any time during the term of the Lease use, or fail to use, any Unit in such a way as to cause any amount includible in the gross income of the Lessor for Federal income tax purposes to be treated as derived from or allocable to sources outside the United States.

If (a) for any reason (except as a direct or indirect result of the occurrence of any Excluded Event set forth below) prior to the Lessor's obtaining a favorable ruling (herein called the Ruling) from the Internal Revenue Service as to the Lessor being the owner of the Units and as to its right to claim such Tax Benefits, the Lessor shall not have, or shall lose the right to claim, or shall suffer a disallowance of or shall be required to recapture (any such event being hereinafter called a Loss), all or any portion of such Tax Benefits with respect to all or part of any Unit, or (b) subsequent to the receipt of the Ruling the Lessor shall incur a Loss with respect to any Unit to the extent the same is a result of acts, omissions or misrepresentations of Lessee, or a change in, or amendment to, the Code or the regulations thereunder prior to April 1, 1978, then in any such case the Lessee shall pay to the Lessor on each of the dates provided in the Lease for payment of the instalments of rental thereunder commencing with the first such date following the date on which the liability of the Lessee hereunder shall become fixed as hereinafter provided, such sums which (after deduction of all taxes required to be paid by the Lessor on the payment of such sums under the laws of the United States or any political subdivision thereof), when taken together with the rental instalments due on such dates under the Lease, will, in the reasonable opinion of the Lessor, cause the Lessor's net after tax return in respect of such Unit hereunder and under the Lease to equal the net after tax return (computed on the same assumptions as utilized by the Lessor in originally evaluating this transaction) in respect of such Unit hereunder and under the Lease that would have been available if the Lessor had been entitled to utilization of all of such Tax Benefits; provided, however, that the Lessee shall not be required to pay such sums if the Lessor fails to make known to the Lessee the assumptions and computations utilized by the Lessor in originally evaluating this transaction and in determining such sums; it being understood and agreed, however, that any such computations furnished by the Lessor shall be subject to approval by the Lessee, which approval shall not be unreasonably withheld.

In the event that the Lessor and Lessee are unable to agree upon such computations, then such computations shall be determined by a nationally recognized firm of certified public accountants to be selected by the Lessee and acceptable to the Lessor, which firm is independent of both Lessee and Lessor. The fees of that firm shall be paid by Lessor, if the firm determines that the computations were not correct as submitted by the Lessor, or by Lessee, if the firm determines that the computations were correct as submitted by the Lessor. In the event that the Lease is terminated with respect to any unit prior to the time the Lessee is obligated to make payments to the Lessor as set forth in this paragraph, then the Lessee shall pay to the Lessor, on or before 30 days after the liability of the Lessee hereunder shall become fixed as hereinafter provided, such lump sum (calculated in the same manner as set forth in this paragraph) as shall be necessary in the reasonable opinion of the Lessor to cause the Lessor's net after tax return in respect of such Unit hereunder and under the Lease to the date of such termination to equal the net after tax return (computed on the same assumptions as utilized by the Lessor in originally evaluating this transaction) in respect of such Unit hereunder and under the Lease that would have been available if the Lessor had been entitled to utilization of such Tax Benefits.

Anything in the preceding paragraph to the contrary notwithstanding, the Lessee shall not be required to make any payment to the Lessor provided for therein if the Lessor shall have lost, or shall not have, or shall have lost the right to claim, or shall have suffered a disallowance of, or shall have been required to recapture all or any portion of any Tax Benefit with respect to all or part of such Unit as a direct result of the occurrence of any of the following events (hereinafter called Excluded Events):

(i) a Casualty Occurrence with respect to such Unit, if the Lessee shall have paid to the Lessor the amounts stipulated under Section 6 of the Lease;

(ii) a voluntary transfer or other voluntary disposition by the Lessor of any interest in such Unit (except the transfer or disposition contemplated by the Transfer Agreement or the subjection of such Unit to the Security Document) or the voluntary reduction by the Lessor of its interest in the rentals from such Unit;

under the Lease (except pursuant to any assignment thereof to the Vendor as security) or any transfer or disposition by the Lessor resulting from bankruptcy or other proceedings for the relief of debtors in which the Lessor is the debtor (whether voluntary or involuntary) of any interest in such Unit or in the rentals therefor under the Lease unless, in each case, an Event of Default under the Lease shall have occurred and be continuing;

(iii) the amendment of the Hulk Purchase Agreement, the Transfer Agreement, the Lease or the Security Document without the prior written consent of the Lessee;

(iv) the failure of the Lessor to claim the Investment Credit, the Depreciation Deduction or the Interest Deduction, as applicable, in its Federal income tax return for the appropriate year or the failure of the Lessor to follow proper procedure in claiming any Tax Benefit;

(v) the failure of the Lessor to have sufficient liability for tax against which to credit such Investment Credit or sufficient income to benefit from the Depreciation Deduction or the Interest Deduction, as applicable;

(vi) a change in, or amendment to, the Code or the regulations thereunder which has an effective date on or after April 1, 1978; or

(vii) the existence of any agreement between the Owner Participants and a third party, excluding, however, the Participation Agreement, the Hulk Purchase Agreement, the Transfer Agreement, the Security Document, the Lease, the Lease Assignment and the Trust Agreement.

In the event that, due to a change in or amendment to the Code or any regulation issued thereunder or in state tax rates becoming effective prior to April 1, 1978, Lessor's net return (computed on the same assumptions as utilized by the Lessor in originally evaluating this transaction as hereinabove referred to in this Section and on the basis of whether and when the Beneficiaries can utilize any such increased tax benefits) under the Lease shall be increased, then the rental rates set forth in Section 2 of the Lease shall be decreased by such amount as, in the reasonable opinion of the Lessor, will cause the Lessor's net return

under the Lease to equal the net return (computed on the same assumptions as utilized by the Lessor in originally evaluating this transaction as hereinabove referred to in this Section) that would have been available to the Lessor had the Code or such regulation not been so changed or amended; provided, however, that no such change or amendment shall reduce the amount of rentals below that which is necessary to satisfy the obligation of the Lessor to pay the Conditional Sale Indebtedness, and interest thereon, for the Units under the Security Document, notwithstanding any limitation of liability of the Lessor contained therein.

If, as a result of the Internal Revenue Service either indicating an intent to rule adversely on any item in respect of the ruling to be sought by the Lessee and Lessor pursuant to the last paragraph of this Section or proposing an adjustment in respect of which the Lessee may be required to indemnify the Lessor, it is the opinion of Lessor's or Lessee's tax counsel (herein referred to as Counsel), that a bona fide claim to all or a portion of the Tax Benefits with respect to any Unit exists in respect of which the Lessee would otherwise be required to make payments to the Lessor pursuant hereto, the Lessor shall, upon request of the Lessee, contest such matter administratively; provided, however, that the Lessor shall not be obligated to take any such legal or other appropriate action in either the United States Tax Court or other court of competent jurisdiction selected by the Lessor unless it has received an opinion from an independent counsel selected by the Lessee and acceptable to the Lessor that there is a reasonable basis for contesting such matter and the Lessee shall first have indemnified the Lessor for all liabilities and expenses which may be entailed therein which are related to the contest of the item or adjustment. The Lessor may, at its option, take such action prior to making payment of any tax and interest and/or penalty attributable to the disallowance or recapture with respect to the Lessor of all or any portion of the Tax Benefits with respect to any Unit (a "Tax Payment") or may make such Tax Payment and then sue for a refund. If the Lessor takes such action prior to making such Tax Payment, such sums payable hereunder need not be paid by the Lessee while such action is pending. In such case, if the Final Determination (as hereinafter defined) shall be adverse to the Lessor, the sums payable hereunder shall be computed by the Lessor as of the date of such Final Determination and the Lessee shall commence

payment thereof on the rental payment date under the Lease next succeeding such Final Determination and, on or before such rental payment date, the Lessee shall pay to the Lessor as an additional payment hereunder an amount equal to all interest and penalty paid by the Lessor in respect of such Final Determination, together with interest thereon from the date such payment is made by the Lessor to the date the Lessee reimburses the Lessor thereof at the rate of interest charged by The Chase Manhattan Bank, National Association, to its prime commercial customers on short-term unsecured borrowings (the "Prime Rate") in effect on the date of such Final Determination. If the Lessor makes such Tax Payment prior to contesting the matter, the sums payable hereunder shall commence to be payable by the Lessee on the first rental payment date under the Lease after such Tax Payment is made and, on or before such rental payment date, the Lessee shall pay to the Lessor as an additional payment hereunder an amount equal to all interest and penalty paid by the Lessor included in such Tax Payment. If the Lessor sues for a refund after making such Tax Payment and the Final Determination shall be in favor of the Lessor, no future payments shall be due hereunder in respect of such matter (or an appropriate reduction shall be made if the Final Determination is partly in favor of and partly adverse to the Lessor). In addition, the Lessee and the Lessor shall adjust their accounts so that (a) the Lessor pays to the Lessee (x) an amount equal to the sums theretofore paid by the Lessee to the Lessor (or a proportionate part thereof if the Final Determination is partly in favor of and partly adverse to the Lessor) on or before such next succeeding rental payment date together with interest thereon at the Prime Rate for the period such sums were paid to the Lessor to the date Lessor pays to the Lessee an amount equal to such sums, and (y) the amount of any penalty or interest refunded to the Lessor as a result of such Final Determination and any interest paid to the Lessor by the government on such refund, promptly upon receipt thereof and (b) the Lessee pays to the Lessor an amount equal to interest at the Prime Rate on the amount of the tax refund made in respect of the Tax Payment (excluding any interest or penalty included therein) for the period from the date of the original payment of the Tax Payment by the Lessor to the date such tax refund is received by the Lessor, such Prime Rate to be calculated in either case as from time to time in effect during the respective periods.

"Final Determination" for the purpose of this Para-

graph 12, means a final decision of a court of competent jurisdiction after all allowable appeals have been exhausted by either party to the action. Neither concession by the Lessor of any of the aforementioned Tax Benefits in the over-all settlement of a controversy with the Internal Revenue Service either at the administrative level or at the court level nor the failure to recover a refund in whole or in part with respect to the disallowance of such Tax Benefit which is the result of the setoff against the claim for refund based upon the loss of such Tax Benefits where the matters set off do not relate to such Tax Benefits will constitute an adverse "final determination" causing the aforementioned additional payments to accrue to the Lessor. If the Lessor agrees to the disallowance of a claim for refund based upon the loss of Tax Benefits because of the assertion against it of offsets involving other issues, the Lessor shall advise the Lessee of this Decision within 30 days of its making and such decision will be treated as the receipt of a refund by the Lessor for the purposes of the above provisions.

In the event and to the extent that the cost of any improvement and/or addition (hereinafter called the Alterations) to a Unit made by the Lessee, under and pursuant to the terms of the Lease or otherwise, is required to be included in the gross income of the Lessor for Federal income tax purposes, then the Lessee shall pay to the Lessor on each of the dates provided in the Lease for payment of the instalments of rental thereunder commencing with the first such date following the date on which the Lessee is required to furnish written notice of such inclusion to the Lessor pursuant to the twelfth paragraph hereof, such sums which (after deduction of all taxes required to be paid by the Lessor on the receipt thereof under the laws of the United States or any political subdivision thereof), when taken together with the rental instalments due on such dates under the Lease, will, in the reasonable opinion of the Lessor, cause the Lessor's net after-tax return (calculated on the same basis as used by the Lessor in originally evaluating this transaction) to equal the net after-tax return that would have been realized by the Lessor if the cost of such Alterations had not been includible in the Lessor's gross income; provided, however, that the Lessee shall not be required to pay such sums if the Lessor fails to make known to the Lessee the assumptions and computations utilized by the Lessor in originally evaluating this transaction and in determining such sums, it being understood and agreed, how-

ever, that any such computations furnished by the Lessor shall be subject to approval by the Lessee, which approval shall not be unreasonably withheld. In the event that the Lessor and Lessee are unable to agree upon such computations, then such computations shall be determined by a firm of nationally recognized certified public accountants selected and compensated in the manner set forth above.

For purposes of the above paragraph, the cost of Alterations made by the Lessee shall be deemed to be "required to be included in the gross income of the Lessor for Federal income tax purposes" if such inclusion is required by (i) any private ruling letter issued to the Lessor by the Internal Revenue Service that has not been revoked or otherwise rendered inapplicable at the time the cost of said Alterations is incurred; (ii) any provision of the Code or the applicable regulations thereunder; or (iii) any published revenue ruling of the Internal Revenue Service which has not been held invalid by a court having ultimate appellate jurisdiction over the Federal Income tax liability of the Lessor.

The Lessor agrees that it will, upon the written request and at the sole expense of the Lessee (A) seek a modification of any private ruling letter described in (i) of the preceding paragraph to eliminate the requirement that the cost of Alterations be included in the Lessor's gross income and (b) contest the inclusion of the cost of Alterations in its gross income if such inclusion is required pursuant to (ii) or (iii) of the preceding paragraph in such forum as it, in its sole judgment, shall select; provided, however, that the Lessor shall not be required to contest such inclusion unless it has received an opinion from independent counsel selected by the Lessee and acceptable to the Lessor that there is a reasonable basis for contesting such inclusion and the Lessee has advanced to the Lessor such sums as the Lessor may reasonably deem necessary to pay the costs of such contest.

The Lessee agrees that, within 30 days after the close of any calendar year (or in the event the Lessor gives the Lessee written notice that the Lessor's taxable year closes on a date specified therein other than December 31, within 30 days after said date) in which the Lessee has made Alterations which are required to be included in the gross

income of the Lessor for Federal income tax purposes, the Lessee will give written notice thereof to the Lessor describing such Alterations in reasonable detail and specifying the cost thereof with respect to each Unit.

In the event the rental rates shall be increased as hereinbefore provided, the Casualty Values set forth in Section 6 of the Lease shall be changed accordingly.

The Lessor and the Lessee agree that they will apply for and diligently seek a favorable Ruling from the Internal Revenue Service. The Lessor and Lessee also agree that they will furnish such documents, records and representations (including, but not limited to, the Lessee's evidence of the useful life and residual value of the Units sufficient to support the matters claimed in such request) as shall be deemed necessary and appropriate for such request.

13. All documents and funds deliverable hereunder to the Agent shall be delivered to it at its address at P.O. Box 2258, Baltimore, Maryland 21203, attention of Corporate Trust Department, or as the Agent may otherwise specify.

All documents and funds deliverable hereunder to an Investor shall be delivered or mailed to it at its address set forth in Schedule A hereto, or as such Investor may otherwise specify.

All documents and funds deliverable hereunder to the Lessor or Owner Trustee shall be delivered to it at its address at P. O. Box 66011 AMF, O'HARE, Chicago, Illinois, 60666, attention of Corporate Trust Officer, with a copy of such documents to United States Leasing International, Inc., at the address set forth in the Trust Agreement.

All documents and funds deliverable hereunder to the Lessee shall be delivered to it at its address at 3600 West Broad Street, Richmond, Virginia 23230, attention of L. G. Anderson, Esq., Vice President and Treasurer.

All documents and funds deliverable hereunder to the Owner Participants shall be delivered to Security Pacific National Leasing Inc., One Embarcadero Center, Suite 710, San Francisco, California 94111, and to City National Bank, 404 North Roxbury Drive, Beverly Hills, California 90210, or as any Owner Participant may otherwise specify.

All documents deliverable hereunder to Messrs. Cravath, Swaine & Moore shall be delivered to them at One Chase Manhattan Plaza, New York, New York 10005.

14. The Lessee will deliver to each Owner Participant, the Agent and, if requested thereby, to each Investor, in such number of counterparts as shall be reasonably requested, as soon as available and in any event within 120 days after the end of each fiscal year, copies of a certificate signed by the Chairman of the Board, the President, any Vice President, the Treasurer or any Assistant Treasurer of the Lessee, stating that a review of the activities of the Lessee during such year has been made under his supervision with a view to determining whether the Lessee has kept, observed, performed and fulfilled all of its obligations under this Agreement, the Lease and the Consent and that to the best of his knowledge the Lessee during such year has kept, observed, performed and fulfilled each and every obligation contained herein and in the Lease and the Consent, or if an Event of Default (as defined in the Lease) shall exist or if an event has occurred and is continuing which, with the giving of notice or the passage of time or both, would constitute an Event of Default, specifying such Event of Default and all such events and the nature and status thereof. The Lessee will also deliver to each Owner Participant and, if requested thereby, to each Investor (i) as soon as available and in any event within 60 days after the end of the first, second and third quarterly accounting periods in each fiscal year, copies of the balance sheet and of the related statements of income and retained earnings of the Lessee for the portion of its fiscal year ended with the last day of such quarterly accounting period, all in reasonable detail and stating in comparative form the figures for the corresponding date and period in the previous fiscal year; (ii) as soon as available and in any event within 120 days after the end of each fiscal year of the Lessee copies of the balance sheet of the Lessee as of the end of such fiscal year and of the related statements of income and retained earnings of the Lessee for such fiscal year, all in reasonable detail and stating in comparative form the consolidated figures as of the end of and for the previous fiscal year; (iii) as soon as available copies of the Annual Report to stockholders of Seaboard Coast Line Industries, Inc.; (iv) promptly upon the filing of the same, the annual report under the Securities Exchange Act of 1934 of the Lessee and (v) from time to time such other information as the Owner Participants or the Investors may reasonably request.

15. The terms of this Agreement and all rights and obligations of the parties hereto hereunder shall be governed by the laws of the State of California. Such terms, rights and obligations may not be changed orally, but may be changed only by an agreement in writing signed by the party against whom enforcement of such change is sought.

16. This Agreement may be executed in any number of counterparts, all of which together shall constitute a single instrument and it shall not be necessary that any counterpart be signed by all the parties.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by duly authorized officers or other persons, as of the date first above written.

MERCANTILE-SAFE DEPOSIT AND TRUST
COMPANY, as Agent,

by

Assistant Vice President

[Corporate Seal]

Attest:

Corporate Trust Officer

SECURITY PACIFIC NATIONAL LEASING,
INC.,

by

Title

CITY NATIONAL BANK,

by

Executive Vice President

SEABOARD COAST LINE RAILROAD COMPANY,

by

Vice President and Treasurer

TRUST COMPANY FOR USL, INC.,
not personally but solely as
trustee as aforesaid,

by

Trust Officer

STATE OF WISCONSIN INVESTMENT BOARD,

by

Authorized Officer

SCHEDULE A--ORIGINAL INVESTOR

<u>Investor</u>	<u>Date of Deposit</u>	<u>Amount of Deposit</u>
State of Wisconsin Investment Board	July 14, 1977	\$1,717,309
121 South Pinckney Street Madison, Wisconsin 53703	October 13, 1977	1,985,332
	December 15, 1977	1,774,585
Attention: Private Placement Director	March 15, 1978	<u>1,719,894</u>
	Total:	\$7,197,120

