RECORDATION NO. 9719 Filed 1425

SEP 28 1978 · 9 45 AM

INTERSTATE COMMERCE COMMISSION

8-271A051

Date SEP 28 1978

Fee $ 200

ICC Washington, D.C.

CRAVATH, SWAINE & MOORE

ONE CHASE MANHATTAN PLAZA

NEW YORK, N.Y. 10005

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INTERNATIONAL TELEX: 620976

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MAURICE T. MOORE
BRUCE BROMLEY
ALBERT R. CONNELLY
FRANK H. DETWEILER
GEORGE G. TYLER
WILLIAM B. MARSHALL
RALPH L. McAFEE
ROYALL VICTOR
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HENRY W. deKOSMIAN
ALLEN F. MAULSBY
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HENRY P. RIORDAN
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SAMUEL C. BUTLER
WILLIAM J. SCHRENK, JR.
BENJAMIN F. CRANE
FRANCIS F. RANDOLPH, JR.
JOHN F. HUNT
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RICHARD S. SIMMONS
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JAMES M. EDWARDS
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DAVID L. SCHWARTZ
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FREDERICK A. O. SCHWARZ, JR.
CHRISTINE BESHAR
ROBERT S. RIFKIND
DAVID O. BROWNWOOD
PAUL M. DODYK
RICHARD M. ALLEN
THOMAS R. BROME
ROBERT D. JOFFE
ROBERT F. MULL
ALLEN FINKELSON
RONALD S. ROLFE
JOSEPH R. SAHID
PAUL C. SAUNDERS
MARTIN L. SENZEL

COUNSEL
ROSWELL L. GILPATRIC
CARLYLE E. MAW

L. R. BRESLIN, JR.
GEORGE B. TURNER
JOHN H. MORSE
HAROLD R. MEDINA, JR.
CHARLES R. LINTON

4, PLACE DE LA CONCORDE
75008 PARIS, FRANCE
TELEPHONE: 265-81-54
TELEX: 290530

33 THROGMORTON STREET
LONDON, EC2N 2BR, ENGLAND
TELEPHONE 01-606-1421
TELEX: 8814901

CABLE ADDRESSES
CRAVATH, N.Y.
CRAVATH, PARIS
CRAVATH, LONDON E.C.2

9719-B RECORDATION NO. Filed 1425 SEP 28 1978 · 9 45 AM INTERSTATE COMMERCE COMMISSION

9719-C RECORDATION NO. Filed 1425 SEP 28 1978 · 9 45 AM INTERSTATE COMMERCE COMMISSION

9719-D RECORDATION NO. Filed 1425 SEP 28 1978 · 9 45 AM INTERSTATE COMMERCE COMMISSION

~~July 20~~ Sept. 28, 1978

Louisville and Nashville Railroad Company (No. 2)
Lease Financing Dated as of February 1, 1978
8-7/8% Conditional Sale Indebtedness Due April 20, 1989

[CS&M Ref: 3750-017]

Dear Sir:

Pursuant to Section 20c of the Interstate Commerce Act and the Commission's rules and regulations thereunder, as amended, I enclose herewith on behalf of Louisville and Nashville Railroad Company, for filing and recordation counterparts of the following:

(1) Reconstruction and Conditional Sale Agreement (No. 2) dated as of February 1, 1978, among Mercantile-Safe Deposit and Trust Company, L&N Investment Corporation and The Connecticut Bank and Trust Company;

(2) Transfer Agreement (No. 2) dated as of February 1, 1978, between Mercantile-Safe Deposit and Trust Company and The Connecticut Bank and Trust Company;

(3)(a) Lease of Railroad Equipment (No. 2) dated as of February 1, 1978, between Louisville and Nashville Railroad Company and The Connecticut Bank and Trust Company;

(3)(b) Assignment of Lease and Agreement (No. 2) dated as of February 1, 1978, between Mercantile-Safe Deposit and Trust Company, The Connecticut Bank and

RECEIVED SEP 28 9 45 AM '78 FEE OPERATIONS BRANCH

Trust Company and Louisville and Nashville Railroad Company; and

(4) Hulk Purchase Agreement (No. 2) dated as of February 1, 1978, between The Connecticut Bank and Trust Company and Louisville and Nashville Railroad Company.

The addresses of the parties to the aforementioned agreements are:

Trustee-Owner-Trustee-Lessor-Vendee-Buyer:

The Connecticut Bank and Trust Company,
One Constitution Plaza,
Hartford, Connecticut 06115.

Builder:

L&N Investment Corporation,
908 West Broadway,
Louisville, Kentucky 40201.

Lessee-Railroad-Seller:

Louisville and Nashville Railroad Company,
908 West Broadway,
Louisville, Kentucky 40201.

Agent-Vendor:

Mercantile-Safe Deposit and Trust Company,
Two Hopkins Plaza,
P. O. Box 2258,
Baltimore, Maryland 21203.

The Hulks covered by the Transfer Agreement (No. 2) and the Hulk Purchase Agreement (No. 2) are listed in Exhibit A attached hereto. The reconstructed railroad equipment covered by the Reconstruction and Conditional Sale Agreement (No. 2) and the Lease (No. 2) are listed in Exhibit B attached hereto. The reconstructed railroad equipment bear the legend "Subject to a Security Agreement filed under the Interstate Commerce Act, Section 20c".

Enclosed is our check for $200 for the required recordation fee. Please accept for recordation one counter-

part of each of the enclosed agreements, stamp the remaining counterparts with your recordation number and return them to the delivering messenger along with your fee receipt, addressed to the undersigned.

Very truly yours,

Laurance V. Goodrich

Laurance V. Goodrich
As Agent for Louisville and
Nashville Railroad Company

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

Encls.

39N

BY HAND

EXHIBIT A

Quantity*	Description	Rail-Road Prefix	Bulk* Railroad Numbers
115	50-Ton Box Cars	L&N	97109, 97110, 97161, 97195, 97314, 97355, 98115, 98138, 98386, 98389, 98404, 98437, 98446, 98532, 98546, 98569, 108538, 108541, 108605, 108613, 108648, 108685, 108698, 108709, 108726, 108775, 108800, 108801, 108808, 108810, 108812, 108816, 108824, 108829, 108834, 108847, 108849, 108859, 108865, 108873, 108878, 108881, 108882, 108884, 108885, 108886, 108893, 108897, 108902, 108905, 108910, 108918, 108919, 108926, 108927, 108928, 108930, 108934, 108936, 108956, 108962, 108964, 108971, 108972, 108974, 108976, 108978, 108983, 108987, 109000, 109008, 109027, 109034, 109035, 109044, 109046, 109052, 109053, 109065, 109073, 109084, 109090, 109098, 109115, 109117, 109118, 109134, 109141, 109143, 109145, 109155, 109159, 109172, 109173, 109175, 109186, 109188, 109196, 109198, 109205, 109208, 109227, 109228, 109234, 109238, 109240, 109253, 109255, 109275, 109311, 109348, 109365, 109366, 109375, 109389

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
85	70-Ton Box Cars	L&N	100005, 100076, 100084, 100096, 100102, 100113, 100164, 100165, 100166, 100171, 100216, 100226, 100230, 100272, 100280, 100304, 100327, 100344, 100362, 100373, 100396, 100419, 100429, 100473, 100489, 100518, 100528, 100534, 100579, 100598, 100696, 100700, 100717, 100737, 100739, 100741, 100777, 102000, 102014, 102030, 102032, 102036, 102064, 102067, 102073, 102088, 102094, 102097, 102313, 102317, 102479, 102509, 102607, 102626, 102679, 102689, 102697, 102717, 102718, 102754, 102789, 103111, 103143, 103176, 103177, 103183, 103212, 103263, 103273, 103286, 103313, 103319, 103329, 103384, 103409, 103470, 103508, 103519, 103536, 103544, 103584, 103750, 103833, 103867, 103884
56	70-Ton Open-Top Hoppers	L&N	153014, 153019, 153199, 153229, 153255, 153277, 153308, 153408, 153427, 153479, 153494, 153537, 153571, 153574, 153581, 153618, 153843, 153892, 154018, 154092, 154120, 154126, 154145, 154215, 154320, 154628, 154688, 154712, 154713, 154827, 154861, 154917, 154940, 154952, 154955, 154968, 154972, 155002, 155030,

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
			155147, 155266, 155293, 155296, 155404, 155482, 155731, 155811, 155843, 155931, 155973, 156024, 156091, 156092, 156107, 156108, 156123
86	80-Ton Open-Top Hoppers	L&N	180067, 180227, 180436, 180575, 180616, 180617, 180804, 180833, 180914, 182298, 182415, 182439, 182549, 182589, 182827, 182877, 182887, 183048, 183056, 183156, 183344, 183492, 183498, 183614, 183621, 183932, 183985, 184089, 184116, 184143, 184208, 184361, 184533, 184829, 184841, 184850, 184926, 184942, 184953, 185025, 185288, 185356, 185623, 185728, 186223, 186289, 186339, 186364, 186384, 186408, 186411, 186495, 186621, 186736, 186964, 187060, 187193, 187234, 187242, 187404, 187488, 187537, 187746, 187908, 187987, 188211, 188323, 188359, 188444, 188477, 188486, 188619, 188666, 188900, 188947, 189028, 189065, 189155, 189163, 189256, 189257, 189271, 189308, 189327, 189377, 189381
33	100-Ton Open-Top Hoppers	L&N	191007, 191021, 191113, 191129, 191140, 191212, 191221, 191236, 191283, 191292, 191342, 191389, 191409, 191444, 191546, 191594, 191604, 191615,

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
			191634, 191638, 191640, 191645, 191659, 191667, 191670, 191697, 191724, 191754, 191763, 191772, 191787, 191809, 191886
218	70-Ton Gondola Cars	L&N	26007, 26016, 26017, 26019, 26033, 26040, 26046, 26057, 26062, 26077, 26085, 26087, 26088, 26089, 26090, 26100, 26114, 26134, 26161, 26164, 26179, 26185, 26232, 26234, 26260, 26285, 26288, 26720, 26736, 26740, 39005, 39059, 39070, 39098, 39100, 39103, 39105, 39125, 39145, 39146, 39147, 39153, 39155, 39172, 39173, 39193, 39195, 39202, 39226, 39227, 39231, 39233, 39235, 39239, 39242, 39245, 39270, 39279, 39286, 39287, 39290, 39291, 39293, 39301, 39311, 39330, 39331, 39353, 39356, 39372, 39391, 39394, 39395, 39398, 39404, 39405, 39415, 39421, 39425, 39430, 39439, 39455, 39479, 39488, 39506, 39510, 39522, 39523, 39566, 39572, 39574, 39626, 39631, 39660, 39672, 39684, 39688, 39708, 39712, 39717, 39773, 39780, 39786, 39788, 39805, 39816, 39825, 39850, 39855, 39864, 39872, 39886, 39897, 39913, 39916, 19934, 39960, 39979, 170003, 170016, 170037, 170083, 170125, 170217, 170224, 170232, 170258, 170267, 170270, 170273, 170289, 170291, 170298, 170309, 170333, 170389, 170399, 170413, 170430, 170439, 170457,

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
			170465, 170484, 170491, 170498, 170501, 170506, 170510, 170522, 170576, 170588, 170589, 170601, 170629, 170637, 170659, 170666, 170670, 170673, 170674, 170679, 170692, 170698, 170729, 170732, 170748, 170761, 170768, 170797, 170833, 170834, 170837, 170865, 170878, 170947, 170951, 170977, 171030, 171071, 171076, 171093, 171095, 171105, 171112, 171136, 171202, 171248, 171250, 171256, 171277, 171303, 171358, 171365, 171387, 171389, 171509, 171553, 171558, 171678, 171689, 171703, 171707, 171742, 171804, 171901, 171946, 172042, 172052, 172054, 173078, 173080, 173086, 173087, 173088, 173089, 173091, 173092, 173100
32	100-Ton Gondola Cars	L&N	175012, 175026, 175035, 175041, 175044, 175046, 175057, 175059, 175074, 175089, 175091, 175098, 176007, 176035, 176049, 176077, 176097, 176126, 176179, 176182, 176227, 176279, 176308, 176333, 176396, 176493, 176500, 176662, 176692, 176735, 176766, 176791
80	100-Ton Covered Hopper Cars	L&N	200088, 200159, 200160, 200200, 200212, 200225, 200263, 200309, 200318, 200321, 200342, 200400,

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
			200404, 200432, 200447, 200465, 200536, 200571, 201003, 201005, 201014, 201019, 201031, 201033, 201036, 201042, 201055, 201064, 201066, 201068, 201070, 201072, 201080, 201081, 201093, 201100, 201112, 201121, 201140, 201167, 201204, 201210, 201218, 201228, 201231, 201264, 201270, 201278, 201295, 201386, 201398, 201433, 201440, 201443, 201449, 201461, 201468, 201485, 201499, 240089, 240197, 240237, 240282, 250027, 250031, 250032, 250034, 250038, 250042, 250052, 250068, 250088, 250093, 250101, 250106, 250108, 250112, 250126, 250129, 250131
4	70-Ton Bulkhead Flat Cars	L&N	22508, 22636, 22643, 22771
4	100-Ton Bulkhead Flat Cars	L&N	22304, 22306, 22932, 22961,
32	50-Ton Flat Cars	MON	7201, 7203, 7206, 7212, 7220, 7221, 7224, 7229, 7231, 7234, 7235, 7236, 7242, 7246, 7247, 7248, 7250, 7607
		L&N	21406, 21414, 22264, 22269, 22273, 22274, 22291, 23902, 23903, 23904, 23906, 23910, 23912, 23914

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
50	70-Ton Covered Hopper Cars to Ballast Cars	L&N	37859, 37865, 37866, 37873, 37880, 37887, 37891, 37904, 37907, 37912, 37916, 37935, 37960, 37970, 37980, 37998, 38006, 38035, 38056, 38057, 38067, 38073, 38082, 38098, 38099, 38109, 38124, 38138, 38141, 38155, 38162, 38228, 38263, 38269, 38282, 38285, 38290, 38309, 38324, 38335, 38337, 38342, 38352, 38361, 38387, 38407, 38426, 38434, 38445, 38524
33	50-Ton Pulpwood Cars to Welded Rail Cars	L&N	20516, 20542, 20553, 20558, 20574, 20593, 20624, 20633, 20659, 20682, 20693, 20694, 20720, 20726, 20728, 20729, 20740, 20772, 20797, 20798, 20803, 20809, 20817, 20848, 20877, 20906, 20914, 20929, 20941, 20961, 20963, 20966, 20968
828			

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* Although this Exhibit A sets forth the description of 828 Hulks, Transfer Agreement No. 2 dated as of the date hereof, between Mercantile-Safe Deposit and Trust Company, as Agent, and The Connecticut Bank and Trust Company, as Trustee, will cover only those Hulks which are delivered to the Trustee for reconstruction into Units of Equipment having an aggregate purchase price not exceeding $7,000,000 under Reconstruction and Conditional Sale Agreement No. 2, dated as of the date hereof, between Mercantile-Safe Deposit and Trust Company as Agent, L&N Investment Corporation and The Connecticut Bank and Trust Company as Trustee. Following completion of deliveries, this Exhibit A will be amended to delete from the description those Hulks not covered.

EXHIBIT B

ntity*	AAR Mechanical Designation	Description	L&N* Railroad Road Numbers (Inclusive)	Builder's Specification Number	Hulk Purchase Price Per Unit	Hulk Purchase Price Total*	Base Reconstruction Cost Per Unit	Base Reconstruction Cost Total*	Purchase Price Per Unit	Purchase Price Total*
105	XL	50-Ton Boxcars	96489-96593	L&N 78-1	$4,500	$472,500	$13,854.00	$1,454,670	$18,354.00	$1,927,170
10	XM	50-Ton Boxcars	110242-110251	L&N 78-1	4,500	45,000	13,854.00	138,540	18,354.00	183,540
49	XL	70-Ton Boxcars	112368-112416	L&N 78-1	4,500	220,500	13,854.00	678,846	18,354.00	899,346
36	XM	70-Ton Boxcars	112841-112876	L&N 78-1	4,500	162,000	13,854.00	498,744	18,354.00	660,744
56	HT	70-Ton Open Top Hoppers	76394-76449	L&N 78-2	4,500	252,000	10,471.00	586,376	14,971.00	838,376
86	HT	80-Ton Open Top Hoppers	189558-189643	L&N 78-2	4,500	387,000	10,471.00	900,506	14,971.00	1,287,506
33	HT	100-Ton Open Top Hoppers	192057-192089	L&N 78-2	4,500	148,500	10,471.00	345,543	14,971.00	494,043
06	GB	70-Ton Gondola Cars	26745-26747 27327-27398 27554-27644 27748-27763 29020-29041 29200-29201	L&N 78-3	4,500	927,000	12,096.00	2,491,776	16,596.00	3,418,776

antity*	AAR Mechanical Designation	Description	L&N* Railroad Road Numbers (Inclusive)	Builder's Specification Number	Hulk Purchase Price Per Unit	Hulk Purchase Price Total*	Base Reconstruction Cost Per Unit	Base Reconstruction Cost Total*	Purchase Price Per Unit	Purchase Price Total*
2	GBS	70-Ton Gondola Cars	26283-26284	L&N 78-3	$4,500	$ 9,000	$12,096.00	$ 24,192	$16,596.00	$ 33,19
1	GBSR	70-Ton Gondola Car	26259	L&N 78-3	4,500	4,500	12,096.00	12,096	16,596.00	16,59
9	LG	70-Ton Gondola Cars	27399-27405 27764-27765	L&N 78-3	4,500	40,500	12,096.00	108,864	16,596.00	149,36
12	GBS	100-Ton Gondola Cars	27983-27994	L&N 78-3	4,500	54,000	12,096.00	145,152	16,596.00	199,15
20	GB	100-Ton Gondola Cars	27645-27664	L&N 78-3	4,500	90,000	12,096.00	241,920	16,596.00	331,92
80	LO	100-Ton Covered Hopper Cars	201615-201655 205158-205179 250500-250516	L&N 78-4	4,500	360,000	14,365.00	1,149,200	18,865.00	1,509,20
8	FMS	70-Ton Flat Cars	22295 23916-23922	L&N 78-8	4,500	36,000	11,555.00	92,440	16,055.00	128,44
4	FB	70-Ton Bulkhead Flat Cars	990602,990910 991004,991005	L&N 78-5	4,500	18,000	11,555.00	46,220	16,055.00	64,22
2	FB	100-Ton Bulkhead Flat Cars	990309,990310	L&N 78-5	4,500	9,000	11,555.00	23,110	16,055.00	32,11

uantity*	AAR Mechanical Designation	Description	L&N* Railroad Road Numbers (Inclusive)	Builder's Specification Number	Hulk Purchase Price Per Unit	Hulk Purchase Price Total*	Base Reconstruction Cost Per Unit	Base Reconstruction Cost Total*	Purchase Price Per Unit	Purchase Price Total*
2	FB	100-Ton Bulkhead Flat Cars	990400,990401	L&N 78-5	4,500	$ 9,000	$11,555.00	$ 23,110	$16,055.00	$ 32,11
24	FM	50-Ton Flat Cars	21510 21553-21556 21748-21766	L&N 78-8	4,500	108,000	11,555.00	277,320	16,055.00	385,32
50	LO	70-Ton Covered Hopper Cars to Ballast Cars	45101-45150	L&N 78-6	4,500	225,000	12,290.06	614,503	16,790.06	839,50
33	LP	50-Ton Pulpwood to Welded Rail Cars	42934-42966	L&N 78-7	4,500	148,500	15,784.00	520,872	20,284.00	669,37
828						$3,726,000		$10,374,000		$14,100,00

* This Exhibit B sets forth a description of Equipment having a total purchase price of $14,100,000. It is understood and greed, however, that Reconstruction and Conditional Sale Agreement No. 2 dated as of the date hereof among Mercantile-Safe eposit and Trust Company, as Agent, L&N Investment Corporation, as Builder, and The Connecticut Bank and Trust Company, as rustee for American Security Bank, N.A., will cover certain units of Equipment delivered by the Builder having an aggregate urchase price not exceeding $7,000,000. After completion of deliveries this Exhibit B will be amended to delete those nits of Equipment not covered.

Interstate Commerce Commission

Washington, D.C. 20423

9/28/78

OFFICE OF THE SECRETARY

Laurance V. Goodrich
Cravath Swaine & Moore
One Chase Manhattan Plaza
New York, N.Y. 10005

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 9/28/78 at 9:45am, and assigned recordation number(s) 9719,9719-A,9719-B,9719-C,9719-D

Sincerely yours,

H.G. Homme, Jr.,
Acting Secretary

Enclosure(s)

SE-30-T
(2/78)

Exhibit A

Quantity	Description	Railroad Prefix	Railroad Hulk Numbers
13	50-ton box cars	L&N	97314, 98115, 98569, 108800, 108801, 108829 108865, 108905, 109084, 109098, 109173, 109198, 109275
17	70-ton box cars	L&N	100076, 100164, 100396, 100534, 100700, 100739, 102036, 102313, 102626, 102689, 102754, 103143, 103183, 103519, 103544, 103750, 103867
13	70-ton open top hopper cars	L&N	153199, 153408, 153494, 153581, 153843, 154018, 154215, 154713, 154968, 155147, 155973, 156092, 156123
18	80-ton open top hopper cars	L&N	180804, 180833, 182415, 182877, 183048, 183156, 183621, 183932, 184829, 184850, 186964, 187234, 187488, 187537, 187746, 188477, 188666, 189256
9	100-ton open top hopper cars	L&N	191292, 191342, 191604, 191638, 191640, 191645, 191697, 191772, 191809

Quantity	Description	Railroad Prefix	Railroad Hulk Numbers
174	70-ton gondola cars	L&N	26007, 26016, 26017, 26019, 26033, 26040, 26046, 26057, 26062, 26077, 26085, 26087, 26088, 26089, 26090, 26100, 26114, 26134, 26161, 26164, 26179, 26185, 26232, 26234, 26260, 26285, 26288, 26720, 26736, 26740, 39005, 39059, 39070, 39098, 39100, 39103, 39105, 39125, 39145, 39146, 39147, 39153, 39155, 39172, 39173, 39193, 39195, 39202, 39226, 39227, 39231, 39233, 39235, 39239, 39242, 39245, 39270, 39279, 39286, 39287, 39290, 39291, 39293, 39301, 39311, 39331, 39353, 39356, 39372, 39391, 39394, 39395, 39398, 39404, 39405, 39415, 39421, 39425, 39430, 39439, 39455, 39479, 39488, 39506, 39510, 39522, 39566, 39572, 39574, 39626, 39631, 39660, 39672, 39684, 39688, 39708, 39712, 39717, 39773, 39780, 39786, 39788, 39805, 39816, 39825, 39855, 39864, 39872, 39886, 39897, 39913, 39916, 39960, 39979, 170003, 170016, 170083, 170125, 170258, 170267, 170270, 170273, 170289, 170291, 170298, 170309, 170333, 170430, 170457, 170484, 170491, 170498, 170501, 170510, 170522, 170576, 170601, 170629, 170637, 170666, 170670, 170692, 170761, 170768, 170833, 170837, 170865, 170878, 171030, 171071, 171105, 171112, 171248, 171256, 171277, 171387, 171553, 171678, 171703, 171804, 171901, 171946, 172042, 172052, 172054, 173078, 173080, 173086, 173087, 173088, 173089, 173091, 173092, 173100

Quantity	Description	Railroad Prefix	Railroad Hulk Numbers
24	100-ton gondola cars	L&N	175012, 175026, 175041, 175044, 175074, 175098, 176007, 176035, 176049, 176077, 176097, 176126, 176182, 176279, 176308, 176333, 176396, 176493, 176500, 176662, 176692, 176735, 176766, 176791
45	100-ton covered hopper cars	L&N	200088, 200159, 200200, 200212, 200225, 200263, 200432, 200447, 200465, 200571, 201003, 201005, 201019, 201031, 201042, 201055, 201066, 201068, 201070, 201081, 201093, 201100, 201140, 201210, 201218, 201264, 201270, 201449, 201485, 240089, 240282, 250027, 250031, 250032, 250034, 250042, 250068, 250088, 250093, 250101, 250108, 250112, 250126, 250129, 250131
23	50-ton flat cars	MON	7201, 7203, 7206, 7212, 7220, 7221, 7224, 7229, 7234, 7235, 7236, 7242, 7246. 7247. 7248. 7250. 7607
		L&N	21406, 21414, 22264, 22269, 22273, 22274
8	70-ton flat cars ?	L&N	22291, 23902, 23903, 23904, 23906, 23910, 23912, 23914
4	70-ton bulkhead flat cars	L&N	22508, 22636, 22643, 22771
4	100-ton bulkhead flat cars	L&N	22304, 22306, 22932, 22961
12	70-ton covered hopper cars	L&N	37865, 37873, 37907, 37912, 37970, 38109, 38155, 38228, 38263, 38282, 38445, 38524

Quantity	Description	Railroad Prefix	Railroad Hulk Numbers
17	50-ton pulpwood cars	L&N	20553, 20593, 20633, 20682, 20693, 20726, 20728, 20798, 20803, 20809, 20817, 20877, 20906, 20914, 20929, 20961, 20966
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Exhibit B

Quantity	AAR Mechanical Designation	Description	L&N Railroad Road Numbers (Inclusive)	Builder's Specification Number
11	XL	50-Ton Box Cars	96489, 96490, 96496, 96501, 96511, 96543, 96545, 96556, 96561, 96571, 96592	L&N 78-1
2	XM	50-Ton Box Cars	110242,110251	L&N 78-1
10	XL	70-Ton Box Cars	112369,112385, 112387,112389, 112393,112399, 112406,112410, 112413,112416	L&N 78-1
7	XM	70-Ton Box Cars	112847,112851, 112854,112858, 112861,112873, 112875	L&N 78-1
13	HT	70-Ton Open Top Hopper Cars	76396, 76401, 76404, 76408, 76410, 76412, 76417, 76422, 76429, 76433, 76443, 76446, 76449	L&N 78-2

SCHEDULE A

Quantity	AAR Mechanical Designation	Description	L&N Railroad Road Numbers (Inclusive)	Builder's Specification Number
18	HT	80-Ton Open Top Hopper Cars	189564,189565, 189567,189569, 189574,189575, 189583,189585, 189604,189607, 189609,189610, 189612,189619, 189622,189628, 189637,189639	L&N 78-2
9	HT	100-Ton Open Top Hopper Cars	192066,192073, 192076,192077, 192078,192082, 192085,192086, 192088	L&N 78-2
162	GB	70-Ton Gondola Cars	26745-26747, 27327-27354, 27356-27391, 27393-27395, 27397,27398, 27554,27555, 27557,27558, 27562-27570, 27574,27576, 27578-27581, 27583-27585, 27588-27590, 27592,27593, 27597,27602, 27603,27605, 27607-27609, 27613,27614, 27618,27619, 27622,27624, 27625,27629, 27632,27634, 27636,	L&N 78-3

SCHEDULE A

Quantity	AAR Mechanical Designation	Description	L&N Railroad Road Numbers (Inclusive)	Builder's Specification Number
162	GB	70-Ton Gondola Cars (Cont'd)	27639-27644, 27748-27753, 27755-27763, 29020-29041, 29200,29201	L&N 78-3
2	GBS	70-Ton Gondola Cars	26283,26284	L&N 78-3
1	GBSR	70-Ton Gondola Car	26259	L&N 78-3
9	LG	70-Ton Gondola Cars	27399-27405, 27764,27765	L&N 78-3
6	GBS	100-Ton Gondola Cars	27983,27984, 27986,27987, 27991,27994	L&N 78-3
18	GB	100-Ton Gondola Cars	27645-27650, 27652, 27654-27664	L&N 78-3
45	LO	100-Ton Covered Hopper Cars	201615,201616, 201618,201619, 201622,201623, 201625-201627, 201630-201632, 201635,201638, 201639,201642,	L&N 78-4

SCHEDULE A

Quantity	AAR Mechanical Designation	Description	L&N Railroad Road Number (Inclusive)	Builder's Specification Number
45	LO	100-Ton Covered Hopper Cars (Contd)	201643,201651, 201654,205158, 205159, 205161-205164, 205171-205173, 205175,205176, 205179, 250500-250503, 250505, 250507-250510, 250512-250516	L&N 78-4
23	FM	50-Ton Flat Cars	21510, 21553-21556, 21748-21755, 21757-21766	L&N 78-5
8	FMS	70-Ton Flat Cars	22295, 23916-23922	L&N 78-5
4	FB	70-Ton Bulkhead Flat Cars	990602,990910, 991004,991005	L&N 78-5
4	FB	100-Ton Bulkhead Flat Cars	990309,990310, 990400,990401	L&N 78-5

SCHEDULE A

Quantity	AAR Mechanical Designation	Description	L&N Railroad Road Numbers (Inclusive)	Builder's Specification Number
12	LO	70-Ton Ballast Cars	45102,45104, 45108,45109, 45114, 45126,45130, 45132,45133, 45135,45149, 45150	L&N 78-6
17	LP	50-Ton Welded Rail Cars	42936,42939, 42941,42943, 42944,42947, 42948, 42953-42956, 42958-42961, 42963,42965	L&N 78-7
381				

Car # same as in 9719-B See - E changes all Nos.

[CS&M Ref.: 3750-017]

RECORDATION NO. 9719 Filed 1425

SEP 28 1978 9 45 AM

INTERSTATE COMMERCE COMMISSION

RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT (No. 2)

Dated as of February 1, 1978

among

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

L & N INVESTMENT CORPORATION

and

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity but solely as Trustee

RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT

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Exhibit A--Specifications of the Hulks

RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT No. 2 dated as of February 1, 1978, among MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, not in its individual capacity but solely as Agent (hereinafter called the Vendor) under a Participation Agreement No. 2 dated as of the date hereof (hereinafter called the Participation Agreement), L & N INVESTMENT CORPORATION (hereinafter called the Builder) and THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee (hereinafter called the Vendee) under a Trust Agreement No. 2 dated as of the date hereof (hereinafter called the Trust Agreement), with AMERICAN SECURITY BANK, N.A. (hereinafter called the Beneficiary).

The Vendee proposes to acquire all right, title and interest in certain railroad equipment (hereinafter called the Hulks) from Louisville and Nashville Railroad Company (hereinafter called the Lessee) pursuant to a Hulk Purchase Agreement No. 2 (hereinafter called the Hulk Purchase Agreement) dated as of the date hereof, 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 No. 2 (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 Vendee 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 No. 2 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 No. 2 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 No. 2 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 Vendee 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 such date of delivery.

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 if Schedule A hereto does not specify a place or places, at the place or places designated from time to time by the Vendee) on or prior to April 10, 1979, 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, the Lease Assignment and the Hulk Purchase Agreement have been filed pursuant to Section 20c of the Interstate Commerce Act. The Builder agrees not to accept for reconstruction, nor to commence any reconstruction of, any Hulk if the Builder (A) does not reasonably anticipate that such Hulk will be fully reconstructed prior to April 10, 1979, or (B) has received written notice from the Vendee, the Vendor or any Beneficiary (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 Paragraph 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 the 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.

Notwithstanding the preceding provisions of this Article 2, the Vendor and the Vendee shall be relieved of their obligations to purchase and pay for any Equipment not delivered and accepted on or prior to April 10, 1979.

The Builder represents and warrants that: (i) the Equipment will upon delivery to the Vendee be "rolling stock, of a domestic railroad corporation subject to Part I

of the Interstate Commerce Act" within the meaning of Section 48(a)(2)(B)(ii) of the Internal Revenue Code of 1954 as in effect on the date of the execution and delivery of this Agreement (hereinafter called the Code); (ii) the Equipment will upon delivery to the Vendee qualify with respect to that portion of the basis of the Equipment attributable to reconstruction as "new section 38 property" within the meaning of Section 48(b) of the Code; (iii) the Vendee will be entitled to claim upon delivery of the Equipment to it depreciation deductions with respect to that portion of the basis of the Equipment attributable to reconstruction in accordance with any method listed in Section 167(b) of the Code and with respect to that portion of the basis of the Equipment not attributable to reconstruction in accordance with Section 167(a) of the Code; and (iv) at the time of the delivery of the Equipment to the Vendee, no investment credit, depreciation or other tax benefit will have been claimed by any person with respect to the portion of the basis of the Equipment attributable to reconstruction.

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 this Article 2 or 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. 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 ten 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 April 20, 1979 (herein called the Cut-Off Date), occurring not more than ten business days following presentation by the Builder to the Vendee of the invoice and the Certificate or Certificates of Acceptance for such Group and written notice thereof by the Builder to the Lessee, as shall be fixed by the Builder by written notice delivered to the Vendee and the Vendor at least six 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 a date specified in Item 2 of said Schedule B, the aggregate of the Invoiced Purchase Prices of all equipment settled for hereunder prior to each such date shall not exceed the amount specified with respect to each such date in said Item 2. 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, Hartford, Connecticut, 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 and the Lessee are hereby constituted third party beneficiaries of such obligation) in Baltimore or New York Clearing House 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 20 semiannual installments, as hereinafter provided, an amount (herein called the Conditional

Sale Indebtedness) equal to the lesser of (y) 70.44718% 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 unless 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 installments of the Conditional Sale Indebtedness shall be payable on each April 20 and October 20 commencing October 20, 1979, to and including April 20, 1989 (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 8-7/8% per annum, and such interest shall be payable, to the extent accrued, on April 20, 1979, and each Payment Date. The installments of principal payable on each Payment Date shall be calculated on such a basis that the amount and allocation of principal and interest payable on each Payment Date shall be substantially in proportion to the amount and allocation of principal and interest on such Payment Date 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 Lessee 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, except that interest payable for any period of less than a full month shall be calculated on a 365-day year basis for the actual number of days elapsed.

The Vendee will pay interest at the rate of 9-7/8% 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. Payments made in respect of the Purchase Price of Equipment may be in Baltimore or New York Clearing House funds. 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 Baltimore or New York Clearing House funds by the Vendor to the Builder and the Lessee (as the seller of the Hulks), as their interests may appear, 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 hereinafter mentioned:

(a) the Certificate or Certificates of Acceptance contemplated by Article 2 hereof and the Certificate or Certificates of Delivery contemplated by 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 of the Lessee for the Hulks, accompanied by or having endorsed thereon the approval of the Vendee of the price stated therein and a certification by the Lessee 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;

(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 encumbrances of the Builder or of anyone claiming through the Builder; and

(d) a favorable opinion of counsel for the Lessee, dated as of such Closing Date, stating that as of such date, title to the Hulks from which such units of the Equipment in such Group were reconstructed was vested in the Vendee and was free of all claims, liens, security interests and encumbrances of any nature whatsoever except for those arising under this Agreement or the Exhibits hereto.

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 29.55282% of the Purchase Price of any Group, the Vendee may, by written notice to the Lessee, the Vendor and the Builder, postpone such Closing Date for a period of not more than 60 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), the Vendor agrees that the liability of the Vendee or any assignee of the Vendee for all payments to be made by it under this Agreement (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". 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 (or the Vendor as assignee of the Vendee under the Lease) 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 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 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 (or the Vendor as assignee of the Vendee under the Lease) 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 (or the Vendor as assignee of the Vendee under the Lease) 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.

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 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 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) 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 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 stated period which shall exceed the then remaining term of the Lease or for an indefinite period or by any other governmental entity, in any case 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 thirty 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 installments 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 in this Article 6) 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 without penalty or premium, ratably in accordance with the unpaid balance of each installment, the Conditional Sale Indebtedness 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 1979, 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, such Equipment is marked as required by Article 8 hereof. 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 seven-sixteenths of 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 title to and property in the Equipment and its rights under this Agreement. The Vendee will not 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 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 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 subordinate 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 upon the lines of railroad owned or operated by the Lessee or any affiliate of the Lessee (or any other railroad company approved by the Vendor) or upon lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights, or over which railroad equipment of the Lessee or any such affiliate is regularly operated pursuant to contract, and the Equipment may be used upon connecting and

other carriers in the usual interchange of traffic or equipment, but only upon and subject to all the terms and conditions of this Agreement; provided, however, that the Vendee shall not assign any unit of the Equipment to service which is not permitted by 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 its successors or assigns, and to the extent that it receives funds sufficient for such purpose from any Beneficiary, from, through or under such Beneficiary and its successors and assigns, not arising out of the transactions contemplated hereby (but including tax liens arising out of the receipt of the income and proceeds from the Equipment), 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 reasonable 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, purchase, delivery, rejection, storage or return of any of the Equipment, any accident in connection with the operation, use, condition, 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 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 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 (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 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 Builder represents that it is not entering into this Agreement, or into any other transaction contemplated by the Participation Agreement, directly or indirectly in connection with any arrangement or understanding in any way involving any employee benefit plan (other than a governmental plan) with respect to which it, the Beneficiary, the Lessee, or the Vendee in its individual capacity is a party in interest, all within the meaning of the Employee Retirement Income Security Act of 1974.

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, any lessor, lessee, assignee or transferee of this Agreement or of any units of the Equipment including, without limitation, the Vendee or the Beneficiary.

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.

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; 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 have

been 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 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 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 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 duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Vendee or the Lessee, as the case may be, or for its 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;

then at any time after the occurrence of such an event of default the Vendor may upon written notice to the Vendee and the Lessee 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, and, subject to the limitations of Articles 3 and 21 hereof, to collect such judgment out of any property of the Vendee wherever situated. The Vendee agrees to notify the Vendor promptly 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.

Anything herein to the contrary notwithstanding, in the case of any event of default occurring hereunder due to the occurrence of an Event of Default under the Lease, the Vendor shall not, without the prior written consent of the Beneficiary, exercise any remedy or remedies provided herein or in the Lease in respect thereof during a thirty-

day period next following the giving of written notice to the Beneficiary constituting a declaration of default as above provided. During such thirty-day period, the Vendee and/or the Beneficiary shall have the right to cure, on behalf of the Lessee, such Event of Default under the Lease. Such right to cure may be exercised by one or more of said parties any number of times throughout the term of the Lease whether or not the Lessee shall at any time repay any amounts so advanced in order to cure one or more such defaults, and each such separate Event of Default occurring subsequent to an Event of Default which was theretofore cured by one or more such parties shall be subject to the notice requirement and the thirty-day period during which the Vendor may not exercise his remedies as hereinabove provided. No party exercising any such right to cure shall obtain any lien, charge or encumbrance of any kind upon the Equipment or any rentals or other amounts payable therefor under the Lease in respect of any sums paid in connection with the exercise of such right or the curing of such Event of Default, nor shall any claims of such party against the Lessee for the repayment of such sums so advanced impair the prior right of the Vendor to the sums payable by the Lessee under the Lease; provided, however, that if no event of default hereunder shall then have occurred and be continuing and if all payments of Conditional Sale Indebtedness and interest thereon then due and owing shall have been made at the time of receipt by the Vendor from the Lessee of an overdue instalment of rental or other sum under the Lease in respect of which the Vendee or the Beneficiary shall have made payment to the Vendor pursuant to this paragraph and/or any interest payable by the Lessee in respect of the late payment thereof, such instalment or other sum and interest thereon shall be released to or at the written direction of the Vendee.

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 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 Lessee 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 railroads 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 then due and owing to the Vendor hereunder. From and after the date of any such sale, the Vendee shall pay the Vendor an amount equal to interest (at the rate specified in Article 3 hereof as being applicable to amounts remaining unpaid after becoming due and payable) on the unpaid Conditional Sale Indebtedness with respect to each unit of Equipment which shall not have been assembled as hereinafter provided, by the date of such sale for each day from the date of such sale to the date of delivery to the purchaser at such sale.

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.

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 highest prime rate of interest charged by any of the four New York City banks having the largest total assets in effect on the date such demand was made, 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 parties hereto 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 and 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:

(a) to the Vendor, at P. O. Box 2258, Baltimore, Maryland 21203, attention of Corporate Trust Department,

(b) to the Vendee, at One Constitution Plaza, Hartford, Connecticut 06115, attention of Corporate Trust Department, with a copy to GATX Leasing Corporation, One Embarcadero Center, San Francisco, California 94111, Attention of Contracts Administration,

(c) to the Beneficiary, at 15th Street and Pennsylvania Avenue, N.W., Washington, D.C. 20013, attention of Barth A. Baron, Vice President,

(d) to the Builder, at 908 West Broadway, Louisville, Kentucky 40201,

(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, fifth, 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 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 representations,

warranties, undertakings and agreements herein made on the part of the Vendee, are made and intended not as personal representations, warranties, undertakings and agreements by the Vendee in its individual capacity or for the purpose or with the intention of binding the Vendee 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 Agreement is executed and delivered by the Vendee 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 gross negligence or wilful misconduct, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against the Vendee on account of this Agreement or on account of any representation, warranty, undertaking or agreement of the Vendee, either expressed or implied (except for the Vendee's obligations under subparagraph (b) of the third paragraph of Article 3 hereof and under the proviso to the last paragraph of Article 11 hereof), all such personal liability, if any, being expressly waived and released by the Vendor and by all persons claiming by, through or under the Vendor.

ARTICLE 22. Law Governing. The Vendee warrants that its chief place of business is located in the State of Connecticut. The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of Connecticut; 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. It shall not be necessary that any counterpart be signed by all the parties so long as each party shall sign at least one counterpart. This Agreement shall be valid, binding and effective at such time as the Vendor shall have executed a counterpart and received (or as to which the Vendor shall have received attested telegraphic

communication confirming execution of) counterparts executed by the Builder and the Vendee. 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

Assistant Vice President

[Corporate Seal]

Attest:

Corporate Trust Officer

L & N INVESTMENT CORPORATION,

by

Vice President

[Corporate Seal]

Attest:

Attesting Officer

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee,

by

Authorized Officer

[Corporate Seal]

Attest:

Authorized Officer

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

On this 18th day of July 1978, 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.

Patricia A. Shilow
Notary Public

[Notarial Seal]

My Commission expires 7-1-82

COMMONWEALTH OF KENTUCKY,)
) ss.:
COUNTY OF JEFFERSON,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is President of L & N INVESTMENT CORPORATION, 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 CONNECTICUT,)
) ss.:
COUNTY OF ,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized officer of THE CONNECTICUT BANK AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the 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

SCHEDULE I

Allocation Schedule of Each $1,000,000 of Conditional Sale Indebtedness

Pay. No.	Date	Debt Service	Interest	Principal	Remaining Principal Balance
1	10/20/79	$ 76,460.38	$ 44,375.00	$ 32,085.38	$967,914.62
2	4/20/80	76,460.38	42,951.21	33,509.17	934,405.45
3	10/20/80	76,460.38	41,464.24	34,996.14	899,409.31
4	4/20/81	76,460.38	39,911.29	36,549.09	862,860.22
5	10/20/81	76,460.38	38,289.42	38,170.96	824,689.26
6	4/20/82	76,460.38	36,595.59	39,864.79	784,824.47
7	10/20/82	76,460.38	34,826.59	41,633.79	743,190.68
8	4/20/83	76,460.38	32,979.09	43,481.29	699,709.39
9	10/20/83	76,460.38	31,049.60	45,410.78	654,298.61
10	4/20/84	76,460.38	29,034.50	47,425.88	606,872.73
11	10/20/84	76,460.38	26,929.98	49,530.40	557,342.33
12	4/20/85	76,460.38	24,732.07	51,728.31	505,614.02
13	10/20/85	76,460.38	22,436.62	54,023.76	451,590.26
14	4/20/86	76,460.38	20,039.32	56,421.06	395,169.20
15	10/20/86	76,460.38	17,535.63	58,924.75	336,244.45
16	4/20/87	76,460.38	14,920.85	61,539.53	274,704.92
17	10/20/87	76,460.38	12,190.03	64,270.35	210,434.57
18	4/20/88	76,460.38	9,338.03	67,122.35	143,312.22
19	10/20/88	76,460.38	6,359.48	70,100.90	73,211.32
20	4/20/89	76,460.07	3,248.75	73,211.32	.00
Totals		$1,608,372.25	$608,372.25	$1,000,000.00	

SCHEDULE A--RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT

Quantity*	AAR Mechanical Designation	Description	L&N* Railroad Road Numbers (Inclusive)	Builder's Specification Number	Hulk Purchase Price Per Unit	Hulk Purchase Price Total*	Base Reconstruction Cost Per Unit	Base Reconstruction Cost Total*	Purchase Price Per Unit	Purchase Price Total*
105	XL	50-Ton Boxcars	96489-96593	L&N 78-1	$4,500	$472,500	$13,854.00	$1,454,670	$18,354.00	$1,927,170
10	XM	50-Ton Boxcars	110242-110251	L&N 78-1	4,500	45,000	13,854.00	138,540	18,354.00	183,540
49	XL	70-Ton Boxcars	112368-112416	L&N 78-1	4,500	220,500	13,854.00	678,846	18,354.00	899,346
36	XM	70-Ton Boxcars	112841-112876	L&N 78-1	4,500	162,000	13,854.00	498,744	18,354.00	660,744
56	HT	70-Ton Open Top Hoppers	76394-76449	L&N 78-2	4,500	252,000	10,471.00	586,376	14,971.00	838,376
86	HT	80-Ton Open Top Hoppers	189558-189643	L&N 78-2	4,500	387,000	10,471.00	900,506	14,971.00	1,287,506
33	HT	100-Ton Open Top Hoppers	192057-192089	L&N 78-2	4,500	148,500	10,471.00	345,543	14,971.00	494,043
206	GB	70-Ton Gondola Cars	26745-26747 27327-27398 27554-27644 27748-27763 29020-29041 29200-29201	L&N 78-3	4,500	927,000	12,096.00	2,491,776	16,596.00	3,418,776

Quantity*	AAR Mechanical Designation	Description	L&N* Railroad Road Numbers (Inclusive)	Builder's Specification Number	Hulk Purchase Price Per Unit	Hulk Purchase Price Total*	Base Reconstruction Cost Per Unit	Base Reconstruction Cost Total*	Purchase Price Per Unit	Purchase Price Total*
2	GBS	70-Ton Gondola Cars	26283-26284	L&N 78-3	$4,500	$ 9,000	$12,096.00	$ 24,192	$16,596.00	$ 33,192
1	GBSR	70-Ton Gondola Car	26259	L&N 78-3	4,500	4,500	12,096.00	12,096	16,596.00	16,596
9	LG	70-Ton Gondola Cars	27399-27405 27764-27765	L&N 78-3	4,500	40,500	12,096.00	108,864	16,596.00	149,364
12	GBS	100-Ton Gondola Cars	27983-27994	L&N 78-3	4,500	54,000	12,096.00	145,152	16,596.00	199,152
20	GB	100-Ton Gondola Cars	27645-27664	L&N 78-3	4,500	90,000	12,096.00	241,920	16,596.00	331,920
80	LO	100-Ton Covered Hopper Cars	201615-201655 205158-205179 250500-250516	L&N 78-4	4,500	360,000	14,365.00	1,149,200	18,865.00	1,509,200
8	FMS	70-Ton Flat Cars	22295 23916-23922	L&N 78-8	4,500	36,000	11,555.00	92,440	16,055.00	128,440
4	FB	70-Ton Bulkhead Flat Cars	990602,990910 991004,991005	L&N 78-5	4,500	18,000	11,555.00	46,220	16,055.00	64,220
2	FB	100-Ton Bulkhead Flat Cars	990309,990310	L&N 78-5	4,500	9,000	11,555.00	23,110	16,055.00	32,110

Quantity*	AAR Mechanical Designation	Description	L&N* Railroad Road Numbers (Inclusive)	Builder's Specification Number	Hulk Purchase Price Per Unit	Hulk Purchase Price Total*	Base Reconstruction Cost Per Unit	Base Reconstruction Cost Total*	Purchase Price Per Unit	Purchase Price Total*
2	FB	100-Ton Bulkhead Flat Cars	990400,990401	L&N 78-5	4,500	$ 9,000	$11,555.00	$ 23,110	$16,055.00	$ 32,110
24	FM	50-Ton Flat Cars	21510 21553-21556 21748-21766	L&N 78-8	4,500	108,000	11,555.00	277,320	16,055.00	385,320
50	LO	70-Ton Covered Hopper Cars to Ballast Cars	45101-45150	L&N 78-6	4,500	225,000	12,290.06	614,503	16,790.06	839,503
33	LP	50-Ton Pulpwood to Welded Rail Cars	42934-42966	L&N 78-7	4,500	148,500	15,784.00	520,872	20,284.00	669,372
828						$3,726,000		$10,374,000		$14,100,000

* This Schedule A sets forth a description of Equipment having a total purchase price of $14,100,000. It is understood and agreed, however, that Reconstruction and Conditional Sale Agreement No. 2 dated as of the date hereof among Mercantile-Safe Deposit and Trust Company, as Agent, L&N Investment Corporation, as Builder, and The Connecticut Bank and Trust Company, as Trustee for American Security Bank, N.A., will cover certain units of Equipment delivered by the Builder having an aggregate purchase price not exceeding $7,000,000. After completion of deliveries this Schedule A will be amended to delete those units of Equipment not covered.

SCHEDULE B

Schedule of Closings

Item 1:	July 25, 1978	
Item 2:	July 25, 1978	$7,000,000
	April 20, 1979	7,000,000

EXHIBIT A
TO RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

TRANSFER AGREEMENT
(No. 2)

As of February 1, 1978

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

Attention of Mr. Russell E. Schreiber,
Corporate Trust Officer.

Dear Sirs:

The undersigned proposes to acquire the used railroad equipment described in Annex I hereto (hereinafter called the Hulks) from Louisville and Nashville Railroad Company (hereinafter called the Railroad) 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 security title to the Hulks, without any warranties, including, but not limited to, warranties as to title, fitness, merchantability or workmanship.

2. You will hold security title under and pursuant to the Reconstruction and Conditional Sale Agreement No. 2 dated as of the date hereof (hereinafter called the Agreement), among you, L&N Investment Corporation (hereinafter called 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 reassign to us your 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 present form or as reconstructed, is a security interest and that we shall at all times be the beneficial owner of the same.

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; that it shall not be necessary that any counterpart be signed by both of us so long as each of us shall sign at least one counterpart; and that this agreement shall be valid, binding and effective at such time as each of us shall have executed this agreement and you shall have received (or as to which you shall have received attested telegraphic communication confirming execution of) a counterpart executed by the undersigned.

7. It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations, warranties, undertakings and agreements herein made on the part of the undersigned, are made and intended not as personal representations, warranties, undertakings and agreements by the undersigned in its individual capacity or for the purpose or with the intention of binding the undersigned personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in a Trust Agreement No. 2 dated as of the date hereof between American Security Bank, N.A., and the undersigned (hereinafter called the Trust Agreement), and this agreement is executed and delivered by the undersigned 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 gross negligence or wilful misconduct, no personal liability or personal responsi-

bility is assumed by or shall at any time be asserted or enforceable against the undersigned on account of this agreement or on account of any representation, warranty, undertaking or agreement of the undersigned herein either expressed or implied, all such personal liability, if any, being expressly waived and released by you and by all persons claiming by, through or under you.

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

Very truly yours,

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee,

by

_____
Authorized Officer

[SEAL]

Attest:

by

_____
Authorized Officer

ACCEPTED:

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

by

_____
Assistant Vice President

Attested:

by

_____
Corporate Trust Officer

STATE OF CONNECTICUT,)
) ss.:
COUNTY OF HARTFORD,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, that the seal affixed to the foregoing instrument is the corporate seal of said corporation and 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 a free act and deed of said corporation.

Notary Public

[NOTARIAL SEAL]

My commission expires

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

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, that the seal affixed to the foregoing instrument is the corporate seal of said corporation and 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 a free act and deed of said corporation.

Notary Public

[NOTARIAL SEAL]

My commission expires

TRANSFER AGREEMENT

(No. 2)

ANNEX I

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
115	50-Ton Box Cars	L&N	97109, 97110, 97161, 97195, 97314, 97355, 98115, 98138, 98386, 98389, 98404, 98437, 98446, 98532, 98546, 98569, 108538, 108541, 108605, 108613, 108648, 108685, 108698, 108709, 108726, 108775, 108800, 108801, 108808, 108810, 108812, 108816, 108824, 108829, 108834, 108847, 108849, 108859, 108865, 108873, 108878, 108881, 108882, 108884, 108885, 108886, 108893, 108897, 108902, 108905, 108910, 108918, 108919, 108926, 108927, 108928, 108930, 108934, 108936, 108956, 108962, 108964, 108971, 108972, 108974, 108976, 108978, 108983, 108987, 109000, 109008, 109027, 109034, 109035, 109044, 109046, 109052, 109053, 109065, 109073, 109084, 109090, 109098, 109115, 109117, 109118, 109134, 109141, 109143, 109145, 109155, 109159, 109172, 109173, 109175, 109186, 109188, 109196, 109198, 109205, 109208, 109227, 109228, 109234, 109238, 109240, 109253, 109255, 109275, 109311, 109348, 109365, 109366, 109375, 109389

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
85	70-Ton Box Cars	L&N	100005, 100076, 100084, 100096, 100102, 100113, 100164, 100165, 100166, 100171, 100216, 100226, 100230, 100272, 100280, 100304, 100327, 100344, 100362, 100373, 100396, 100419, 100429, 100473, 100489, 100518, 100528, 100534, 100579, 100598, 100696, 100700, 100717, 100737, 100739, 100741, 100777, 102000, 102014, 102030, 102032, 102036, 102064, 102067, 102073, 102088, 102094, 102097, 102313, 102317, 102479, 102509, 102607, 102626, 102679, 102689, 102697, 102717, 102718, 102754, 102789, 103111, 103143, 103176, 103177, 103183, 103212, 103263, 103273, 103286, 103313, 103319, 103329, 103384, 103409, 103470, 103508, 103519, 103536, 103544, 103584, 103750, 103833, 103867, 103884
56	70-Ton Open-Top Hoppers	L&N	153014, 153019, 153199, 153229, 153255, 153277, 153308, 153408, 153427, 153479, 153494, 153537, 153571, 153574, 153581, 153618, 153843, 153892, 154018, 154092, 154120, 154126, 154145, 154215, 154320, 154628, 154688, 154712, 154713, 154827, 154861, 154917, 154940, 154952, 154955, 154968, 154972, 155002, 155030,

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
			155147, 155266, 155293, 155296, 155404, 155482, 155731, 155811, 155843, 155931, 155973, 156024, 156091, 156092, 156107, 156108, 156123
86	80-Ton Open-Top Hoppers	L&N	180067, 180227, 180436, 180575, 180616, 180617, 180804, 180833, 180914, 182298, 182415, 182439, 182549, 182589, 182827, 182877, 182887, 183048, 183056, 183156, 183344, 183492, 183498, 183614, 183621, 183932, 183985, 184089, 184116, 184143, 184208, 184361, 184533, 184829, 184841, 184850, 184926, 184942, 184953, 185025, 185288, 185356, 185623, 185728, 186223, 186289, 186339, 186364, 186384, 186408, 186411, 186495, 186621, 186736, 186964, 187060, 187193, 187234, 187242, 187404, 187488, 187537, 187746, 187908, 187987, 188211, 188323, 188359, 188444, 188477, 188486, 188619, 188666, 188900, 188947, 189028, 189065, 189155, 189163, 189256, 189257, 189271, 189308, 189327, 189377, 189381
33	100-Ton Open-Top Hoppers	L&N	191007, 191021, 191113, 191129, 191140, 191212, 191221, 191236, 191283, 191292, 191342, 191389, 191409, 191444, 191546, 191594, 191604, 191615,

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
			191634, 191638, 191640, 191645, 191659, 191667, 191670, 191697, 191724, 191754, 191763, 191772, 191787, 191809, 191886
218	70-Ton Gondola Cars	L&N	26007, 26016, 26017, 26019, 26033, 26040, 26046, 26057, 26062, 26077, 26085, 26087, 26088, 26089, 26090, 26100, 26114, 26134, 26161, 26164, 26179, 26185, 26232, 26234, 26260, 26285, 26288, 26720, 26736, 26740, 39005, 39059, 39070, 39098, 39100, 39103, 39105, 39125, 39145, 39146, 39147, 39153, 39155, 39172, 39173, 39193, 39195, 39202, 39226, 39227, 39231, 39233, 39235, 39239, 39242, 39245, 39270, 39279, 39286, 39287, 39290, 39291, 39293, 39301, 39311, 39330, 39331, 39353, 39356, 39372, 39391, 39394, 39395, 39398, 39404, 39405, 39415, 39421, 39425, 39430, 39439, 39455, 39479, 39488, 39506, 39510, 39522, 39523, 39566, 39572, 39574, 39626, 39631, 39660, 39672, 39684, 39688, 39708, 39712, 39717, 39773, 39780, 39786, 39788, 39805, 39816, 39825, 39850, 39855, 39864, 39872, 39886, 39897, 39913, 39916, 19934, 39960, 39979, 170003, 170016, 170037, 170083, 170125, 170217, 170224, 170232, 170258, 170267, 170270, 170273, 170289, 170291, 170298, 170309, 170333, 170389, 170399, 170413, 170430, 170439, 170457,

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
			170465, 170484, 170491, 170498, 170501, 170506, 170510, 170522, 170576, 170588, 170589, 170601, 170629, 170637, 170659, 170666, 170670, 170673, 170674, 170679, 170692, 170698, 170729, 170732, 170748, 170761, 170768, 170797, 170833, 170834, 170837, 170865, 170878, 170947, 170951, 170977, 171030, 171071, 171076, 171093, 171095, 171105, 171112, 171136, 171202, 171248, 171250, 171256, 171277, 171303, 171358, 171365, 171387, 171389, 171509, 171553, 171558, 171678, 171689, 171703, 171707, 171742, 171804, 171901, 171946, 172042, 172052, 172054, 173078, 173080, 173086, 173087, 173088, 173089, 173091, 173092, 173100
32	100-Ton Gondola Cars	L&N	175012, 175026, 175035, 175041, 175044, 175046, 175057, 175059, 175074, 175089, 175091, 175098, 176007, 176035, 176049, 176077, 176097, 176126, 176179, 176182, 176227, 176279, 176308, 176333, 176396, 176493, 176500, 176662, 176692, 176735, 176766, 176791
80	100-Ton Covered Hopper Cars	L&N	200088, 200159, 200160, 200200, 200212, 200225, 200263, 200309, 200318, 200321, 200342, 200400,

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
			200404, 200432, 200447, 200465, 200536, 200571, 201003, 201005, 201014, 201019, 201031, 201033, 201036, 201042, 201055, 201064, 201066, 201068, 201070, 201072, 201080, 201081, 201093, 201100, 201112, 201121, 201140, 201167, 201204, 201210, 201218, 201228, 201231, 201264, 201270, 201278, 201295, 201386, 201398, 201433, 201440, 201443, 201449, 201461, 201468, 201485, 201499, 240089, 240197, 240237, 240282, 250027, 250031, 250032, 250034, 250038, 250042, 250052, 250068, 250088, 250093, 250101, 250106, 250108, 250112, 250126, 250129, 250131
4	70-Ton Bulkhead Flat Cars	L&N	22508, 22636, 22643, 22771
4	100-Ton Bulkhead Flat Cars	L&N	22304, 22306, 22932, 22961,
32	50-Ton Flat Cars	MON	7201, 7203, 7206, 7212, 7220, 7221, 7224, 7229, 7231, 7234, 7235, 7236, 7242, 7246, 7247, 7248, 7250, 7607
		L&N	21406, 21414, 22264, 22269, 22273, 22274, 22291, 23902, 23903, 23904, 23906, 23910, 23912, 23914

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
50	70-Ton Covered Hopper Cars to Ballast Cars	L&N	37859, 37865, 37866, 37873, 37880, 37887, 37891, 37904, 37907, 37912, 37916, 37935, 37960, 37970, 37980, 37998, 38006, 38035, 38056, 38057, 38067, 38073, 38082, 38098, 38099, 38109, 38124, 38138, 38141, 38155, 38162, 38228, 38263, 38269, 38282, 38285, 38290, 38309, 38324, 38335, 38337, 38342, 38352, 38361, 38387, 38407, 38426, 38434, 38445, 38524
33	50-Ton Pulpwood Cars to Welded Rail Cars	L&N	20516, 20542, 20553, 20558, 20574, 20593, 20624, 20633, 20659, 20682, 20693, 20694, 20720, 20726, 20728, 20729, 20740, 20772, 20797, 20798, 20803, 20809, 20817, 20848, 20877, 20906, 20914, 20929, 20941, 20961, 20963, 20966, 20968
828			

* Although this Annex I sets forth the description of 828 Hulks, Transfer Agreement No. 2 dated as of the date hereof, between Mercantile-Safe Deposit and Trust Company, as Agent, and The Connecticut Bank and Trust Company, as Trustee, will cover only those Hulks which are delivered to the Trustee for reconstruction into Units of Equipment having an aggregate purchase price not exceeding $7,000,000 under Reconstruction and Conditional Sale Agreement No. 2, dated as of the date hereof, between Mercantile-Safe Deposit and Trust Company as Agent, L&N Investment Corporation and The Connecticut Bank and Trust Company as Trustee. Following completion of deliveries, this Annex I will be amended to delete from the description those Hulks not covered.

EXHIBIT B
to the
RECONSTRUCTION AND
CONDITIONAL SALE
AGREEMENT

[CS&M Ref: 3750-017]

LEASE OF RAILROAD EQUIPMENT
(No. 2)

Dated as of February 1, 1978

Between

LOUISVILLE AND NASHVILLE RAILROAD COMPANY,
as Lessee,

and

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity but solely as Owner Trustee,
as Lessor

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 No. 2, dated as of February 1, 1978, between LOUISVILLE AND NASHVILLE RAILROAD COMPANY (hereinafter called the Lessee) and THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not in its individual capacity but solely as Trustee (hereinafter called the Lessor or the Vendee) under a Trust Agreement No. 2 dated as of the date hereof (hereinafter called the Trust Agreement), with American Security Bank, N.A. (hereinafter called a Beneficiary).

Mercantile-Safe Deposit and Trust Company, not in its individual capacity but solely as Agent under a Participation Agreement No. 2 dated as of the date hereof (hereinafter called the Participation Agreement) with the Lessor, the Lessee, the Beneficiary and the parties named in Schedule A thereto (said Agent, as so acting, being hereinafter, together with its successors and assigns, called the Vendor), L & N Investment Corporation (hereinafter called the Builder) and the Vendee are entering into a Reconstruction and Conditional Sale Agreement No. 2 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 on or prior to the Cut-Off Date (as defined in Article 3 of 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 and the Builder a certificate of acceptance and delivery (hereinafter called the Certificate of Delivery), 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 three interim and 20 consecutive semiannual payments. The interim payments are payable on October 20, 1978, April 20, 1979, and the Cut-Off Date (as defined in the Participation Agreement) or as promptly thereafter as practicable. The 20 semiannual payments are payable on April 20 and October 20 in each year, commencing October 20, 1979, to and including April 20, 1989. The interim payment on October 20, 1978, shall be in an amount equal to the sum of (i) the product of the Purchase Price (as such term is defined in the Security Document) for each Unit subject to the Lease multiplied by .0246528% for each day elapsed from and including the date such Unit is settled for under the Security Document to but not including October 20, 1978, plus (ii) an amount equal to the amount required by the Lessor to make the payment on October 20, 1978, provided for in clause (b) of the last paragraph of Paragraph 9 of the Participation Agreement. The interim payment on April 20, 1979, shall be in an amount equal to the sum of (i) the product of the Purchase Price for each Unit subject to the Lease multiplied by .0246528% for each day elapsed from and including the later of October 20, 1978, or the date such Unit is settled for under the Security Document to but not including April 20, 1979, plus (ii) an amount equal to the amount required by the Lessor to make the payment on April 20, 1979, provided for in clause (b) of the last paragraph of Paragraph 9 of the Participation Agreement. 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 Owner Trustee to the Agent pursuant to clause (a) of the last paragraph of Paragraph 9 of the Participation Agreement. The 20 semiannual rental payments with respect to each Unit then subject to this Lease shall each be in an amount equal

to 5.386418% of the Purchase Price of each such Unit for each Unit delivered and accepted under the Security Document on or prior to December 31, 1978; and the applicable percentage of the Purchase Price of each such Unit shall be 5.868304% for each Unit delivered and accepted from January 1, 1979, through April 20, 1979. The foregoing rental rates have been calculated on the assumption that 70.44718% of the Purchase Price of the Units will be provided by the Vendor out of Investors' Funds (as such term is defined in Paragraph 6 of the Participation Agreement). If for any reason the Investors' Funds are not available and the Lessor pays more than 29.55282% 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 Reconstruction Cost (as defined in the Security Document) of all units settled for under the Security Document is other than 73.57446% of the Purchase Price of such Units, the Lessor and the Lessee agree that the rentals payable hereunder and the Casualty Value percentages set forth in Schedule B hereto will be appropriately adjusted in order that the Beneficiary's after-tax return on and rate of recovery of investment and the annual net cash flows (computed on the same assumptions, including, without limitation, tax rates, as were utilized by the Beneficiary 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, or Baltimore, Maryland, are authorized or obligated to remain closed.

The Lessor irrevocably instructs the Lessee to make, and the Lessee agrees to make, all the payments provided for in this Lease for the account of the Lessor or its assigns, care of the Vendor at P. O. Box 2258, Baltimore, Maryland 21203, Attention of Corporate Trust Department, not later than 10:00 a.m., Baltimore time, on the date upon which such payments are due and payable. Such payments shall be accompanied by instructions to the Vendor, first, to apply

such payments to satisfy the obligations of the Lessor under the Security Document, subject to the limitations contained in the last paragraph of Article 3 of the Security Document, and, second, so long as no event of default or event which with the lapse of time and/or demand provided for in the Security Document could constitute an event of default under the Security Document shall have occurred and be continuing, to pay any balance promptly to the Lessor at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in New York or Baltimore Clearing House Funds by 10:00 a.m., local time, in the city where such payment is to be made.

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 on the date on which the final payment of rent in respect thereof is due hereunder.

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 and the Beneficiary for collection or other charges and will be free of expense to the Lessor and the Beneficiary 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 or the Beneficiary receives credit therefor against its United States Federal income tax liability, any foreign income tax payable by said party 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 based on such receipts or gross receipts taxes other than gross receipts taxes in the nature of sales or use taxes, up to the amount of any such taxes which would be payable to the state and city in which the Lessor and the Beneficiary, respectively, has its principal place of business without apportionment to any other state or city, 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 or on the Beneficiary solely by reason of its interest therein 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 the interest of the Beneficiary 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 and/or the Beneficiary affected thereby, adversely affect the title, property or rights of the Lessor or the interest of the Beneficiary hereunder or the Vendor under the Security Document. If any impositions shall have been charged or levied against the Lessor or the Beneficiary directly and paid by the Lessor or the Beneficiary, the Lessee shall reimburse such party on presentation of an invoice therefor.

In the event that the Lessor or the Beneficiary 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 and/or the Beneficiary as will enable the Lessor and/or the Beneficiary 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.

To the extent the Lessee may be prohibited by law from performing in its own name the duties required by this Section 5, the Lessor and the Beneficiary hereby authorizes the Lessee to act in the Lessor's and/or the Beneficiary's own name and on the Lessor's and/or the Beneficiary's behalf; provided, however, that the Lessee shall indemnify and hold the Lessor and the Beneficiary harmless from and

against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action by the Lessee pursuant to his authorization.

The Lessee shall, whenever reasonably requested by the Lessor or the Beneficiary, submit to the Lessor or the Beneficiary copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to the Lessor or the Beneficiary of the Lessee's performance of its duties under this Section 5. The Lessee shall also furnish promptly upon request such data as the Lessor or the Beneficiary reasonably may require to permit the Lessor's or the Beneficiary's compliance with the requirements of taxing jurisdictions.

It is the intention of the parties hereto that (i) the Lessee will treat the Units covered by this Lease as part of the mass of property used by the Lessee in its operations as a common carrier and for ad valorem tax purposes will report the same to the various states and localities where it is required to do so and will pay the requisite tax thereon, and (ii) neither the Owner Trustee nor the Beneficiary will be required so to report any such property or to pay any ad valorem taxes with respect thereto.

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 stated period which shall exceed the then remaining term of this Lease or for an indefinite period, but only when such indefinite period shall exceed the 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 14 hereof, the Lessee shall, within thirty 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 Occur-

rence, 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 an amount equal to the rental payment or payments in respect of such Unit due and payable on such date plus an amount equal to 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" 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.

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) if applicable to such Unit, that percentage of the Reconstruction Cost thereof as set forth in Table 2 of said Schedule B with respect to such Unit; provided, however, that the Casualty Value percentages set forth in Schedule B hereto apply only to Units delivered and accepted for under the Security Document on or prior to December 31, 1978. With respect to any Unit delivered and accepted for after December 31, 1978, the Lessor and the Lessee agree that the Casualty Value percentages set forth in Schedule B hereto will be appropriately adjusted in order that the Beneficiary's after-tax return on and rate of recovery of investment and the annual net cash flows (computed on the same assumptions, including, without limitation, tax rates, as were utilized by the Beneficiary in originally evaluating this transaction) will not be increased or decreased by reason thereof; provided, however, that the 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.

Whenever any Unit shall suffer a Casualty Occurrence at the end of the term of this Lease or after termina-

tion 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 32.613% 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" basis, and the Lessee accepts such appointment and agrees to use its best efforts to dispose of any such unit in such manner. 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 property insurance in respect of the Units at the time subject hereto, and public liability insurance, in amounts and against risks customarily insured against by the Lessee in respect of similar equipment owned by it, and the benefits thereof shall be payable to the Vendor, the Lessor and the Lessee, as their interests may appear, so long as the indebtedness, if any, evidenced by the Security Document shall not have been paid in full, and thereafter to the Lessor and the Lessee as their interests may appear. If the Lessor shall receive any insurance proceeds from insurance maintained by the Lessee pursuant hereto or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee having made payment of the Casualty Value in respect of such Unit, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to a Unit paid by the Lessee and any balance of such proceeds or condemnation payments shall remain the property of the Lessor. All insurance proceeds received by the Lessor in respect of any Unit not suffering a Casualty Occur-

rence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired.

Section 7. Annual Reports. On or before March 31 in each year, commencing with the calendar year 1979, the Lessee will cause to be furnished to the Lessor, the Vendor and the Beneficiary, 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 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 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 Delivery 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; <u>provided</u>, <u>however</u>, 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 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.

Upon or prior to the return of any Unit by the Lessee to the Lessor pursuant to Section 10 or 13 hereof, the Lessee agrees that it will, at its expense, remove any additions, modifications and improvements made by the Lessee pursuant to the second sentence of this paragraph without causing material damage to such Unit. In the event the Lessee shall make any alteration, replacement, addition or modification to any Unit pursuant to the first sentence of this paragraph (the "Alterations"), the Lessor agrees that it will include the cost thereof in its gross income for Federal income tax purposes. 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 Beneficiary'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, the Lessee will give written notice thereof to the Lessor describing, in reasonable detail, the Alterations and specifying the cost thereof with respect to each Unit.

The Lessee agrees to indemnify, protect and hold harmless the Lessor, the Beneficiary and the Vendor (in each case in their individual and fiduciary capacities) from and against all losses, damages, injuries, liabilities (including without limitation strict or absolute liabilities), claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, reasonable 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, 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 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. Nothing in this Section 8 shall constitute a guaranty by the Lessee of the Conditional Sale

Indebtedness of the Lessor under the Security Document or a guaranty of the residual value of any Unit.

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;

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 30 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 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 have been duly assumed in writing,pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the 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;

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 1.433% per annum discount, compounded semi-annually 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.

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 have been interchanged to return the 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 for a period not exceeding 270 days 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.

Each unit returned to the Lessor pursuant to this Section 10 shall comply with the requirements set forth in the penultimate sentence of the first paragraph of Section 13 hereof. 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, 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.

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 greater of (i) the daily Fair Rental Value (determined in the manner provided in Section 12 hereof) for such Unit, or (ii) an amount equal to 0.029925% of the Purchase Price of such Unit, exceeds the actual earnings received by the Lessor on such Unit for each such day plus the amount of any interest payable by the Lessor for any day during such period which is due under the Security Document because of the Lessor's failure to pay principal or interest thereunder on the due date thereof.

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 Lessee hereby acknowledges notice of the assignment in respect of this Lease set forth in the Assignment of Lease and Agreement dated as of the date hereof, between the Lessor and the Vendor (a copy of which has been delivered to the Lessee), and agrees to make payments to the Vendor as provided therein. 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 thereunder in the manner and to the extent therein provided. In the event that, pursuant to such assignment and the rights of the Vendor thereunder and under the Security Document, the Vendor shall at any time cause this Lease to be terminated, the Lessee agrees that following the payment in full by the Vendee of the entire unpaid Conditional Sale Indebtedness (as defined in the Security Document) together with interest thereon, the Vendee may enforce compliance by the Lessee with its covenants and agreements under this Lease.

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 transfer its leasehold interest under this Lease in the Units or any of them. The Lessee, at its own expense, will promptly pay or discharge or cause to be paid and 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 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. 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 six months prior to the end of the then current term of this Lease to extend the term of this Lease in respect of all, but not less than all, the Units then covered by this Lease for (a) one additional one and one-half-year term commencing on the scheduled expiration of the original term at a semiannual rental equal to 60% of the semiannual rental for the original term; (b) one additional one-year period commencing on the scheduled expiration of the first extended term at a semiannual rental equal to 60% of the semiannual rental for the original term; and (c) for one or two additional one-year periods commencing on the scheduled expiration of the

immediately prior extended term at a semiannual rental equal to the "Fair Market Rental" of such Units as of the commencement of any such extended term. All such semiannual rental payments shall be made on April 20 and October 20 of 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 and in all cases Units shall be appraised as if the Lessee had maintained the same in accordance with Section 6 hereof.

If, after 50 days from the giving of notice by the Lessee of the Lessee's election to extend the term of this Lease pursuant to clause (c) of the preceding paragraph, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental of the Units, such rental shall be determined in accordance with the foregoing definition 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 days after such notice is given, each party shall appoint an independent appraiser within 25 days after such notice is given, and the two appraisers so appointed shall within 35 days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 35 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 the Fair Market Rental of the Units subject to the proposed extended term within 60 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 Fair Market Rental 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 the Fair Market Rental. 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 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 or any of its affiliates as the Lessor may designate or, in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Unit on such tracks for a period not exceeding three months and transport the same, at any time within such three-month 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 or lessee 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 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.

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 greater of (i) the daily Fair Rental Value (determined in the manner provided in Section 12 hereof) for such Unit, or (ii) an amount equal to 0.029495% of the Purchase Price of such Unit, exceeds the actual earnings received by the Lessor on such Unit for each such day.

Section 14. Severability. 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 15. Recording; Expenses. The Lessee, at its own expense, will cause this Lease, 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, re-recording 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, re-register, re-record 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 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 16. Interest on Overdue Rentals. Anything to the contrary herein contained 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 10-3/8% 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 17. 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

One Constitution Plaza,
Hartford, Connecticut 06115,

Attention of Corporate Trust Department,

with a copy to the Beneficiary and to GATX Leasing Corporation, One Embarcadero Center, San Francisco, California 94111, Attention of Contracts Administration,

if to the Lessee, at

908 West Broadway
Louisville, Kentucky 40201,

if to the Vendor, at

P. O. Box 2258,
Baltimore, Maryland 21203,

Attention of Corporate Trust Department,

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 18. Effect and Modification of Lease. Except for the Participation Agreement and the Indemnity Agreements dated as of the date hereof between the Lessee and the Beneficiary, 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 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 Lessor shall be deemed to be the original counterpart. It shall not be necessary that any counterpart be signed by both parties so long as each party shall sign at least one counterpart. This Lease shall be valid, binding and effective at such time as the Vendor shall have received (or as to which the Vendor shall have received attested telegraphic communication confirming execution of) counterparts executed by the Lessor and the Lessee. 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. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the Commonwealth of Kentucky; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

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 representations, warranties, 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, warranties, undertakings and agreements by the Lessor in its individual capacity, or for the purpose or with the intention of binding the Lessor 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 the Lessor solely

in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of gross negligence or wilful misconduct, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against the Lessor on account of any representation, warranty, undertaking or agreement herein 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.

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Owner Trustee,

by

[Seal]

_____
Authorized Officer

Attest:

_____
Authorized Officer

LOUISVILLE AND NASHVILLE RAILROAD COMPANY,

by

[Corporate Seal]

_____
Assistant Vice President

Attest:

_____
Assistant Secretary

STATE OF CONNECTICUT,)
) ss.:
COUNTY OF HARTFORD,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK 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

COMMONWEALTH OF KENTUCKY,)
: ss.:
COUNTY OF JEFFERSON,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is Assistant Vice President of LOUISVILLE AND NASHVILLE RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that such instrument was this day 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

SCHEDULE A

Quantity*	AAR Mechanical Designation	Description	L&N* Railroad Road Numbers (Inclusive)	Builder's Specification Number
105	XL	50-Ton Box Cars	96489-96593	L&N 78-1
10	XM	50-Ton Box Cars	110242-110251	L&N 78-1
49	XL	70-Ton Box Cars	112368-112416	L&N 78-1
36	XM	70-Ton Box Cars	112841-112876	L&N 78-1
56	HT	70-Ton Open Top Hoppers	76394-76449	L&N 78-2
86	HT	80-Ton Open Top Hoppers	189558-189643	L&N 78-2
33	HT	100-Ton Open Top Hoppers	192057-192089	L&N 78-2
206	GB	70-Ton Gondola Cars	26745-26747 27327-27398 27554-27644 27748-27763 29020-29041 29200-29201	L&N 78-3
2	GBS	70-Ton Gondola Cars	26283-26284	L&N 78-3
1	GBSR	70-Ton Gondola Car	26259	L&N 78-3

Quantity*	AAR Mechanical Designation	Description	L&N* Railroad Road Numbers (Inclusive)	Builder's Specification Number
9	LG	70-Ton Gondola Cars	27399-27405 27764-27765	L&N 78-3
12	GBS	100-Ton Gondola Cars	27983-27994	L&N 78-3
20	GB	100-Ton Gondola Cars	27645-27664	L&N 78-3
80	LO	100-Ton Covered Hopper Cars	201615-201655 205158-205179 250500-250516	L&N 78-4
8	FMS	70-Ton Flat Cars	22295 23916-23922	L&N 78-8
4	FB	70-Ton Bulkhead Flat Cars	990602, 990910 991004, 991005	L&N 78-5
2	FB	100-Ton Bulkhead Flat Cars	990309, 990310	L&N 78-5
2	FB	100-Ton Bulkhead Flat Cars	990400, 990401	L&N 78-5
24	FM	50-Ton Flat Cars	21510 21553-21556 21748-21766	L&N 78-8
50	LO	70-Ton Covered Hopper Cars to Ballast Cars	45101-45150	L&N 78-6

Quantity*	AAR Mechanical Designation	Description	L&N* Railroad Road Numbers (Inclusive)	Builder's Specification Number
33	LP	50-Ton Pulpwood to Welded Rail Cars	42934-42966	L&N 78-7
828				

* Although this Schedule A sets forth the description of 828 Units, Lease No. 2, dated as of the date hereof, between The Connecticut Bank and Trust Company, as Trustee, Lessor, and Louisville and Nashville Railroad Company, Lessee, will cover only those Units, having an aggregate purchase price not exceeding $7,000,000, which are delivered to said Lessor under Reconstruction and Conditional Sale Agreement No. 2, dated as of the date hereof, between Mercantile-Safe Deposit and Trust Company, as Agent, L&N Investment Corporation and said Lessor. Following completion of deliveries, this Schedule A will be amended to delete from the description those Units not covered.

SCHEDULE B

Casualty Value Percentages Schedule

Table 1

Rental No.	Rental Payment Date	Percentage of Purchase Price for each Unit
Interim	April 20, 1979	92.874
1	October 20, 1979	91.897
2	April 20, 1980	90.269
3	October 20, 1980	89.025
4	April 20, 1981	86.767
5	October 20, 1981	85.200
6	April 20, 1982	82.629
7	October 20, 1982	79.399
8	April 20, 1983	76.487
9	October 20, 1983	74.199
10	April 20, 1984	70.895
11	October 20, 1984	67.897
12	April 20, 1985	64.415
13	October 20, 1985	61.251
14	April 20, 1986	57.437
15	October 20, 1986	53.902
16	April 20, 1987	49.813
17	October 20, 1987	45.945
18	April 20, 1988	41.540
19	October 20, 1988	37.328
20	April 20, 1989, and thereafter	32.613

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 the Indemnity Agreements dated as of the date hereof, between the Lessee and the Beneficiary). 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:

Anniversary of Delivery and Acceptance	Percentage of Reconstruction Cost
Third	19.231
Fifth	12.821
Seventh	6.411

EXHIBIT C
to the
RECONSTRUCTION
AND CONDITIONAL
SALE AGREEMENT

[CS&M Ref: 3750-017]

ASSIGNMENT OF LEASE AND AGREEMENT
(No. 2)

Dated as of February 1, 1978

between

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity but solely 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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ASSIGNMENT OF LEASE AND AGREEMENT No. 2 dated as of February 1, 1978, by and between THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee under a Trust Agreement No. 2 dated as of the date hereof (hereinafter called the Lessor or the Vendee) with AMERICAN SECURITY BANK, N.A. (hereinafter called the Beneficiary), and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, not in its individual capacity but solely as Agent (hereinafter called the Vendor), under a Participation Agreement No. 2 dated as of the date hereof.

The Vendee and the Vendor are entering into a Reconstruction and Conditional Sale Agreement No. 2 dated as of the date hereof (hereinafter called the Security Document), with L&N Investment Corporation 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 Louisville and Nashville Railroad Company (hereinafter called the Lessee) have entered into a Lease of Railroad Equipment No. 2 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; provided, however, that such assignment and transfer shall be limited to the rights and interests of the Lessor under the Lease as above described and shall in no way be deemed to assign any right, title and interest, powers, privileges or other benefits of the Beneficiary which it may have obtained from the Lessee or otherwise with respect to the Units, including, without limitation, all right, title and interest, powers, privileges and benefits of the Beneficiary arising under the Indemnity Agreement dated as of the date hereof between the Beneficiary and the Lessee and any indemnity payable to the Beneficiary under Section 8 of the Lease and indemnities or tax payments payable or to be reimbursed to the Beneficiary under Section 5 of the Lease, which amount shall be paid directly thereto. 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 the last paragraph of 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 promptly to the Lessor not later than the first business day following such receipt at such place as the Lessor shall specify in writing. If the Vendor shall not receive any rental payment under the first para-

graph of Section 2 of the Lease when due, the Vendor shall notify the Lessor at the address set forth in the Lease; 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, receive, compound and give acquittance for 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.

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 its 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 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 Connecticut, 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.

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 22 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 representations, warranties, 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, warranties, undertakings and agreements by the Lessor in its individual capacity or for the purpose or with the intention of binding the Lessor 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 Lessor solely in the exercise of the powers expressly conferred upon the Lessor 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 the Lessor, except for wilful misconduct or gross negligence, or against the Beneficiary under the Trust Agreement or on account of any representation, warranty, undertaking or agreement herein of the Lessor, either expressed or implied, all such personal liability, 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. It shall not be necessary that any counterpart be signed by both parties so long as each party shall sign at least one counterpart. This Assignment shall be valid, binding and effective at such time as the Vendor shall have executed a counterpart and received (or as to which the Vendor shall have received attested telegraphic communication confirming execution of) a counterpart executed by the Lessor.

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 respec-

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

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee,

by

_____
Authorized Officer

[Seal]

Attest:

_____
Authorized Officer

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

STATE OF CONNECTICUT,)
) ss.:
COUNTY OF HARTFORD,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK 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 MARYLAND,)
) ss.:
CITY OF BALTIMORE,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is 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

LESSEE'S CONSENT AND AGREEMENT

The undersigned, LOUISVILLE AND NASHVILLE RAILROAD COMPANY, a corporation duly incorporated under the laws of the Commonwealth of Kentucky, 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 (except as otherwise provided in the proviso in the first paragraph of Paragraph 1 of the Assignment) and other moneys provided for in the Lease directly 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, at 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 may be executed in several counterparts, each of which when so executed shall be deemed an original, and such counterparts together shall constitute one and the same instrument. It shall not be necessary that any counterpart be signed by both the Lessee and

the Vendor so long as the Lessee and Vendor each shall sign at least one counterpart. This Consent and Agreement shall be valid, binding and effective at such time as the Vendor shall have executed a counterpart and shall have received (or as to which the Vendor shall have received attested telegraphic communication confirming execution of) a counterpart executed by the Lessee.

This Consent and Agreement, when executed as aforesaid by the Lessee and when accepted as aforesaid by the Vendor, shall be deemed to be a contract under the laws of the Commonwealth of Kentucky and, for all purposes, shall be construed in accordance with the laws of said State.

Dated as of February 1, 1978

LOUISVILLE AND NASHVILLE
RAILROAD COMPANY,

by

_____
Assistant Vice President

[Corporate Seal]

Attest:

_____
Assistant Secretary

The foregoing Consent and Agreement is hereby accepted, as of the 1st day of February 1978.

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

COMMONWEALTY OF KENTUCKY,)
) ss.:
COUNTY OF JEFFERSON,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is Assistant Vice President of LOUISVILLE AND NASHVILLE RAILROAD COMPANY, that the seal affixed to the foregoing instrument is the corporate seal of said corporation and 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

[Notary Seal]

My Commission expires

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

On this day of 1978, 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

[Notary Seal]

My Commission expires

EXHIBIT D TO THE
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

HULK PURCHASE AGREEMENT
(No. 2)

Louisville and Nashville Railroad Company

The Connecticut Bank and
Trust Company
One Constitution Plaza
Hartford, Connecticut 06115
Attention of Corporate Trust Department

As of February 1, 1978

Gentlemen:

Louisville and Nashville Railroad Company, a corporation organized under the laws of Kentucky (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 The Connecticut Bank and Trust Company (the "Buyer"), acting not in its individual capacity but solely as trustee for a trustor 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 No. 2 (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 No. 2 (the "Participation Agreement") dated as of the date hereof, and L&N Investment Corporation (the "Builder"), deliver to the Buyer a Bill or Bills of Sale transferring title to a group 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 except for the encumbrances expressly set forth in the Hulk Encum-

brance Certificate (as hereinafter provided) and a Hulk Encumbrance Certificate dated as of the date of such Bill or Bills of Sale. On or after the date of such Bill or Bills of Sale, the Seller will deliver the Hulks in such group 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 April 10, 1979.

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 Investor 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) $3,000,000 and (y) the amount of Available Investor 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, (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 Lessee's title to such hulks to the Buyer, and (d) the Hulk Encumbrance Certificate with respect thereto specified in the fifth paragraph hereof.

The Hulk Encumbrance Certificate with respect to each group of the Hulks shall be dated as of the date of the Bill or Bills of Sale for such group of Hulks and shall expressly set forth, as of such date, the information specified in the penultimate sentence of subparagraph (f) of Paragraph 3 of the Participation Agreement. 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 the second paragraph hereof 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) April 20, 1979 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 by reason of the transfer of title to the Hulks prior to such delivery and acceptance 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 (i) this Agreement was duly authorized by it and lawfully executed and delivered for a valid consideration, the performance of this Agreement will not conflict with any provision of law or with its Charter or By-laws or of any agreement binding upon it and (assuming valid authorization, execution and delivery by the Buyer) this Agreement is, insofar as it is concerned, a valid and existing agreement binding upon it in accordance with its terms as they are now in force; and (ii) no approval is required from any regulatory body with respect to the entering into or performance by it of this Agreement.

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 securing encumbrances with respect thereto (which encumbrances, if any, are set forth in the Hulk Encumbrance Certificate). 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 undertakings and agreements herein made on the part of the Buyer, are made and intended not as personal undertakings and agreements by it in its individual capacity for the purpose or with the intention of binding the Buyer 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 the Buyer 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 Buyer or the trustors hereinabove referred to on account of this Agreement or on account of any representation, undertaking or agreement herein of the Buyer, 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 any of it, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

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. It shall not be necessary that any counterpart be signed by both parties so long as each party shall sign at least one counterpart. This Agreement shall be valid, binding and effective at such time as the Agent shall have received (or as to which the Agent shall have received attested telegraphic communication confirming execution of) counterparts executed by the Buyer and Seller.

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, returning one to the Seller, delivering one to the Agent and giving

the telegraphic confirmation of execution to the Agent as aforesaid.

Very truly yours,

LOUISVILLE AND NASHVILLE
RAILROAD COMPANY,

by

_____
Asst. Vice President

[Corporate Seal]

Attest:

_____
Assistant Secretary

Accepted as of the date
first set forth above.
THE CONNECTICUT BANK AND
TRUST COMPANY, acting not
in its individual capacity
but solely as Trustee,

by

_____
Authorized Officer

[Seal]

Attest:

_____
Authorized Officer

COMMONWEALTH OF KENTUCKY,)
: ss.:
COUNTY OF JEFFERSON,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is Assistant Vice President of LOUISVILLE AND NASHVILLE RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that such instrument was this day 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 CONNECTICUT,)
: ss.:
COUNTY OF HARTFORD,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the 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

EXHIBIT A--HULK PURCHASE AGREEMENT (No. 1)

		Hulk		Hulk	
Quantity*	Description	Rail-Road Prefix	Railroad Numbers*	Purchase Price	Total Purchase Price
115	50-Ton Box Cars	L&N	97109, 97110, 97161, 97195, 97314, 97355, 98115, 98138, 98386, 98389, 98404, 98437, 98446, 98532, 98546, 98569, 108538, 108541, 108605, 108613, 108648, 108685, 108698, 108709, 108726, 108775, 108800, 108801, 108808, 108810, 108812, 108816, 108824, 108829, 108834, 108847, 108849, 108859, 108865, 108873, 108878, 108881, 108882, 108884, 108885, 108886, 108893, 108897, 108902, 108905, 108910, 108918, 108919, 108926, 108927, 108928, 108930, 108934, 108936, 108956, 108962, 108964, 108971, 108972, 108974, 108976, 108978, 108983, 108987, 109000, 109008, 109027, 109034, 109035, 109044, 109046, 109052, 109053, 109065, 109073, 109084, 109090, 109098, 109115, 109117, 109118, 109134, 109141, 109143, 109145, 109155, 109159, 109172, 109173, 109175, 109186, 109188, 109196, 109198, 109205, 109208, 109227, 109228, 109234, 109238, 109240, 109253, 109255, 109275, 109311, 109348, 109365, 109366, 109375, 109389	$4,500	$517,500

Quantity*	Description	Hulk: Rail-Road Prefix	Hulk: Railroad Numbers*	Hulk: Purchase Price	Hulk: Total Purchase Price
85	70-Ton Box Cars	L&N	100005, 100076, 100084, 100096, 100102, 100113, 100164, 100165, 100166, 100171, 100216, 100226, 100230, 100272, 100280, 100304, 100327, 100344, 100362, 100373, 100396, 100419, 100429, 100473, 100489, 100518, 100528, 100534, 100579, 100598, 100696, 100700, 100717, 100737, 100739, 100741, 100777, 102000, 102014, 102030, 102032, 102036, 102064, 102067, 102073, 102088, 102094, 102097, 102313, 102317, 102479, 102509, 102607, 102626, 102679, 102689, 102697, 102717, 102718, 102754, 102789, 103111, 103143, 103176, 103177, 103183, 103212, 103263, 103273, 103286, 103313, 103319, 103329, 103384, 103409, 103470, 103508, 103519, 103536, 103544, 103584, 103750, 103833, 103867, 103884	$4,500	$382,500
56	70-Ton Open-Top Hoppers	L&N	153014, 153019, 153199, 153229, 153255, 153277, 153308, 153408, 153427, 153479, 153494, 153537, 153571, 153574, 153581, 153618, 153843, 153892, 154018, 154092, 154120, 154126, 154145, 154215, 154320, 154628, 154688, 154712, 154713, 154827, 154861, 154917, 154940, 154952, 154955, 154968, 154972, 155002, 155030,		

Quantity*	Description	Hulk Rail-Road Prefix	Hulk Railroad Numbers*	Hulk Purchase Price	Hulk Total Purchase Price
	70-Ton Open-Top Hoppers (Cont'd)	L&N	155147, 155266, 155293, 155296, 155404, 155482, 155731, 155811, 155843, 155931, 155973, 156024, 156091, 156092, 156107, 156108, 156123		
86	80-Ton Open-Top Hoppers	L&N	180067, 180227, 180436, 180575, 180616, 180617, 180804, 180833, 180914, 182298, 182415, 182439, 182549, 182589, 182827, 182877, 182887, 183048, 183056, 183156, 183344, 183492, 183498, 183614, 183621, 183932, 183985, 184089, 184116, 184143, 184208, 184361, 184533, 184829, 184841, 184850, 184926, 184942, 184953, 185025, 185288, 185356, 185623, 185728, 186223, 186289, 186339, 186364, 186384, 186408, 186411, 186495, 186621, 186736, 186964, 187060, 187193, 187234, 187242, 187404, 187488, 187537, 187746, 187908, 187987, 188211, 188323, 188359, 188444, 188477, 188486, 188619, 188666, 188900, 188947, 189028, 189065, 189155, 189163, 189256, 189257, 189271, 189308, 189327, 189377, 189381	$4,500	$387,000
33	100-Ton Open-Top Hoppers	L&N	191007, 191021, 191113, 191129, 191140, 191212, 191221, 191236, 191283, 191292, 191342, 191389, 191409, 191444, 191546, 191594, 191604, 191615,	4,500	148,500

Quantity*	Description	Hulk Rail-Road Prefix	Hulk Railroad Numbers*	Hulk Purchase Price	Hulk Total Purchase Price
	100-Ton Open Top Hoppers (Cont'd)	L&N	191634, 191638, 191640, 191645, 191659, 191667, 191670, 191697, 191724, 191754, 191763, 191772, 191787, 191809, 191886		
218	70-Ton Gondola Cars	L&N	26007, 26016, 26017, 26019, 26033, 26040, 26046, 26057, 26062, 26077, 26085, 26087, 26088, 26089, 26090, 26100, 26114, 26134, 26161, 26164, 26179, 26185, 26232, 26234, 26260, 26285, 26288, 26720, 26736, 26740, 39005, 39059, 39070, 39098, 39100, 39103, 39105, 39125, 39145, 39146, 39147, 39153, 39155, 39172, 39173, 39193, 39195, 39202, 39226, 39227, 39231, 39233, 39235, 39239, 39242, 39245, 39270, 39279, 39286, 39287, 39290, 39291, 39293, 39301, 39311, 39330, 39331, 39353, 39356, 39372, 39391, 39394, 39395, 39398, 39404, 39405, 39415, 39421, 39425, 39430, 39439, 39455, 39479, 39488, 39506, 39510, 39522, 39523, 39566, 39572, 39574, 39626, 39631, 39660, 39672, 39684, 39688, 39708, 39712, 39717, 39773, 39780, 39786, 39788, 39805, 39816, 39825, 39850, 39855, 39864, 39872, 39886, 39897, 39913, 39916, 39934, 39960, 39979, 170003, 170016, 170037, 170083, 170125, 170217, 170224, 170232, 170258, 170267, 170270, 170273, 170289, 170291, 170298, 170309, 170333, 170389, 170399, 170413, 170430, 170439, 170457,	$4,500	$981,000

Quantity*	Description	Hulk Rail-Road Prefix	Hulk Railroad Numbers*	Hulk Purchase Price	Hulk Total Purchase Price
	70-Ton Gondola Cars (Cont'd)	L&N	170465, 170484, 170491, 170498, 170501, 170506, 170510, 170522, 170576, 170588, 170589, 170601, 170629, 170637, 170659, 170666, 170670, 170673, 170674, 170679, 170692, 170698, 170729, 170732, 170748, 170761, 170768, 170797, 170833, 170834, 170837, 170865, 170878, 170947, 170951, 170977, 171030, 171071, 171076, 171093, 171095, 171105, 171112, 171136, 171202, 171248, 171250, 171256, 171277, 171303, 171358, 171365, 171387, 171389, 171509, 171553, 171558, 171678, 171689, 171703, 171707, 171742, 171804, 171901, 171946, 172042, 172052, 172054, 173078, 173080, 173086, 173087, 173088, 173089, 173091, 173092, 173100		
32	100-Ton Gondola Cars	L&N	175012, 175026, 175035, 175041, 175044, 175046, 175057, 175059, 175074, 175089, 175091, 175098, 176007, 176035, 176049, 176077, 176097, 176126, 176179, 176182, 176227, 176279, 176308, 176333, 176396, 176493, 176500, 176662, 176692, 176735, 176766, 176791	$4,500	$144,000
80	100-Ton Covered Hopper Cars	L&N	200088, 200159, 200160, 200200, 200212, 200225, 200263, 200309, 200318, 200321, 200342, 200400,	4,500	360,000

Quantity*	Description	Hulk Rail-Road Prefix	Hulk Railroad Numbers*	Hulk Purchase Price	Hulk Total Purchase Price
	100-Ton Covered Hopper Cars (Cont'd)	L&N	200404, 200432, 200447, 200465, 200536, 200571, 201003, 201005, 201014, 201019, 201031, 201033, 201036, 201042, 201055, 201064, 201066, 201068, 201070, 201072, 201080, 201081, 201093, 201100, 201112, 201121, 201140, 201167, 201204, 201210, 201218, 201228, 201231, 201264, 201270, 201278, 201295, 201386, 201398, 201433, 201440, 201443, 201449, 201461, 201468, 201485, 201499, 240089, 240197, 240237, 240282, 250027, 250031, 250032, 250034, 250038, 250042, 250052, 250068, 250088, 250093, 250101, 250106, 250108, 250112, 250126, 250129, 250131		
4	70-Ton Bulkhead Flat Cars	L&N	22508, 22636, 22643, 22771	$4,500	$18,000
4	100-Ton Bulkhead Flat Cars	L&N	22304, 22306, 22932, 22961	4,500	18,000
32	50-Ton Flat Cars	MON	7201, 7203, 7206, 7212, 7220, 7221, 7224, 7229, 7231, 7234, 7235, 7236, 7242, 7246, 7247, 7248, 7250, 7607	4,500	144,000
		L&N	21406, 21414, 22264, 22269, 22273, 22274, 22291, 23902, 23903, 23904, 23906, 23910, 23912, 23914		

Quantity*	Description	Hulk Rail-Road Prefix	Hulk Railroad Numbers*	Hulk Purchase Price	Hulk Total Purchase Price
50	70-Ton Covered Hopper Cars to Ballast Cars	L&N	37859, 37865, 37866, 37873, 37880, 37887, 37891, 37904, 37907, 37912, 37916, 37935, 37960, 37970, 37980, 37998, 38006, 38035, 38056, 38057, 38067, 38073, 38082, 38098, 38099, 38109, 38124, 38138, 38141, 38155, 38162, 38228, 38263, 38269, 38282, 38285, 38290, 38309, 38324, 38335, 38337, 38342, 38352, 38361, 38387, 38407, 38426, 38434, 38445, 38524	$4,500	$225,000
33	50-Ton Pulpwood Cars to Welded Rail Cars	L&N	20516, 20542, 20553, 20558, 20574, 20593, 20624, 20633, 20659, 20682, 20693, 20694, 20720, 20726, 20728, 20729, 20740, 20772, 20797, 20798, 20803, 20809, 20817, 20848, 20877, 20906, 20914, 20929, 20941, 20961, 20963, 20966, 20968	4,500	148,500
828					$3,726,000

* Although this Exhibit A includes a description of 828 Hulks, Hulk Purchase Agreement No. 2, dated as of the date hereof, between the Connecticut Bank and Trust Company, Trustee, Buyer, and Louisville and Nashville Railroad Company, Seller, will, as provided therein, cover only those Hulks which are delivered to the Buyer for reconstruction into units of Equipment having an aggregate Purchase Price not exceeding $7,000,000 under Reconstruction and Conditional Sale Agreement No. 2 between Mercantile Safe-Deposit Company, as Agent, L&N Investment Corporation and The Connecticut Bank and Trust Company, as Trustee. Following completion of deliveries, this Exhibit A will be amended to delete from the description those Hulks not covered.

[CS&M Ref.: 3750-017]

RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT (No. 2)

Dated as of February 1, 1978

among

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

L & N INVESTMENT CORPORATION

and

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity but solely as Trustee

RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT

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Lessee's Consent and Agreement

EXHIBIT D--HULK PURCHASE AGREEMENT

Exhibit A--Specifications of the Hulks

RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT No. 2 dated as of February 1, 1978, among MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, not in its individual capacity but solely as Agent (hereinafter called the Vendor) under a Participation Agreement No. 2 dated as of the date hereof (hereinafter called the Participation Agreement), L & N INVESTMENT CORPORATION (hereinafter called the Builder) and THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee (hereinafter called the Vendee) under a Trust Agreement No. 2 dated as of the date hereof (hereinafter called the Trust Agreement), with AMERICAN SECURITY BANK, N.A. (hereinafter called the Beneficiary).

The Vendee proposes to acquire all right, title and interest in certain railroad equipment (hereinafter called the Hulks) from Louisville and Nashville Railroad Company (hereinafter called the Lessee) pursuant to a Hulk Purchase Agreement No. 2 (hereinafter called the Hulk Purchase Agreement) dated as of the date hereof, 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 No. 2 (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 Vendee 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 No. 2 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 No. 2 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 No. 2 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 Vendee 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 such date of delivery.

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 if Schedule A hereto does not specify a place or places, at the place or places designated from time to time by the Vendee) on or prior to April 10, 1979, 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, the Lease Assignment and the Hulk Purchase Agreement have been filed pursuant to Section 20c of the Interstate Commerce Act. The Builder agrees not to accept for reconstruction, nor to commence any reconstruction of, any Hulk if the Builder (A) does not reasonably anticipate that such Hulk will be fully reconstructed prior to April 10, 1979, or (B) has received written notice from the Vendee, the Vendor or any Beneficiary (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 Paragraph 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 the 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.

Notwithstanding the preceding provisions of this Article 2, the Vendor and the Vendee shall be relieved of their obligations to purchase and pay for any Equipment not delivered and accepted on or prior to April 10, 1979.

The Builder represents and warrants that: (i) the Equipment will upon delivery to the Vendee be "rolling stock, of a domestic railroad corporation subject to Part I

of the Interstate Commerce Act" within the meaning of Section 48(a)(2)(B)(ii) of the Internal Revenue Code of 1954 as in effect on the date of the execution and delivery of this Agreement (hereinafter called the Code); (ii) the Equipment will upon delivery to the Vendee qualify with respect to that portion of the basis of the Equipment attributable to reconstruction as "new section 38 property" within the meaning of Section 48(b) of the Code; (iii) the Vendee will be entitled to claim upon delivery of the Equipment to it depreciation deductions with respect to that portion of the basis of the Equipment attributable to reconstruction in accordance with any method listed in Section 167(b) of the Code and with respect to that portion of the basis of the Equipment not attributable to reconstruction in accordance with Section 167(a) of the Code; and (iv) at the time of the delivery of the Equipment to the Vendee, no investment credit, depreciation or other tax benefit will have been claimed by any person with respect to the portion of the basis of the Equipment attributable to reconstruction.

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 this Article 2 or 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. 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 ten 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 April 20, 1979 (herein called the Cut-Off Date), occurring not more than ten business days following presentation by the Builder to the Vendee of the invoice and the Certificate or Certificates of Acceptance for such Group and written notice thereof by the Builder to the Lessee, as shall be fixed by the Builder by written notice delivered to the Vendee and the Vendor at least six 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 a date specified in Item 2 of said Schedule B, the aggregate of the Invoiced Purchase Prices of all equipment settled for hereunder prior to each such date shall not exceed the amount specified with respect to each such date in said Item 2. 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, Hartford, Connecticut, 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 and the Lessee are hereby constituted third party beneficiaries of such obligation) in Baltimore or New York Clearing House 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 20 semiannual installments, as hereinafter provided, an amount (herein called the Conditional

Sale Indebtedness) equal to the lesser of (y) 70.44718% 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 unless 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 installments of the Conditional Sale Indebtedness shall be payable on each April 20 and October 20 commencing October 20, 1979, to and including April 20, 1989 (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 8-7/8% per annum, and such interest shall be payable, to the extent accrued, on April 20, 1979, and each Payment Date. The installments of principal payable on each Payment Date shall be calculated on such a basis that the amount and allocation of principal and interest payable on each Payment Date shall be substantially in proportion to the amount and allocation of principal and interest on such Payment Date 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 Lessee 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, except that interest payable for any period of less than a full month shall be calculated on a 365-day year basis for the actual number of days elapsed.

The Vendee will pay interest at the rate of 9-7/8% 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. Payments made in respect of the Purchase Price of Equipment may be in Baltimore or New York Clearing House funds. 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 Baltimore or New York Clearing House funds by the Vendor to the Builder and the Lessee (as the seller of the Hulks), as their interests may appear, 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 hereinafter mentioned:

(a) the Certificate or Certificates of Acceptance contemplated by Article 2 hereof and the Certificate or Certificates of Delivery contemplated by 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 of the Lessee for the Hulks, accompanied by or having endorsed thereon the approval of the Vendee of the price stated therein and a certification by the Lessee 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;

(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 encumbrances of the Builder or of anyone claiming through the Builder; and

(d) a favorable opinion of counsel for the Lessee, dated as of such Closing Date, stating that as of such date, title to the Hulks from which such units of the Equipment in such Group were reconstructed was vested in the Vendee and was free of all claims, liens, security interests and encumbrances of any nature whatsoever except for those arising under this Agreement or the Exhibits hereto.

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 29.55282% of the Purchase Price of any Group, the Vendee may, by written notice to the Lessee, the Vendor and the Builder, postpone such Closing Date for a period of not more than 60 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), the Vendor agrees that the liability of the Vendee or any assignee of the Vendee for all payments to be made by it under this Agreement (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". 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 (or the Vendor as assignee of the Vendee under the Lease) 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 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 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 (or the Vendor as assignee of the Vendee under the Lease) 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 (or the Vendor as assignee of the Vendee under the Lease) 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.

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 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 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) 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 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 stated period which shall exceed the then remaining term of the Lease or for an indefinite period or by any other governmental entity, in any case 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 thirty 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 installments 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 in this Article 6) 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 without penalty or premium, ratably in accordance with the unpaid balance of each installment, the Conditional Sale Indebtedness 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 1979, 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, such Equipment is marked as required by Article 8 hereof. 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 seven-sixteenths of 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 title to and property in the Equipment and its rights under this Agreement. The Vendee will not 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 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 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 subordinate 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 upon the lines of railroad owned or operated by the Lessee or any affiliate of the Lessee (or any other railroad company approved by the Vendor) or upon lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights, or over which railroad equipment of the Lessee or any such affiliate is regularly operated pursuant to contract, and the Equipment may be used upon connecting and

other carriers in the usual interchange of traffic or equipment, but only upon and subject to all the terms and conditions of this Agreement; provided, however, that the Vendee shall not assign any unit of the Equipment to service which is not permitted by 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 its successors or assigns, and to the extent that it receives funds sufficient for such purpose from any Beneficiary, from, through or under such Beneficiary and its successors and assigns, not arising out of the transactions contemplated hereby (but including tax liens arising out of the receipt of the income and proceeds from the Equipment), 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 reasonable 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, purchase, delivery, rejection, storage or return of any of the Equipment, any accident in connection with the operation, use, condition, 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 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 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 (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 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 Builder represents that it is not entering into this Agreement, or into any other transaction contemplated by the Participation Agreement, directly or indirectly in connection with any arrangement or understanding in any way involving any employee benefit plan (other than a governmental plan) with respect to which it, the Beneficiary, the Lessee, or the Vendee in its individual capacity is a party in interest, all within the meaning of the Employee Retirement Income Security Act of 1974.

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, any lessor, lessee, assignee or transferee of this Agreement or of any units of the Equipment including, without limitation, the Vendee or the Beneficiary.

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.

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; 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 have

been 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 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 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 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 duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Vendee or the Lessee, as the case may be, or for its 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;

then at any time after the occurrence of such an event of default the Vendor may upon written notice to the Vendee and the Lessee 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, and, subject to the limitations of Articles 3 and 21 hereof, to collect such judgment out of any property of the Vendee wherever situated. The Vendee agrees to notify the Vendor promptly 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.

Anything herein to the contrary notwithstanding, in the case of any event of default occurring hereunder due to the occurrence of an Event of Default under the Lease, the Vendor shall not, without the prior written consent of the Beneficiary, exercise any remedy or remedies provided herein or in the Lease in respect thereof during a thirty-

day period next following the giving of written notice to the Beneficiary constituting a declaration of default as above provided. During such thirty-day period, the Vendee and/or the Beneficiary shall have the right to cure, on behalf of the Lessee, such Event of Default under the Lease. Such right to cure may be exercised by one or more of said parties any number of times throughout the term of the Lease whether or not the Lessee shall at any time repay any amounts so advanced in order to cure one or more such defaults, and each such separate Event of Default occurring subsequent to an Event of Default which was theretofore cured by one or more such parties shall be subject to the notice requirement and the thirty-day period during which the Vendor may not exercise his remedies as hereinabove provided. No party exercising any such right to cure shall obtain any lien, charge or encumbrance of any kind upon the Equipment or any rentals or other amounts payable therefor under the Lease in respect of any sums paid in connection with the exercise of such right or the curing of such Event of Default, nor shall any claims of such party against the Lessee for the repayment of such sums so advanced impair the prior right of the Vendor to the sums payable by the Lessee under the Lease; provided, however, that if no event of default hereunder shall then have occurred and be continuing and if all payments of Conditional Sale Indebtedness and interest thereon then due and owing shall have been made at the time of receipt by the Vendor from the Lessee of an overdue instalment of rental or other sum under the Lease in respect of which the Vendee or the Beneficiary shall have made payment to the Vendor pursuant to this paragraph and/or any interest payable by the Lessee in respect of the late payment thereof, such instalment or other sum and interest thereon shall be released to or at the written direction of the Vendee.

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 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 Lessee 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 railroads 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 then due and owing to the Vendor hereunder. From and after the date of any such sale, the Vendee shall pay the Vendor an amount equal to interest (at the rate specified in Article 3 hereof as being applicable to amounts remaining unpaid after becoming due and payable) on the unpaid Conditional Sale Indebtedness with respect to each unit of Equipment which shall not have been assembled as hereinafter provided, by the date of such sale for each day from the date of such sale to the date of delivery to the purchaser at such sale.

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.

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 highest prime rate of interest charged by any of the four New York City banks having the largest total assets in effect on the date such demand was made, 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 parties hereto 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 and 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:

(a) to the Vendor, at P. O. Box 2258, Baltimore, Maryland 21203, attention of Corporate Trust Department,

(b) to the Vendee, at One Constitution Plaza, Hartford, Connecticut 06115, attention of Corporate Trust Department, with a copy to GATX Leasing Corporation, One Embarcadero Center, San Francisco, California 94111, Attention of Contracts Administration,

(c) to the Beneficiary, at 15th Street and Pennsylvania Avenue, N.W., Washington, D.C. 20013, attention of Barth A. Baron, Vice President,

(d) to the Builder, at 908 West Broadway, Louisville, Kentucky 40201,

(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, fifth, 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 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 representations,

warranties, undertakings and agreements herein made on the part of the Vendee, are made and intended not as personal representations, warranties, undertakings and agreements by the Vendee in its individual capacity or for the purpose or with the intention of binding the Vendee 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 Agreement is executed and delivered by the Vendee 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 gross negligence or wilful misconduct, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against the Vendee on account of this Agreement or on account of any representation, warranty, undertaking or agreement of the Vendee, either expressed or implied (except for the Vendee's obligations under subparagraph (b) of the third paragraph of Article 3 hereof and under the proviso to the last paragraph of Article 11 hereof), all such personal liability, if any, being expressly waived and released by the Vendor and by all persons claiming by, through or under the Vendor.

ARTICLE 22. Law Governing. The Vendee warrants that its chief place of business is located in the State of Connecticut. The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of Connecticut; 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. It shall not be necessary that any counterpart be signed by all the parties so long as each party shall sign at least one counterpart. This Agreement shall be valid, binding and effective at such time as the Vendor shall have executed a counterpart and received (or as to which the Vendor shall have received attested telegraphic

communication confirming execution of) counterparts executed by the Builder and the Vendee. 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

[Corporate Seal]

Assistant Vice President

Attest:

Corporate Trust Officer

L & N INVESTMENT CORPORATION,

by

[Corporate Seal]

President

Attest:

Attesting Officer

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee,

by

[Corporate Seal]

Authorized Officer

Attest:

Authorized Officer

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

On this day of 1978, 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

COMMONWEALTH OF KENTUCKY,)
) ss.:
COUNTY OF JEFFERSON,)

On this 19th day of July, 1978, before me personally appeared Chester R. Lapeza, to me personally known, who, being by me duly sworn, says that he is President of L & N INVESTMENT CORPORATION, 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.

Norma J. Jones
Notary Public

[Notarial Seal]

My Commission expires March 4, 1981

STATE OF CONNECTICUT,)
) ss.:
COUNTY OF ,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized officer of THE CONNECTICUT BANK AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the 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

SCHEDULE I

Allocation Schedule of Each $1,000,000 of Conditional Sale Indebtedness

Pay. No.	Date	Debt Service	Interest	Principal	Remaining Principal Balance
1	10/20/79	$ 76,460.38	$ 44,375.00	$ 32,085.38	$967,914.62
2	4/20/80	76,460.38	42,951.21	33,509.17	934,405.45
3	10/20/80	76,460.38	41,464.24	34,996.14	899,409.31
4	4/20/81	76,460.38	39,911.29	36,549.09	862,860.22
5	10/20/81	76,460.38	38,289.42	38,170.96	824,689.26
6	4/20/82	76,460.38	36,595.59	39,864.79	784,824.47
7	10/20/82	76,460.38	34,826.59	41,633.79	743,190.68
8	4/20/83	76,460.38	32,979.09	43,481.29	699,709.39
9	10/20/83	76,460.38	31,049.60	45,410.78	654,298.61
10	4/20/84	76,460.38	29,034.50	47,425.88	606,872.73
11	10/20/84	76,460.38	26,929.98	49,530.40	557,342.33
12	4/20/85	76,460.38	24,732.07	51,728.31	505,614.02
13	10/20/85	76,460.38	22,436.62	54,023.76	451,590.26
14	4/20/86	76,460.38	20,039.32	56,421.06	395,169.20
15	10/20/86	76,460.38	17,535.63	58,924.75	336,244.45
16	4/20/87	76,460.38	14,920.85	61,539.53	274,704.92
17	10/20/87	76,460.38	12,190.03	64,270.35	210,434.57
18	4/20/88	76,460.38	9,338.03	67,122.35	143,312.22
19	10/20/88	76,460.38	6,359.48	70,100.90	73,211.32
20	4/20/89	76,460.07	3,248.75	73,211.32	.00
Totals		$1,608,372.25	$608,372.25	$1,000,000.00	

SCHEDULE A--RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT

Quantity*	AAR Mechanical Designation	Description	L&N* Railroad Road Numbers (Inclusive)	Builder's Specification Number	Hulk Purchase Price Per Unit	Hulk Purchase Price Total*	Base Reconstruction Cost Per Unit	Base Reconstruction Cost Total*	Purchase Price Per Unit	Purchase Price Total*
105	XL	50-Ton Boxcars	96489-96593	L&N 78-1	$4,500	$472,500	$13,854.00	$1,454,670	$18,354.00	$1,927,170
10	XM	50-Ton Boxcars	110242-110251	L&N 78-1	4,500	45,000	13,854.00	138,540	18,354.00	183,540
49	XL	70-Ton Boxcars	112368-112416	L&N 78-1	4,500	220,500	13,854.00	678,846	18,354.00	899,346
36	XM	70-Ton Boxcars	112841-112876	L&N 78-1	4,500	162,000	13,854.00	498,744	18,354.00	660,744
56	HT	70-Ton Open Top Hoppers	76394-76449	L&N 78-2	4,500	252,000	10,471.00	586,376	14,971.00	838,376
86	HT	80-Ton Open Top Hoppers	189558-189643	L&N 78-2	4,500	387,000	10,471.00	900,506	14,971.00	1,287,506
33	HT	100-Ton Open Top Hoppers	192057-192089	L&N 78-2	4,500	148,500	10,471.00	345,543	14,971.00	494,043
206	GB	70-Ton Gondola Cars	26745-26747 27327-27398 27554-27644 27748-27763 29020-29041 29200-29201	L&N 78-3	4,500	927,000	12,096.00	2,491,776	16,596.00	3,418,776

Quantity*	AAR Mechanical Designation	Description	L&N* Railroad Road Numbers (Inclusive)	Builder's Specification Number	Hulk Purchase Price Per Unit	Hulk Purchase Price Total*	Base Reconstruction Cost Per Unit	Base Reconstruction Cost Total*	Purchase Price Per Unit	Purchase Price Total*
2	GBS	70-Ton Gondola Cars	26283-26284	L&N 78-3	$4,500	$ 9,000	$12,096.00	$ 24,192	$16,596.00	$ 33,192
1	GBSR	70-Ton Gondola Car	26259	L&N 78-3	4,500	4,500	12,096.00	12,096	16,596.00	16,596
9	LG	70-Ton Gondola Cars	27399-27405 27764-27765	L&N 78-3	4,500	40,500	12,096.00	108,864	16,596.00	149,364
12	GBS	100-Ton Gondola Cars	27983-27994	L&N 78-3	4,500	54,000	12,096.00	145,152	16,596.00	199,152
20	GB	100-Ton Gondola Cars	27645-27664	L&N 78-3	4,500	90,000	12,096.00	241,920	16,596.00	331,920
80	LO	100-Ton Covered Hopper Cars	201615-201655 205158-205179 250500-250516	L&N 78-4	4,500	360,000	14,365.00	1,149,200	18,865.00	1,509,200
8	FMS	70-Ton Flat Cars	22295 23916-23922	L&N 78-8	4,500	36,000	11,555.00	92,440	16,055.00	128,440
4	FB	70-Ton Bulkhead Flat Cars	990602,990910 991004,991005	L&N 78-5	4,500	18,000	11,555.00	46,220	16,055.00	64,220
2	FB	100-Ton Bulkhead Flat Cars	990309,990310	L&N 78-5	4,500	9,000	11,555.00	23,110	16,055.00	32,110

Quantity*	AAR Mechanical Designation	Description	L&N* Railroad Road Numbers (Inclusive)	Builder's Specification Number	Hulk Purchase Price Per Unit	Hulk Purchase Price Total*	Base Reconstruction Cost Per Unit	Base Reconstruction Cost Total*	Purchase Price Per Unit	Purchase Price Total*
2	FB	100-Ton Bulkhead Flat Cars	990400,990401	L&N 78-5	4,500	$ 9,000	$11,555.00	$ 23,110	$16,055.00	$ 32,110
24	FM	50-Ton Flat Cars	21510 21553-21556 21748-21766	L&N 78-8	4,500	108,000	11,555.00	277,320	16,055.00	385,320
50	LO	70-Ton Covered Hopper Cars to Ballast Cars	45101-45150	L&N 78-6	4,500	225,000	12,290.06	614,503	16,790.06	839,503
33	LP	50-Ton Pulpwood to Welded Rail Cars	42934-42966	L&N 78-7	4,500	148,500	15,784.00	520,872	20,284.00	669,372
828						$3,726,000		$10,374,000		$14,100,000

* This Schedule A sets forth a description of Equipment having a total purchase price of $14,100,000. It is understood and agreed, however, that Reconstruction and Conditional Sale Agreement No. 2 dated as of the date hereof among Mercantile-Safe Deposit and Trust Company, as Agent, L&N Investment Corporation, as Builder, and The Connecticut Bank and Trust Company, as Trustee for American Security Bank, N.A., will cover certain units of Equipment delivered by the Builder having an aggregate purchase price not exceeding $7,000,000. After completion of deliveries this Schedule A will be amended to delete those units of Equipment not covered.

SCHEDULE B

Schedule of Closings

Item 1:	July 25, 1978	
Item 2:	July 25, 1978	$7,000,000
	April 20, 1979	7,000,000

EXHIBIT A
TO RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

TRANSFER AGREEMENT
(No. 2)

As of February 1, 1978

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

Attention of Mr. Russell E. Schreiber,
Corporate Trust Officer.

Dear Sirs:

The undersigned proposes to acquire the used railroad equipment described in Annex I hereto (hereinafter called the Hulks) from Louisville and Nashville Railroad Company (hereinafter called the Railroad) 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 security title to the Hulks, without any warranties, including, but not limited to, warranties as to title, fitness, merchantability or workmanship.

2. You will hold security title under and pursuant to the Reconstruction and Conditional Sale Agreement No. 2 dated as of the date hereof (hereinafter called the Agreement), among you, L&N Investment Corporation (hereinafter called 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 reassign to us your 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 present form or as reconstructed, is a security interest and that we shall at all times be the beneficial owner of the same.

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; that it shall not be necessary that any counterpart be signed by both of us so long as each of us shall sign at least one counterpart; and that this agreement shall be valid, binding and effective at such time as each of us shall have executed this agreement and you shall have received (or as to which you shall have received attested telegraphic communication confirming execution of) a counterpart executed by the undersigned.

7. It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations, warranties, undertakings and agreements herein made on the part of the undersigned, are made and intended not as personal representations, warranties, undertakings and agreements by the undersigned in its individual capacity or for the purpose or with the intention of binding the undersigned personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in a Trust Agreement No. 2 dated as of the date hereof between American Security Bank, N.A., and the undersigned (hereinafter called the Trust Agreement), and this agreement is executed and delivered by the undersigned 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 gross negligence or wilful misconduct, no personal liability or personal responsi-

bility is assumed by or shall at any time be asserted or enforceable against the undersigned on account of this agreement or on account of any representation, warranty, undertaking or agreement of the undersigned herein either expressed or implied, all such personal liability, if any, being expressly waived and released by you and by all persons claiming by, through or under you.

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

Very truly yours,

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee,

by

_____
Authorized Officer

[SEAL]

Attest:

by

_____
Authorized Officer

ACCEPTED:

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

by

_____
Assistant Vice President

Attested:

by

_____
Corporate Trust Officer

STATE OF CONNECTICUT,)
) ss.:
COUNTY OF HARTFORD,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, that the seal affixed to the foregoing instrument is the corporate seal of said corporation and 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 a free act and deed of said corporation.

Notary Public

[NOTARIAL SEAL]

My commission expires

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

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, that the seal affixed to the foregoing instrument is the corporate seal of said corporation and 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 a free act and deed of said corporation.

Notary Public

[NOTARIAL SEAL]

My commission expires

TRANSFER AGREEMENT

(No. 2)

ANNEX I

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
115	50-Ton Box Cars	L&N	97109, 97110, 97161, 97195, 97314, 97355, 98115, 98138, 98386, 98389, 98404, 98437, 98446, 98532, 98546, 98569, 108538, 108541, 108605, 108613, 108648, 108685, 108698, 108709, 108726, 108775, 108800, 108801, 108808, 108810, 108812, 108816, 108824, 108829, 108834, 108847, 108849, 108859, 108865, 108873, 108878, 108881, 108882, 108884, 108885, 108886, 108893, 108897, 108902, 108905, 108910, 108918, 108919, 108926, 108927, 108928, 108930, 108934, 108936, 108956, 108962, 108964, 108971, 108972, 108974, 108976, 108978, 108983, 108987, 109000, 109008, 109027, 109034, 109035, 109044, 109046, 109052, 109053, 109065, 109073, 109084, 109090, 109098, 109115, 109117, 109118, 109134, 109141, 109143, 109145, 109155, 109159, 109172, 109173, 109175, 109186, 109188, 109196, 109198, 109205, 109208, 109227, 109228, 109234, 109238, 109240, 109253, 109255, 109275, 109311, 109348, 109365, 109366, 109375, 109389

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
85	70-Ton Box Cars	L&N	100005, 100076, 100084, 100096, 100102, 100113, 100164, 100165, 100166, 100171, 100216, 100226, 100230, 100272, 100280, 100304, 100327, 100344, 100362, 100373, 100396, 100419, 100429, 100473, 100489, 100518, 100528, 100534, 100579, 100598, 100696, 100700, 100717, 100737, 100739, 100741, 100777, 102000, 102014, 102030, 102032, 102036, 102064, 102067, 102073, 102088, 102094, 102097, 102313, 102317, 102479, 102509, 102607, 102626, 102679, 102689, 102697, 102717, 102718, 102754, 102789, 103111, 103143, 103176, 103177, 103183, 103212, 103263, 103273, 103286, 103313, 103319, 103329, 103384, 103409, 103470, 103508, 103519, 103536, 103544, 103584, 103750, 103833, 103867, 103884
56	70-Ton Open-Top Hoppers	L&N	153014, 153019, 153199, 153229, 153255, 153277, 153308, 153408, 153427, 153479, 153494, 153537, 153571, 153574, 153581, 153618, 153843, 153892, 154018, 154092, 154120, 154126, 154145, 154215, 154320, 154628, 154688, 154712, 154713, 154827, 154861, 154917, 154940, 154952, 154955, 154968, 154972, 155002, 155030,

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
			155147, 155266, 155293, 155296, 155404, 155482, 155731, 155811, 155843, 155931, 155973, 156024, 156091, 156092, 156107, 156108, 156123
86	80-Ton Open-Top Hoppers	L&N	180067, 180227, 180436, 180575, 180616, 180617, 180804, 180833, 180914, 182298, 182415, 182439, 182549, 182589, 182827, 182877, 182887, 183048, 183056, 183156, 183344, 183492, 183498, 183614, 183621, 183932, 183985, 184089, 184116, 184143, 184208, 184361, 184533, 184829, 184841, 184850, 184926, 184942, 184953, 185025, 185288, 185356, 185623, 185728, 186223, 186289, 186339, 186364, 186384, 186408, 186411, 186495, 186621, 186736, 186964, 187060, 187193, 187234, 187242, 187404, 187488, 187537, 187746, 187908, 187987, 188211, 188323, 188359, 188444, 188477, 188486, 188619, 188666, 188900, 188947, 189028, 189065, 189155, 189163, 189256, 189257, 189271, 189308, 189327, 189377, 189381
33	100-Ton Open-Top Hoppers	L&N	191007, 191021, 191113, 191129, 191140, 191212, 191221, 191236, 191283, 191292, 191342, 191389, 191409, 191444, 191546, 191594, 191604, 191615,

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
			191634, 191638, 191640, 191645, 191659, 191667, 191670, 191697, 191724, 191754, 191763, 191772, 191787, 191809, 191886
218	70-Ton Gondola Cars	L&N	26007, 26016, 26017, 26019, 26033, 26040, 26046, 26057, 26062, 26077, 26085, 26087, 26088, 26089, 26090, 26100, 26114, 26134, 26161, 26164, 26179, 26185, 26232, 26234, 26260, 26285, 26288, 26720, 26736, 26740, 39005, 39059, 39070, 39098, 39100, 39103, 39105, 39125, 39145, 39146, 39147, 39153, 39155, 39172, 39173, 39193, 39195, 39202, 39226, 39227, 39231, 39233, 39235, 39239, 39242, 39245, 39270, 39279, 39286, 39287, 39290, 39291, 39293, 39301, 39311, 39330, 39331, 39353, 39356, 39372, 39391, 39394, 39395, 39398, 39404, 39405, 39415, 39421, 39425, 39430, 39439, 39455, 39479, 39488, 39506, 39510, 39522, 39523, 39566, 39572, 39574, 39626, 39631, 39660, 39672, 39684, 39688, 39708, 39712, 39717, 39773, 39780, 39786, 39788, 39805, 39816, 39825, 39850, 39855, 39864, 39872, 39886, 39897, 39913, 39916, 19934, 39960, 39979, 170003, 170016, 170037, 170083, 170125, 170217, 170224, 170232, 170258, 170267, 170270, 170273, 170289, 170291, 170298, 170309, 170333, 170389, 170399, 170413, 170430, 170439, 170457,

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
			170465, 170484, 170491, 170498, 170501, 170506, 170510, 170522, 170576, 170588, 170589, 170601, 170629, 170637, 170659, 170666, 170670, 170673, 170674, 170679, 170692, 170698, 170729, 170732, 170748, 170761, 170768, 170797, 170833, 170834, 170837, 170865, 170878, 170947, 170951, 170977, 171030, 171071, 171076, 171093, 171095, 171105, 171112, 171136, 171202, 171248, 171250, 171256, 171277, 171303, 171358, 171365, 171387, 171389, 171509, 171553, 171558, 171678, 171689, 171703, 171707, 171742, 171804, 171901, 171946, 172042, 172052, 172054, 173078, 173080, 173086, 173087, 173088, 173089, 173091, 173092, 173100
32	100-Ton Gondola Cars	L&N	175012, 175026, 175035, 175041, 175044, 175046, 175057, 175059, 175074, 175089, 175091, 175098, 176007, 176035, 176049, 176077, 176097, 176126, 176179, 176182, 176227, 176279, 176308, 176333, 176396, 176493, 176500, 176662, 176692, 176735, 176766, 176791
80	100-Ton Covered Hopper Cars	L&N	200088, 200159, 200160, 200200, 200212, 200225, 200263, 200309, 200318, 200321, 200342, 200400,

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
			200404, 200432, 200447, 200465, 200536, 200571, 201003, 201005, 201014, 201019, 201031, 201033, 201036, 201042, 201055, 201064, 201066, 201068, 201070, 201072, 201080, 201081, 201093, 201100, 201112, 201121, 201140, 201167, 201204, 201210, 201218, 201228, 201231, 201264, 201270, 201278, 201295, 201386, 201398, 201433, 201440, 201443, 201449, 201461, 201468, 201485, 201499, 240089, 240197, 240237, 240282, 250027, 250031, 250032, 250034, 250038, 250042, 250052, 250068, 250088, 250093, 250101, 250106, 250108, 250112, 250126, 250129, 250131
4	70-Ton Bulkhead Flat Cars	L&N	22508, 22636, 22643, 22771
4	100-Ton Bulkhead Flat Cars	L&N	22304, 22306, 22932, 22961,
32	50-Ton Flat Cars	MON	7201, 7203, 7206, 7212, 7220, 7221, 7224, 7229, 7231, 7234, 7235, 7236, 7242, 7246, 7247, 7248, 7250, 7607
		L&N	21406, 21414, 22264, 22269, 22273, 22274, 22291, 23902, 23903, 23904, 23906, 23910, 23912, 23914

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
50	70-Ton Covered Hopper Cars to Ballast Cars	L&N	37859, 37865, 37866, 37873, 37880, 37887, 37891, 37904, 37907, 37912, 37916, 37935, 37960, 37970, 37980, 37998, 38006, 38035, 38056, 38057, 38067, 38073, 38082, 38098, 38099, 38109, 38124, 38138, 38141, 38155, 38162, 38228, 38263, 38269, 38282, 38285, 38290, 38309, 38324, 38335, 38337, 38342, 38352, 38361, 38387, 38407, 38426, 38434, 38445, 38524
33	50-Ton Pulpwood Cars to Welded Rail Cars	L&N	20516, 20542, 20553, 20558, 20574, 20593, 20624, 20633, 20659, 20682, 20693, 20694, 20720, 20726, 20728, 20729, 20740, 20772, 20797, 20798, 20803, 20809, 20817, 20848, 20877, 20906, 20914, 20929, 20941, 20961, 20963, 20966, 20968
828			

* Although this Annex I sets forth the description of 828 Hulks, Transfer Agreement No. 2 dated as of the date hereof, between Mercantile-Safe Deposit and Trust Company, as Agent, and The Connecticut Bank and Trust Company, as Trustee, will cover only those Hulks which are delivered to the Trustee for reconstruction into Units of Equipment having an aggregate purchase price not exceeding $7,000,000 under Reconstruction and Conditional Sale Agreement No. 2, dated as of the date hereof, between Mercantile-Safe Deposit and Trust Company as Agent, L&N Investment Corporation and The Connecticut Bank and Trust Company as Trustee. Following completion of deliveries, this Annex I will be amended to delete from the description those Hulks not covered.

EXHIBIT B
to the
RECONSTRUCTION AND
CONDITIONAL SALE
AGREEMENT

[CS&M Ref: 3750-017]

LEASE OF RAILROAD EQUIPMENT
(No. 2)

Dated as of February 1, 1978

Between

LOUISVILLE AND NASHVILLE RAILROAD COMPANY,
as Lessee,

and

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity but solely as Owner Trustee,
as Lessor

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 No. 2, dated as of February 1, 1978, between LOUISVILLE AND NASHVILLE RAILROAD COMPANY (hereinafter called the Lessee) and THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not in its individual capacity but solely as Trustee (hereinafter called the Lessor or the Vendee) under a Trust Agreement No. 2 dated as of the date hereof (hereinafter called the Trust Agreement), with American Security Bank, N.A. (hereinafter called a Beneficiary).

Mercantile-Safe Deposit and Trust Company, not in its individual capacity but solely as Agent under a Participation Agreement No. 2 dated as of the date hereof (hereinafter called the Participation Agreement) with the Lessor, the Lessee, the Beneficiary and the parties named in Schedule A thereto (said Agent, as so acting, being hereinafter, together with its successors and assigns, called the Vendor), L & N Investment Corporation (hereinafter called the Builder) and the Vendee are entering into a Reconstruction and Conditional Sale Agreement No. 2 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 on or prior to the Cut-Off Date (as defined in Article 3 of 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 and the Builder a certificate of acceptance and delivery (hereinafter called the Certificate of Delivery), 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 three interim and 20 consecutive semiannual payments. The interim payments are payable on October 20, 1978, April 20, 1979, and the Cut-Off Date (as defined in the Participation Agreement) or as promptly thereafter as practicable. The 20 semiannual payments are payable on April 20 and October 20 in each year, commencing October 20, 1979, to and including April 20, 1989. The interim payment on October 20, 1978, shall be in an amount equal to the sum of (i) the product of the Purchase Price (as such term is defined in the Security Document) for each Unit subject to the Lease multiplied by .0246528% for each day elapsed from and including the date such Unit is settled for under the Security Document to but not including October 20, 1978, plus (ii) an amount equal to the amount required by the Lessor to make the payment on October 20, 1978, provided for in clause (b) of the last paragraph of Paragraph 9 of the Participation Agreement. The interim payment on April 20, 1979, shall be in an amount equal to the sum of (i) the product of the Purchase Price for each Unit subject to the Lease multiplied by .0246528% for each day elapsed from and including the later of October 20, 1978, or the date such Unit is settled for under the Security Document to but not including April 20, 1979, plus (ii) an amount equal to the amount required by the Lessor to make the payment on April 20, 1979, provided for in clause (b) of the last paragraph of Paragraph 9 of the Participation Agreement. 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 Owner Trustee to the Agent pursuant to clause (a) of the last paragraph of Paragraph 9 of the Participation Agreement. The 20 semiannual rental payments with respect to each Unit then subject to this Lease shall each be in an amount equal

to 5.386418% of the Purchase Price of each such Unit for each Unit delivered and accepted under the Security Document on or prior to December 31, 1978; and the applicable percentage of the Purchase Price of each such Unit shall be 5.868304% for each Unit delivered and accepted from January 1, 1979, through April 20, 1979. The foregoing rental rates have been calculated on the assumption that 70.44718% of the Purchase Price of the Units will be provided by the Vendor out of Investors' Funds (as such term is defined in Paragraph 6 of the Participation Agreement). If for any reason the Investors' Funds are not available and the Lessor pays more than 29.55282% 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 Reconstruction Cost (as defined in the Security Document) of all units settled for under the Security Document is other than 73.57446% of the Purchase Price of such Units, the Lessor and the Lessee agree that the rentals payable hereunder and the Casualty Value percentages set forth in Schedule B hereto will be appropriately adjusted in order that the Beneficiary's after-tax return on and rate of recovery of investment and the annual net cash flows (computed on the same assumptions, including, without limitation, tax rates, as were utilized by the Beneficiary 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, or Baltimore, Maryland, are authorized or obligated to remain closed.

The Lessor irrevocably instructs the Lessee to make, and the Lessee agrees to make, all the payments provided for in this Lease for the account of the Lessor or its assigns, care of the Vendor at P. O. Box 2258, Baltimore, Maryland 21203, Attention of Corporate Trust Department, not later than 10:00 a.m., Baltimore time, on the date upon which such payments are due and payable. Such payments shall be accompanied by instructions to the Vendor, first, to apply

such payments to satisfy the obligations of the Lessor under the Security Document, subject to the limitations contained in the last paragraph of Article 3 of the Security Document, and, second, so long as no event of default or event which with the lapse of time and/or demand provided for in the Security Document could constitute an event of default under the Security Document shall have occurred and be continuing, to pay any balance promptly to the Lessor at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in New York or Baltimore Clearing House Funds by 10:00 a.m., local time, in the city where such payment is to be made.

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 on the date on which the final payment of rent in respect thereof is due hereunder.

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 and the Beneficiary for collection or other charges and will be free of expense to the Lessor and the Beneficiary 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 or the Beneficiary receives credit therefor against its United States Federal income tax liability, any foreign income tax payable by said party 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 based on such receipts or gross receipts taxes other than gross receipts taxes in the nature of sales or use taxes, up to the amount of any such taxes which would be payable to the state and city in which the Lessor and the Beneficiary, respectively, has its principal place of business without apportionment to any other state or city, 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 or on the Beneficiary solely by reason of its interest therein 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 the interest of the Beneficiary 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 and/or the Beneficiary affected thereby, adversely affect the title, property or rights of the Lessor or the interest of the Beneficiary hereunder or the Vendor under the Security Document. If any impositions shall have been charged or levied against the Lessor or the Beneficiary directly and paid by the Lessor or the Beneficiary, the Lessee shall reimburse such party on presentation of an invoice therefor.

In the event that the Lessor or the Beneficiary 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 and/or the Beneficiary as will enable the Lessor and/or the Beneficiary 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.

To the extent the Lessee may be prohibited by law from performing in its own name the duties required by this Section 5, the Lessor and the Beneficiary hereby authorizes the Lessee to act in the Lessor's and/or the Beneficiary's own name and on the Lessor's and/or the Beneficiary's behalf; provided, however, that the Lessee shall indemnify and hold the Lessor and the Beneficiary harmless from and

against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action by the Lessee pursuant to his authorization.

The Lessee shall, whenever reasonably requested by the Lessor or the Beneficiary, submit to the Lessor or the Beneficiary copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to the Lessor or the Beneficiary of the Lessee's performance of its duties under this Section 5. The Lessee shall also furnish promptly upon request such data as the Lessor or the Beneficiary reasonably may require to permit the Lessor's or the Beneficiary's compliance with the requirements of taxing jurisdictions.

It is the intention of the parties hereto that (i) the Lessee will treat the Units covered by this Lease as part of the mass of property used by the Lessee in its operations as a common carrier and for ad valorem tax purposes will report the same to the various states and localities where it is required to do so and will pay the requisite tax thereon, and (ii) neither the Owner Trustee nor the Beneficiary will be required so to report any such property or to pay any ad valorem taxes with respect thereto.

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 stated period which shall exceed the then remaining term of this Lease or for an indefinite period, but only when such indefinite period shall exceed the 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 14 hereof, the Lessee shall, within thirty 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 Occur-

rence, 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 an amount equal to the rental payment or payments in respect of such Unit due and payable on such date plus an amount equal to 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" 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.

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) if applicable to such Unit, that percentage of the Reconstruction Cost thereof as set forth in Table 2 of said Schedule B with respect to such Unit; provided, however, that the Casualty Value percentages set forth in Schedule B hereto apply only to Units delivered and accepted for under the Security Document on or prior to December 31, 1978. With respect to any Unit delivered and accepted for after December 31, 1978, the Lessor and the Lessee agree that the Casualty Value percentages set forth in Schedule B hereto will be appropriately adjusted in order that the Beneficiary's after-tax return on and rate of recovery of investment and the annual net cash flows (computed on the same assumptions, including, without limitation, tax rates, as were utilized by the Beneficiary in originally evaluating this transaction) will not be increased or decreased by reason thereof; provided, however, that the 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.

Whenever any Unit shall suffer a Casualty Occurrence at the end of the term of this Lease or after termina-

tion 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 32.613% 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" basis, and the Lessee accepts such appointment and agrees to use its best efforts to dispose of any such unit in such manner. 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 property insurance in respect of the Units at the time subject hereto, and public liability insurance, in amounts and against risks customarily insured against by the Lessee in respect of similar equipment owned by it, and the benefits thereof shall be payable to the Vendor, the Lessor and the Lessee, as their interests may appear, so long as the indebtedness, if any, evidenced by the Security Document shall not have been paid in full, and thereafter to the Lessor and the Lessee as their interests may appear. If the Lessor shall receive any insurance proceeds from insurance maintained by the Lessee pursuant hereto or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee having made payment of the Casualty Value in respect of such Unit, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to a Unit paid by the Lessee and any balance of such proceeds or condemnation payments shall remain the property of the Lessor. All insurance proceeds received by the Lessor in respect of any Unit not suffering a Casualty Occur-

rence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired.

Section 7. Annual Reports. On or before March 31 in each year, commencing with the calendar year 1979, the Lessee will cause to be furnished to the Lessor, the Vendor and the Beneficiary, 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 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 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 Delivery 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; <u>provided, however</u>, 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 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.

Upon or prior to the return of any Unit by the Lessee to the Lessor pursuant to Section 10 or 13 hereof, the Lessee agrees that it will, at its expense, remove any additions, modifications and improvements made by the Lessee pursuant to the second sentence of this paragraph without causing material damage to such Unit. In the event the Lessee shall make any alteration, replacement, addition or modification to any Unit pursuant to the first sentence of this paragraph (the "Alterations"), the Lessor agrees that it will include the cost thereof in its gross income for Federal income tax purposes. 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 Beneficiary'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, the Lessee will give written notice thereof to the Lessor describing, in reasonable detail, the Alterations and specifying the cost thereof with respect to each Unit.

The Lessee agrees to indemnify, protect and hold harmless the Lessor, the Beneficiary and the Vendor (in each case in their individual and fiduciary capacities) from and against all losses, damages, injuries, liabilities (including without limitation strict or absolute liabilities), claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, reasonable 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, 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 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. Nothing in this Section 8 shall constitute a guaranty by the Lessee of the Conditional Sale

Indebtedness of the Lessor under the Security Document or a guaranty of the residual value of any Unit.

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;

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 30 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 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 have been duly assumed in writing,pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the 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;

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 1.433% per annum discount, compounded semi-annually 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.

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 have been interchanged to return the 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 for a period not exceeding 270 days 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.

Each unit returned to the Lessor pursuant to this Section 10 shall comply with the requirements set forth in the penultimate sentence of the first paragraph of Section 13 hereof. 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, 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.

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 greater of (i) the daily Fair Rental Value (determined in the manner provided in Section 12 hereof) for such Unit, or (ii) an amount equal to 0.029925% of the Purchase Price of such Unit, exceeds the actual earnings received by the Lessor on such Unit for each such day plus the amount of any interest payable by the Lessor for any day during such period which is due under the Security Document because of the Lessor's failure to pay principal or interest thereunder on the due date thereof.

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 Lessee hereby acknowledges notice of the assignment in respect of this Lease set forth in the Assignment of Lease and Agreement dated as of the date hereof, between the Lessor and the Vendor (a copy of which has been delivered to the Lessee), and agrees to make payments to the Vendor as provided therein. 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 thereunder in the manner and to the extent therein provided. In the event that, pursuant to such assignment and the rights of the Vendor thereunder and under the Security Document, the Vendor shall at any time cause this Lease to be terminated, the Lessee agrees that following the payment in full by the Vendee of the entire unpaid Conditional Sale Indebtedness (as defined in the Security Document) together with interest thereon, the Vendee may enforce compliance by the Lessee with its covenants and agreements under this Lease.

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 transfer its leasehold interest under this Lease in the Units or any of them. The Lessee, at its own expense, will promptly pay or discharge or cause to be paid and 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 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. 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 six months prior to the end of the then current term of this Lease to extend the term of this Lease in respect of all, but not less than all, the Units then covered by this Lease for (a) one additional one and one-half-year term commencing on the scheduled expiration of the original term at a semiannual rental equal to 60% of the semiannual rental for the original term; (b) one additional one-year period commencing on the scheduled expiration of the first extended term at a semiannual rental equal to 60% of the semiannual rental for the original term; and (c) for one or two additional one-year periods commencing on the scheduled expiration of the

immediately prior extended term at a semiannual rental equal to the "Fair Market Rental" of such Units as of the commencement of any such extended term. All such semiannual rental payments shall be made on April 20 and October 20 of 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 and in all cases Units shall be appraised as if the Lessee had maintained the same in accordance with Section 6 hereof.

If, after 50 days from the giving of notice by the Lessee of the Lessee's election to extend the term of this Lease pursuant to clause (c) of the preceding paragraph, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental of the Units, such rental shall be determined in accordance with the foregoing definition 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 days after such notice is given, each party shall appoint an independent appraiser within 25 days after such notice is given, and the two appraisers so appointed shall within 35 days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 35 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 the Fair Market Rental of the Units subject to the proposed extended term within 60 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 Fair Market Rental 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 the Fair Market Rental. 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 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 or any of its affiliates as the Lessor may designate or, in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Unit on such tracks for a period not exceeding three months and transport the same, at any time within such three-month 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 or lessee 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 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.

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 greater of (i) the daily Fair Rental Value (determined in the manner provided in Section 12 hereof) for such Unit, or (ii) an amount equal to 0.029495% of the Purchase Price of such Unit, exceeds the actual earnings received by the Lessor on such Unit for each such day.

Section 14. Severability. 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 15. Recording; Expenses. The Lessee, at its own expense, will cause this Lease, 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, re-recording 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, re-register, re-record 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 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 16. Interest on Overdue Rentals. Anything to the contrary herein contained 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 10-3/8% 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 17. 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

One Constitution Plaza,
Hartford, Connecticut 06115,

Attention of Corporate Trust Department,

with a copy to the Beneficiary and to GATX Leasing Corporation, One Embarcadero Center, San Francisco, California 94111, Attention of Contracts Administration,

if to the Lessee, at

908 West Broadway
Louisville, Kentucky 40201,

if to the Vendor, at

P. O. Box 2258,
Baltimore, Maryland 21203,

Attention of Corporate Trust Department,

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 18. Effect and Modification of Lease. Except for the Participation Agreement and the Indemnity Agreements dated as of the date hereof between the Lessee and the Beneficiary, 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 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 Lessor shall be deemed to be the original counterpart. It shall not be necessary that any counterpart be signed by both parties so long as each party shall sign at least one counterpart. This Lease shall be valid, binding and effective at such time as the Vendor shall have received (or as to which the Vendor shall have received attested telegraphic communication confirming execution of) counterparts executed by the Lessor and the Lessee. 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. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the Commonwealth of Kentucky; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

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 representations, warranties, 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, warranties, undertakings and agreements by the Lessor in its individual capacity, or for the purpose or with the intention of binding the Lessor 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 the Lessor solely

in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of gross negligence or wilful misconduct, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against the Lessor on account of any representation, warranty, undertaking or agreement herein 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.

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Owner Trustee,

by

[Seal]

_____
Authorized Officer

Attest:

_____
Authorized Officer

LOUISVILLE AND NASHVILLE RAILROAD COMPANY,

by

[Corporate Seal]

_____
Assistant Vice President

Attest:

_____
Assistant Secretary

STATE OF CONNECTICUT,)
) ss.:
COUNTY OF HARTFORD,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK 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

COMMONWEALTH OF KENTUCKY,)
: ss.:
COUNTY OF JEFFERSON,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is Assistant Vice President of LOUISVILLE AND NASHVILLE RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that such instrument was this day 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

SCHEDULE A

Quantity*	AAR Mechanical Designation	Description	L&N* Railroad Road Numbers (Inclusive)	Builder's Specification Number
105	XL	50-Ton Box Cars	96489-96593	L&N 78-1
10	XM	50-Ton Box Cars	110242-110251	L&N 78-1
49	XL	70-Ton Box Cars	112368-112416	L&N 78-1
36	XM	70-Ton Box Cars	112841-112876	L&N 78-1
56	HT	70-Ton Open Top Hoppers	76394-76449	L&N 78-2
86	HT	80-Ton Open Top Hoppers	189558-189643	L&N 78-2
33	HT	100-Ton Open Top Hoppers	192057-192089	L&N 78-2
206	GB	70-Ton Gondola Cars	26745-26747 27327-27398 27554-27644 27748-27763 29020-29041 29200-29201	L&N 78-3
2	GBS	70-Ton Gondola Cars	26283-26284	L&N 78-3
1	GBSR	70-Ton Gondola Car	26259	L&N 78-3

Quantity*	AAR Mechanical Designation	Description	L&N* Railroad Road Numbers (Inclusive)	Builder's Specification Number
9	LG	70-Ton Gondola Cars	27399-27405 27764-27765	L&N 78-3
12	GBS	100-Ton Gondola Cars	27983-27994	L&N 78-3
20	GB	100-Ton Gondola Cars	27645-27664	L&N 78-3
80	LO	100-Ton Covered Hopper Cars	201615-201655 205158-205179 250500-250516	L&N 78-4
8	FMS	70-Ton Flat Cars	22295 23916-23922	L&N 78-8
4	FB	70-Ton Bulkhead Flat Cars	990602, 990910 991004, 991005	L&N 78-5
2	FB	100-Ton Bulkhead Flat Cars	990309, 990310	L&N 78-5
2	FB	100-Ton Bulkhead Flat Cars	990400, 990401	L&N 78-5
24	FM	50-Ton Flat Cars	21510 21553-21556 21748-21766	L&N 78-8
50	LO	70-Ton Covered Hopper Cars to Ballast Cars	45101-45150	L&N 78-6

Quantity*	AAR Mechanical Designation	Description	L&N* Railroad Road Numbers (Inclusive)	Builder's Specification Number
33	LP	50-Ton Pulpwood to Welded Rail Cars	42934-42966	L&N 78-7
828				

* Although this Schedule A sets forth the description of 828 Units, Lease No. 2, dated as of the date hereof, between The Connecticut Bank and Trust Company, as Trustee, Lessor, and Louisville and Nashville Railroad Company, Lessee, will cover only those Units, having an aggregate purchase price not exceeding $7,000,000, which are delivered to said Lessor under Reconstruction and Conditional Sale Agreement No. 2, dated as of the date hereof, between Mercantile-Safe Deposit and Trust Company, as Agent, L&N Investment Corporation and said Lessor. Following completion of deliveries, this Schedule A will be amended to delete from the description those Units not covered.

SCHEDULE B

Casualty Value Percentages Schedule

Table 1

Rental No.	Rental Payment Date	Percentage of Purchase Price for each Unit
Interim	April 20, 1979	92.874
1	October 20, 1979	91.897
2	April 20, 1980	90.269
3	October 20, 1980	89.025
4	April 20, 1981	86.767
5	October 20, 1981	85.200
6	April 20, 1982	82.629
7	October 20, 1982	79.399
8	April 20, 1983	76.487
9	October 20, 1983	74.199
10	April 20, 1984	70.895
11	October 20, 1984	67.897
12	April 20, 1985	64.415
13	October 20, 1985	61.251
14	April 20, 1986	57.437
15	October 20, 1986	53.902
16	April 20, 1987	49.813
17	October 20, 1987	45.945
18	April 20, 1988	41.540
19	October 20, 1988	37.328
20	April 20, 1989, and thereafter	32.613

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 the Indemnity Agreements dated as of the date hereof, between the Lessee and the Beneficiary). 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:

Anniversary of Delivery and Acceptance	Percentage of Reconstruction Cost
Third	19.231
Fifth	12.821
Seventh	6.411

EXHIBIT C
to the
RECONSTRUCTION
AND CONDITIONAL
SALE AGREEMENT

[CS&M Ref: 3750-017]

ASSIGNMENT OF LEASE AND AGREEMENT
(No. 2)

Dated as of February 1, 1978

between

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity but solely 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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SIGNATURES AL-7

LESSEE'S CONSENT AND AGREEMENT AL-9

ASSIGNMENT OF LEASE AND AGREEMENT No. 2 dated as of February 1, 1978, by and between THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee under a Trust Agreement No. 2 dated as of the date hereof (hereinafter called the Lessor or the Vendee) with AMERICAN SECURITY BANK, N.A. (hereinafter called the Beneficiary), and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, not in its individual capacity but solely as Agent (hereinafter called the Vendor), under a Participation Agreement No. 2 dated as of the date hereof.

The Vendee and the Vendor are entering into a Reconstruction and Conditional Sale Agreement No. 2 dated as of the date hereof (hereinafter called the Security Document), with L&N Investment Corporation 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 Louisville and Nashville Railroad Company (hereinafter called the Lessee) have entered into a Lease of Railroad Equipment No. 2 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; provided, however, that such assignment and transfer shall be limited to the rights and interests of the Lessor under the Lease as above described and shall in no way be deemed to assign any right, title and interest, powers, privileges or other benefits of the Beneficiary which it may have obtained from the Lessee or otherwise with respect to the Units, including, without limitation, all right, title and interest, powers, privileges and benefits of the Beneficiary arising under the Indemnity Agreement dated as of the date hereof between the Beneficiary and the Lessee and any indemnity payable to the Beneficiary under Section 8 of the Lease and indemnities or tax payments payable or to be reimbursed to the Beneficiary under Section 5 of the Lease, which amount shall be paid directly thereto. 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 the last paragraph of 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 promptly to the Lessor not later than the first business day following such receipt at such place as the Lessor shall specify in writing. If the Vendor shall not receive any rental payment under the first para-

graph of Section 2 of the Lease when due, the Vendor shall notify the Lessor at the address set forth in the Lease; 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, receive, compound and give acquittance for 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.

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 its 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 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 Connecticut, 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.

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 22 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 representations, warranties, 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, warranties, undertakings and agreements by the Lessor in its individual capacity or for the purpose or with the intention of binding the Lessor 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 Lessor solely in the exercise of the powers expressly conferred upon the Lessor 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 the Lessor, except for wilful misconduct or gross negligence, or against the Beneficiary under the Trust Agreement or on account of any representation, warranty, undertaking or agreement herein of the Lessor, either expressed or implied, all such personal liability, 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. It shall not be necessary that any counterpart be signed by both parties so long as each party shall sign at least one counterpart. This Assignment shall be valid, binding and effective at such time as the Vendor shall have executed a counterpart and received (or as to which the Vendor shall have received attested telegraphic communication confirming execution of) a counterpart executed by the Lessor.

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 respec-

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

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee,

by

_____
Authorized Officer

[Seal]

Attest:

_____
Authorized Officer

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

STATE OF CONNECTICUT,)
) ss.:
COUNTY OF HARTFORD,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK 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 MARYLAND,)
) ss.:
CITY OF BALTIMORE,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is 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

LESSEE'S CONSENT AND AGREEMENT

The undersigned, LOUISVILLE AND NASHVILLE RAILROAD COMPANY, a corporation duly incorporated under the laws of the Commonwealth of Kentucky, 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 (except as otherwise provided in the proviso in the first paragraph of Paragraph 1 of the Assignment) and other moneys provided for in the Lease directly 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, at 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 may be executed in several counterparts, each of which when so executed shall be deemed an original, and such counterparts together shall constitute one and the same instrument. It shall not be necessary that any counterpart be signed by both the Lessee and

the Vendor so long as the Lessee and Vendor each shall sign at least one counterpart. This Consent and Agreement shall be valid, binding and effective at such time as the Vendor shall have executed a counterpart and shall have received (or as to which the Vendor shall have received attested telegraphic communication confirming execution of) a counterpart executed by the Lessee.

This Consent and Agreement, when executed as aforesaid by the Lessee and when accepted as aforesaid by the Vendor, shall be deemed to be a contract under the laws of the Commonwealth of Kentucky and, for all purposes, shall be construed in accordance with the laws of said State.

Dated as of February 1, 1978

LOUISVILLE AND NASHVILLE
RAILROAD COMPANY,

by

[Corporate Seal] _____
Assistant Vice President

Attest:

_____
Assistant Secretary

The foregoing Consent and Agreement is hereby accepted, as of the 1st day of February 1978.

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

by

[Corporate Seal] _____
Assistant Vice President

Attest:

_____
Corporate Trust Officer

COMMONWEALTY OF KENTUCKY,)
) ss.:
COUNTY OF JEFFERSON,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is Assistant Vice President of LOUISVILLE AND NASHVILLE RAILROAD COMPANY, that the seal affixed to the foregoing instrument is the corporate seal of said corporation and 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

[Notary Seal]

My Commission expires

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

On this day of 1978, 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

[Notary Seal]

My Commission expires

EXHIBIT D TO THE
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

HULK PURCHASE AGREEMENT
(No. 2)

Louisville and Nashville Railroad Company

The Connecticut Bank and
Trust Company
One Constitution Plaza
Hartford, Connecticut 06115
Attention of Corporate Trust Department

As of February 1, 1978

Gentlemen:

Louisville and Nashville Railroad Company, a corporation organized under the laws of Kentucky (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 The Connecticut Bank and Trust Company (the "Buyer"), acting not in its individual capacity but solely as trustee for a trustor 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 No. 2 (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 No. 2 (the "Participation Agreement") dated as of the date hereof, and L&N Investment Corporation (the "Builder"), deliver to the Buyer a Bill or Bills of Sale transferring title to a group 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 except for the encumbrances expressly set forth in the Hulk Encum-

brance Certificate (as hereinafter provided) and a Hulk Encumbrance Certificate dated as of the date of such Bill or Bills of Sale. On or after the date of such Bill or Bills of Sale, the Seller will deliver the Hulks in such group 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 April 10, 1979.

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 Investor 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) $3,000,000 and (y) the amount of Available Investor 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, (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 Lessee's title to such hulks to the Buyer, and (d) the Hulk Encumbrance Certificate with respect thereto specified in the fifth paragraph hereof.

The Hulk Encumbrance Certificate with respect to each group of the Hulks shall be dated as of the date of the Bill or Bills of Sale for such group of Hulks and shall expressly set forth, as of such date, the information specified in the penultimate sentence of subparagraph (f) of Paragraph 3 of the Participation Agreement. 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 the second paragraph hereof 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) April 20, 1979 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 by reason of the transfer of title to the Hulks prior to such delivery and acceptance 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 (i) this Agreement was duly authorized by it and lawfully executed and delivered for a valid consideration, the performance of this Agreement will not conflict with any provision of law or with its Charter or By-laws or of any agreement binding upon it and (assuming valid authorization, execution and delivery by the Buyer) this Agreement is, insofar as it is concerned, a valid and existing agreement binding upon it in accordance with its terms as they are now in force; and (ii) no approval is required from any regulatory body with respect to the entering into or performance by it of this Agreement.

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 securing encumbrances with respect thereto (which encumbrances, if any, are set forth in the Hulk Encumbrance Certificate). 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 undertakings and agreements herein made on the part of the Buyer, are made and intended not as personal undertakings and agreements by it in its individual capacity for the purpose or with the intention of binding the Buyer 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 the Buyer 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 Buyer or the trustors hereinabove referred to on account of this Agreement or on account of any representation, undertaking or agreement herein of the Buyer, 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 any of it, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

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. It shall not be necessary that any counterpart be signed by both parties so long as each party shall sign at least one counterpart. This Agreement shall be valid, binding and effective at such time as the Agent shall have received (or as to which the Agent shall have received attested telegraphic communication confirming execution of) counterparts executed by the Buyer and Seller.

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, returning one to the Seller, delivering one to the Agent and giving

the telegraphic confirmation of execution to the Agent as aforesaid.

Very truly yours,

LOUISVILLE AND NASHVILLE
RAILROAD COMPANY,

by

_____
Asst. Vice President

[Corporate Seal]

Attest:

_____
Assistant Secretary

Accepted as of the date
first set forth above.
THE CONNECTICUT BANK AND
TRUST COMPANY, acting not
in its individual capacity
but solely as Trustee,

by

_____
Authorized Officer

[Seal]

Attest:

_____
Authorized Officer

COMMONWEALTH OF KENTUCKY,)
: ss.:
COUNTY OF JEFFERSON,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is Assistant Vice President of LOUISVILLE AND NASHVILLE RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that such instrument was this day 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 CONNECTICUT,)
: ss.:
COUNTY OF HARTFORD,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the 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

EXHIBIT A--HULK PURCHASE AGREEMENT (No. 1)

		Hulk		Hulk	
Quantity*	Description	Rail-Road Prefix	Railroad Numbers*	Purchase Price	Total Purchase Price
115	50-Ton Box Cars	L&N	97109, 97110, 97161, 97195, 97314, 97355, 98115, 98138, 98386, 98389, 98404, 98437, 98446, 98532, 98546, 98569, 108538, 108541, 108605, 108613, 108648, 108685, 108698, 108709, 108726, 108775, 108800, 108801, 108808, 108810, 108812, 108816, 108824, 108829, 108834, 108847, 108849, 108859, 108865, 108873, 108878, 108881, 108882, 108884, 108885, 108886, 108893, 108897, 108902, 108905, 108910, 108918, 108919, 108926, 108927, 108928, 108930, 108934, 108936, 108956, 108962, 108964, 108971, 108972, 108974, 108976, 108978, 108983, 108987, 109000, 109008, 109027, 109034, 109035, 109044, 109046, 109052, 109053, 109065, 109073, 109084, 109090, 109098, 109115, 109117, 109118, 109134, 109141, 109143, 109145, 109155, 109159, 109172, 109173, 109175, 109186, 109188, 109196, 109198, 109205, 109208, 109227, 109228, 109234, 109238, 109240, 109253, 109255, 109275, 109311, 109348, 109365, 109366, 109375, 109389	$4,500	$517,500

Quantity*	Description	Hulk: Rail-Road Prefix	Hulk: Railroad Numbers*	Hulk: Purchase Price	Hulk: Total Purchase Price
85	70-Ton Box Cars	L&N	100005, 100076, 100084, 100096, 100102, 100113, 100164, 100165, 100166, 100171, 100216, 100226, 100230, 100272, 100280, 100304, 100327, 100344, 100362, 100373, 100396, 100419, 100429, 100473, 100489, 100518, 100528, 100534, 100579, 100598, 100696, 100700, 100717, 100737, 100739, 100741, 100777, 102000, 102014, 102030, 102032, 102036, 102064, 102067, 102073, 102088, 102094, 102097, 102313, 102317, 102479, 102509, 102607, 102626, 102679, 102689, 102697, 102717, 102718, 102754, 102789, 103111, 103143, 103176, 103177, 103183, 103212, 103263, 103273, 103286, 103313, 103319, 103329, 103384, 103409, 103470, 103508, 103519, 103536, 103544, 103584, 103750, 103833, 103867, 103884	$4,500	$382,500
56	70-Ton Open-Top Hoppers	L&N	153014, 153019, 153199, 153229, 153255, 153277, 153308, 153408, 153427, 153479, 153494, 153537, 153571, 153574, 153581, 153618, 153843, 153892, 154018, 154092, 154120, 154126, 154145, 154215, 154320, 154628, 154688, 154712, 154713, 154827, 154861, 154917, 154940, 154952, 154955, 154968, 154972, 155002, 155030,		

Quantity*	Description	Hulk Rail-Road Prefix	Hulk Railroad Numbers*	Hulk Purchase Price	Hulk Total Purchase Price
	70-Ton Open-Top Hoppers (Cont'd)	L&N	155147, 155266, 155293, 155296, 155404, 155482, 155731, 155811, 155843, 155931, 155973, 156024, 156091, 156092, 156107, 156108, 156123		
86	80-Ton Open-Top Hoppers	L&N	180067, 180227, 180436, 180575, 180616, 180617, 180804, 180833, 180914, 182298, 182415, 182439, 182549, 182589, 182827, 182877, 182887, 183048, 183056, 183156, 183344, 183492, 183498, 183614, 183621, 183932, 183985, 184089, 184116, 184143, 184208, 184361, 184533, 184829, 184841, 184850, 184926, 184942, 184953, 185025, 185288, 185356, 185623, 185728, 186223, 186289, 186339, 186364, 186384, 186408, 186411, 186495, 186621, 186736, 186964, 187060, 187193, 187234, 187242, 187404, 187488, 187537, 187746, 187908, 187987, 188211, 188323, 188359, 188444, 188477, 188486, 188619, 188666, 188900, 188947, 189028, 189065, 189155, 189163, 189256, 189257, 189271, 189308, 189327, 189377, 189381	$4,500	$387,000
33	100-Ton Open-Top Hoppers	L&N	191007, 191021, 191113, 191129, 191140, 191212, 191221, 191236, 191283, 191292, 191342, 191389, 191409, 191444, 191546, 191594, 191604, 191615,	4,500	148,500

Quantity*	Description	Hulk Rail-Road Prefix	Hulk Railroad Numbers*	Hulk Purchase Price	Hulk Total Purchase Price
	100-Ton Open Top Hoppers (Cont'd)	L&N	191634, 191638, 191640, 191645, 191659, 191667, 191670, 191697, 191724, 191754, 191763, 191772, 191787, 191809, 191886		
218	70-Ton Gondola Cars	L&N	26007, 26016, 26017, 26019, 26033, 26040, 26046, 26057, 26062, 26077, 26085, 26087, 26088, 26089, 26090, 26100, 26114, 26134, 26161, 26164, 26179, 26185, 26232, 26234, 26260, 26285, 26288, 26720, 26736, 26740, 39005, 39059, 39070, 39098, 39100, 39103, 39105, 39125, 39145, 39146, 39147, 39153, 39155, 39172, 39173, 39193, 39195, 39202, 39226, 39227, 39231, 39233, 39235, 39239, 39242, 39245, 39270, 39279, 39286, 39287, 39290, 39291, 39293, 39301, 39311, 39330, 39331, 39353, 39356, 39372, 39391, 39394, 39395, 39398, 39404, 39405, 39415, 39421, 39425, 39430, 39439, 39455, 39479, 39488, 39506, 39510, 39522, 39523, 39566, 39572, 39574, 39626, 39631, 39660, 39672, 39684, 39688, 39708, 39712, 39717, 39773, 39780, 39786, 39788, 39805, 39816, 39825, 39850, 39855, 39864, 39872, 39886, 39897, 39913, 39916, 39934, 39960, 39979, 170003, 170016, 170037, 170083, 170125, 170217, 170224, 170232, 170258, 170267, 170270, 170273, 170289, 170291, 170298, 170309, 170333, 170389, 170399, 170413, 170430, 170439, 170457,	$4,500	$981,000

Quantity*	Description	Hulk Rail-Road Prefix	Hulk Railroad Numbers*	Hulk Purchase Price	Hulk Total Purchase Price
	70-Ton Gondola Cars (Cont'd)	L&N	170465, 170484, 170491, 170498, 170501, 170506, 170510, 170522, 170576, 170588, 170589, 170601, 170629, 170637, 170659, 170666, 170670, 170673, 170674, 170679, 170692, 170698, 170729, 170732, 170748, 170761, 170768, 170797, 170833, 170834, 170837, 170865, 170878, 170947, 170951, 170977, 171030, 171071, 171076, 171093, 171095, 171105, 171112, 171136, 171202, 171248, 171250, 171256, 171277, 171303, 171358, 171365, 171387, 171389, 171509, 171553, 171558, 171678, 171689, 171703, 171707, 171742, 171804, 171901, 171946, 172042, 172052, 172054, 173078, 173080, 173086, 173087, 173088, 173089, 173091, 173092, 173100		
32	100-Ton Gondola Cars	L&N	175012, 175026, 175035, 175041, 175044, 175046, 175057, 175059, 175074, 175089, 175091, 175098, 176007, 176035, 176049, 176077, 176097, 176126, 176179, 176182, 176227, 176279, 176308, 176333, 176396, 176493, 176500, 176662, 176692, 176735, 176766, 176791	$4,500	$144,000
80	100-Ton Covered Hopper Cars	L&N	200088, 200159, 200160, 200200, 200212, 200225, 200263, 200309, 200318, 200321, 200342, 200400,	4,500	360,000

Quantity*	Description	Hulk Rail-Road Prefix	Hulk Railroad Numbers*	Hulk Purchase Price	Hulk Total Purchase Price
	100-Ton Covered Hopper Cars (Cont'd)	L&N	200404, 200432, 200447, 200465, 200536, 200571, 201003, 201005, 201014, 201019, 201031, 201033, 201036, 201042, 201055, 201064, 201066, 201068, 201070, 201072, 201080, 201081, 201093, 201100, 201112, 201121, 201140, 201167, 201204, 201210, 201218, 201228, 201231, 201264, 201270, 201278, 201295, 201386, 201398, 201433, 201440, 201443, 201449, 201461, 201468, 201485, 201499, 240089, 240197, 240237, 240282, 250027, 250031, 250032, 250034, 250038, 250042, 250052, 250068, 250088, 250093, 250101, 250106, 250108, 250112, 250126, 250129, 250131		
4	70-Ton Bulkhead Flat Cars	L&N	22508, 22636, 22643, 22771	$4,500	$18,000
4	100-Ton Bulkhead Flat Cars	L&N	22304, 22306, 22932, 22961	4,500	18,000
32	50-Ton Flat Cars	MON	7201, 7203, 7206, 7212, 7220, 7221, 7224, 7229, 7231, 7234, 7235, 7236, 7242, 7246, 7247, 7248, 7250, 7607	4,500	144,000
		L&N	21406, 21414, 22264, 22269, 22273, 22274, 22291, 23902, 23903, 23904, 23906, 23910, 23912, 23914		

Quantity*	Description	Hulk Rail-Road Prefix	Hulk Railroad Numbers*	Hulk Purchase Price	Hulk Total Purchase Price
50	70-Ton Covered Hopper Cars to Ballast Cars	L&N	37859, 37865, 37866, 37873, 37880, 37887, 37891, 37904, 37907, 37912, 37916, 37935, 37960, 37970, 37980, 37998, 38006, 38035, 38056, 38057, 38067, 38073, 38082, 38098, 38099, 38109, 38124, 38138, 38141, 38155, 38162, 38228, 38263, 38269, 38282, 38285, 38290, 38309, 38324, 38335, 38337, 38342, 38352, 38361, 38387, 38407, 38426, 38434, 38445, 38524	$4,500	$225,000
33	50-Ton Pulpwood Cars to Welded Rail Cars	L&N	20516, 20542, 20553, 20558, 20574, 20593, 20624, 20633, 20659, 20682, 20693, 20694, 20720, 20726, 20728, 20729, 20740, 20772, 20797, 20798, 20803, 20809, 20817, 20848, 20877, 20906, 20914, 20929, 20941, 20961, 20963, 20966, 20968	4,500	148,500
828					$3,726,000

* Although this Exhibit A includes a description of 828 Hulks, Hulk Purchase Agreement No. 2, dated as of the date hereof, between the Connecticut Bank and Trust Company, Trustee, Buyer, and Louisville and Nashville Railroad Company, Seller, will, as provided therein, cover only those Hulks which are delivered to the Buyer for reconstruction into units of Equipment having an aggregate Purchase Price not exceeding $7,000,000 under Reconstruction and Conditional Sale Agreement No. 2 between Mercantile Safe-Deposit Company, as Agent, L&N Investment Corporation and The Connecticut Bank and Trust Company, as Trustee. Following completion of deliveries, this Exhibit A will be amended to delete from the description those Hulks not covered.

[CS&M Ref.: 3750-017]

RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT (No. 2)

Dated as of February 1, 1978

among

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

L & N INVESTMENT CORPORATION

and

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity but solely as Trustee

RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT

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Exhibit A--Specifications of the Hulks

RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT No. 2 dated as of February 1, 1978, among MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, not in its individual capacity but solely as Agent (hereinafter called the Vendor) under a Participation Agreement No. 2 dated as of the date hereof (hereinafter called the Participation Agreement), L & N INVESTMENT CORPORATION (hereinafter called the Builder) and THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee (hereinafter called the Vendee) under a Trust Agreement No. 2 dated as of the date hereof (hereinafter called the Trust Agreement), with AMERICAN SECURITY BANK, N.A. (hereinafter called the Beneficiary).

The Vendee proposes to acquire all right, title and interest in certain railroad equipment (hereinafter called the Hulks) from Louisville and Nashville Railroad Company (hereinafter called the Lessee) pursuant to a Hulk Purchase Agreement No. 2 (hereinafter called the Hulk Purchase Agreement) dated as of the date hereof, 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 No. 2 (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 Vendee 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 No. 2 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 No. 2 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 No. 2 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 Vendee 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 such date of delivery.

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 if Schedule A hereto does not specify a place or places, at the place or places designated from time to time by the Vendee) on or prior to April 10, 1979, 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, the Lease Assignment and the Hulk Purchase Agreement have been filed pursuant to Section 20c of the Interstate Commerce Act. The Builder agrees not to accept for reconstruction, nor to commence any reconstruction of, any Hulk if the Builder (A) does not reasonably anticipate that such Hulk will be fully reconstructed prior to April 10, 1979, or (B) has received written notice from the Vendee, the Vendor or any Beneficiary (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 Paragraph 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 the 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.

Notwithstanding the preceding provisions of this Article 2, the Vendor and the Vendee shall be relieved of their obligations to purchase and pay for any Equipment not delivered and accepted on or prior to April 10, 1979.

The Builder represents and warrants that: (i) the Equipment will upon delivery to the Vendee be "rolling stock, of a domestic railroad corporation subject to Part I

of the Interstate Commerce Act" within the meaning of Section 48(a)(2)(B)(ii) of the Internal Revenue Code of 1954 as in effect on the date of the execution and delivery of this Agreement (hereinafter called the Code); (ii) the Equipment will upon delivery to the Vendee qualify with respect to that portion of the basis of the Equipment attributable to reconstruction as "new section 38 property" within the meaning of Section 48(b) of the Code; (iii) the Vendee will be entitled to claim upon delivery of the Equipment to it depreciation deductions with respect to that portion of the basis of the Equipment attributable to reconstruction in accordance with any method listed in Section 167(b) of the Code and with respect to that portion of the basis of the Equipment not attributable to reconstruction in accordance with Section 167(a) of the Code; and (iv) at the time of the delivery of the Equipment to the Vendee, no investment credit, depreciation or other tax benefit will have been claimed by any person with respect to the portion of the basis of the Equipment attributable to reconstruction.

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 this Article 2 or 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. 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 ten 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 April 20, 1979 (herein called the Cut-Off Date), occurring not more than ten business days following presentation by the Builder to the Vendee of the invoice and the Certificate or Certificates of Acceptance for such Group and written notice thereof by the Builder to the Lessee, as shall be fixed by the Builder by written notice delivered to the Vendee and the Vendor at least six 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 a date specified in Item 2 of said Schedule B, the aggregate of the Invoiced Purchase Prices of all equipment settled for hereunder prior to each such date shall not exceed the amount specified with respect to each such date in said Item 2. 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, Hartford, Connecticut, 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 and the Lessee are hereby constituted third party beneficiaries of such obligation) in Baltimore or New York Clearing House 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 20 semiannual installments, as hereinafter provided, an amount (herein called the Conditional

Sale Indebtedness) equal to the lesser of (y) 70.44718% 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 unless 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 installments of the Conditional Sale Indebtedness shall be payable on each April 20 and October 20 commencing October 20, 1979, to and including April 20, 1989 (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 8-7/8% per annum, and such interest shall be payable, to the extent accrued, on April 20, 1979, and each Payment Date. The installments of principal payable on each Payment Date shall be calculated on such a basis that the amount and allocation of principal and interest payable on each Payment Date shall be substantially in proportion to the amount and allocation of principal and interest on such Payment Date 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 Lessee 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, except that interest payable for any period of less than a full month shall be calculated on a 365-day year basis for the actual number of days elapsed.

The Vendee will pay interest at the rate of 9-7/8% 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. Payments made in respect of the Purchase Price of Equipment may be in Baltimore or New York Clearing House funds. 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 Baltimore or New York Clearing House funds by the Vendor to the Builder and the Lessee (as the seller of the Hulks), as their interests may appear, 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 hereinafter mentioned:

(a) the Certificate or Certificates of Acceptance contemplated by Article 2 hereof and the Certificate or Certificates of Delivery contemplated by 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 of the Lessee for the Hulks, accompanied by or having endorsed thereon the approval of the Vendee of the price stated therein and a certification by the Lessee 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;

(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 encumbrances of the Builder or of anyone claiming through the Builder; and

(d) a favorable opinion of counsel for the Lessee, dated as of such Closing Date, stating that as of such date, title to the Hulks from which such units of the Equipment in such Group were reconstructed was vested in the Vendee and was free of all claims, liens, security interests and encumbrances of any nature whatsoever except for those arising under this Agreement or the Exhibits hereto.

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 29.55282% of the Purchase Price of any Group, the Vendee may, by written notice to the Lessee, the Vendor and the Builder, postpone such Closing Date for a period of not more than 60 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), the Vendor agrees that the liability of the Vendee or any assignee of the Vendee for all payments to be made by it under this Agreement (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". 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 (or the Vendor as assignee of the Vendee under the Lease) 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 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 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 (or the Vendor as assignee of the Vendee under the Lease) 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 (or the Vendor as assignee of the Vendee under the Lease) 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.

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 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 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) 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 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 stated period which shall exceed the then remaining term of the Lease or for an indefinite period or by any other governmental entity, in any case 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 thirty 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 installments 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 in this Article 6) 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 without penalty or premium, ratably in accordance with the unpaid balance of each installment, the Conditional Sale Indebtedness 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 1979, 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, such Equipment is marked as required by Article 8 hereof. 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 seven-sixteenths of 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 title to and property in the Equipment and its rights under this Agreement. The Vendee will not 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 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 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 subordinate 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 upon the lines of railroad owned or operated by the Lessee or any affiliate of the Lessee (or any other railroad company approved by the Vendor) or upon lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights, or over which railroad equipment of the Lessee or any such affiliate is regularly operated pursuant to contract, and the Equipment may be used upon connecting and

other carriers in the usual interchange of traffic or equipment, but only upon and subject to all the terms and conditions of this Agreement; provided, however, that the Vendee shall not assign any unit of the Equipment to service which is not permitted by 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 its successors or assigns, and to the extent that it receives funds sufficient for such purpose from any Beneficiary, from, through or under such Beneficiary and its successors and assigns, not arising out of the transactions contemplated hereby (but including tax liens arising out of the receipt of the income and proceeds from the Equipment), 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 reasonable 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, purchase, delivery, rejection, storage or return of any of the Equipment, any accident in connection with the operation, use, condition, 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 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 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 (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 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 Builder represents that it is not entering into this Agreement, or into any other transaction contemplated by the Participation Agreement, directly or indirectly in connection with any arrangement or understanding in any way involving any employee benefit plan (other than a governmental plan) with respect to which it, the Beneficiary, the Lessee, or the Vendee in its individual capacity is a party in interest, all within the meaning of the Employee Retirement Income Security Act of 1974.

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, any lessor, lessee, assignee or transferee of this Agreement or of any units of the Equipment including, without limitation, the Vendee or the Beneficiary.

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.

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; 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 have

been 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 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 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 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 duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Vendee or the Lessee, as the case may be, or for its 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;

then at any time after the occurrence of such an event of default the Vendor may upon written notice to the Vendee and the Lessee 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, and, subject to the limitations of Articles 3 and 21 hereof, to collect such judgment out of any property of the Vendee wherever situated. The Vendee agrees to notify the Vendor promptly 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.

Anything herein to the contrary notwithstanding, in the case of any event of default occurring hereunder due to the occurrence of an Event of Default under the Lease, the Vendor shall not, without the prior written consent of the Beneficiary, exercise any remedy or remedies provided herein or in the Lease in respect thereof during a thirty-

day period next following the giving of written notice to the Beneficiary constituting a declaration of default as above provided. During such thirty-day period, the Vendee and/or the Beneficiary shall have the right to cure, on behalf of the Lessee, such Event of Default under the Lease. Such right to cure may be exercised by one or more of said parties any number of times throughout the term of the Lease whether or not the Lessee shall at any time repay any amounts so advanced in order to cure one or more such defaults, and each such separate Event of Default occurring subsequent to an Event of Default which was theretofore cured by one or more such parties shall be subject to the notice requirement and the thirty-day period during which the Vendor may not exercise his remedies as hereinabove provided. No party exercising any such right to cure shall obtain any lien, charge or encumbrance of any kind upon the Equipment or any rentals or other amounts payable therefor under the Lease in respect of any sums paid in connection with the exercise of such right or the curing of such Event of Default, nor shall any claims of such party against the Lessee for the repayment of such sums so advanced impair the prior right of the Vendor to the sums payable by the Lessee under the Lease; provided, however, that if no event of default hereunder shall then have occurred and be continuing and if all payments of Conditional Sale Indebtedness and interest thereon then due and owing shall have been made at the time of receipt by the Vendor from the Lessee of an overdue instalment of rental or other sum under the Lease in respect of which the Vendee or the Beneficiary shall have made payment to the Vendor pursuant to this paragraph and/or any interest payable by the Lessee in respect of the late payment thereof, such instalment or other sum and interest thereon shall be released to or at the written direction of the Vendee.

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 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 Lessee 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 railroads 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 then due and owing to the Vendor hereunder. From and after the date of any such sale, the Vendee shall pay the Vendor an amount equal to interest (at the rate specified in Article 3 hereof as being applicable to amounts remaining unpaid after becoming due and payable) on the unpaid Conditional Sale Indebtedness with respect to each unit of Equipment which shall not have been assembled as hereinafter provided, by the date of such sale for each day from the date of such sale to the date of delivery to the purchaser at such sale.

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.

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 highest prime rate of interest charged by any of the four New York City banks having the largest total assets in effect on the date such demand was made, 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 parties hereto 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 and 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:

(a) to the Vendor, at P. O. Box 2258, Baltimore, Maryland 21203, attention of Corporate Trust Department,

(b) to the Vendee, at One Constitution Plaza, Hartford, Connecticut 06115, attention of Corporate Trust Department, with a copy to GATX Leasing Corporation, One Embarcadero Center, San Francisco, California 94111, Attention of Contracts Administration,

(c) to the Beneficiary, at 15th Street and Pennsylvania Avenue, N.W., Washington, D.C. 20013, attention of Barth A. Baron, Vice President,

(d) to the Builder, at 908 West Broadway, Louisville, Kentucky 40201,

(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, fifth, 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 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 representations,

warranties, undertakings and agreements herein made on the part of the Vendee, are made and intended not as personal representations, warranties, undertakings and agreements by the Vendee in its individual capacity or for the purpose or with the intention of binding the Vendee 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 Agreement is executed and delivered by the Vendee 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 gross negligence or wilful misconduct, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against the Vendee on account of this Agreement or on account of any representation, warranty, undertaking or agreement of the Vendee, either expressed or implied (except for the Vendee's obligations under subparagraph (b) of the third paragraph of Article 3 hereof and under the proviso to the last paragraph of Article 11 hereof), all such personal liability, if any, being expressly waived and released by the Vendor and by all persons claiming by, through or under the Vendor.

ARTICLE 22. Law Governing. The Vendee warrants that its chief place of business is located in the State of Connecticut. The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of Connecticut; 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. It shall not be necessary that any counterpart be signed by all the parties so long as each party shall sign at least one counterpart. This Agreement shall be valid, binding and effective at such time as the Vendor shall have executed a counterpart and received (or as to which the Vendor shall have received attested telegraphic

communication confirming execution of) counterparts executed by the Builder and the Vendee. 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

_____
Assistant Vice President

[Corporate Seal]

Attest:

_____
Corporate Trust Officer

L & N INVESTMENT CORPORATION,

by

_____
Vice President

[Corporate Seal]

Attest:

_____
Attesting Officer

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee,

by

_____
Authorized Officer

[Corporate Seal]

Attest:

_____
Authorized Officer

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

On this day of 1978, 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

COMMONWEALTH OF KENTUCKY,)
) ss.:
COUNTY OF JEFFERSON,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is President of L & N INVESTMENT CORPORATION, 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 CONNECTICUT,)
) ss.:
COUNTY OF Hartford,)

On this 18th day of July 1978, before me personally appeared **DONALD E. SMITH** , to me personally known, who, being by me duly sworn, says that he is an Authorized officer of THE CONNECTICUT BANK AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the 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.

Barbara S. Kacich
Notary Public

[Notarial Seal]

BARBARA S. KACICH
NOTARY PUBLIC
MY COMMISSION EXPIRES MARCH 31, 1982

My Commission expires

SCHEDULE I

Allocation Schedule of Each $1,000,000 of Conditional Sale Indebtedness

Pay. No.	Date	Debt Service	Interest	Principal	Remaining Principal Balance
1	10/20/79	$ 76,460.38	$ 44,375.00	$ 32,085.38	$967,914.62
2	4/20/80	76,460.38	42,951.21	33,509.17	934,405.45
3	10/20/80	76,460.38	41,464.24	34,996.14	899,409.31
4	4/20/81	76,460.38	39,911.29	36,549.09	862,860.22
5	10/20/81	76,460.38	38,289.42	38,170.96	824,689.26
6	4/20/82	76,460.38	36,595.59	39,864.79	784,824.47
7	10/20/82	76,460.38	34,826.59	41,633.79	743,190.68
8	4/20/83	76,460.38	32,979.09	43,481.29	699,709.39
9	10/20/83	76,460.38	31,049.60	45,410.78	654,298.61
10	4/20/84	76,460.38	29,034.50	47,425.88	606,872.73
11	10/20/84	76,460.38	26,929.98	49,530.40	557,342.33
12	4/20/85	76,460.38	24,732.07	51,728.31	505,614.02
13	10/20/85	76,460.38	22,436.62	54,023.76	451,590.26
14	4/20/86	76,460.38	20,039.32	56,421.06	395,169.20
15	10/20/86	76,460.38	17,535.63	58,924.75	336,244.45
16	4/20/87	76,460.38	14,920.85	61,539.53	274,704.92
17	10/20/87	76,460.38	12,190.03	64,270.35	210,434.57
18	4/20/88	76,460.38	9,338.03	67,122.35	143,312.22
19	10/20/88	76,460.38	6,359.48	70,100.90	73,211.32
20	4/20/89	76,460.07	3,248.75	73,211.32	.00
Totals		$1,608,372.25	$608,372.25	$1,000,000.00	

SCHEDULE A--RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT

Quantity*	AAR Mechanical Designation	Description	L&N* Railroad Road Numbers (Inclusive)	Builder's Specification Number	Hulk Purchase Price Per Unit	Hulk Purchase Price Total*	Base Reconstruction Cost Per Unit	Base Reconstruction Cost Total*	Purchase Price Per Unit	Purchase Price Total*
105	XL	50-Ton Boxcars	96489-96593	L&N 78-1	$4,500	$472,500	$13,854.00	$1,454,670	$18,354.00	$1,927,170
10	XM	50-Ton Boxcars	110242-110251	L&N 78-1	4,500	45,000	13,854.00	138,540	18,354.00	183,540
49	XL	70-Ton Boxcars	112368-112416	L&N 78-1	4,500	220,500	13,854.00	678,846	18,354.00	899,346
36	XM	70-Ton Boxcars	112841-112876	L&N 78-1	4,500	162,000	13,854.00	498,744	18,354.00	660,744
56	HT	70-Ton Open Top Hoppers	76394-76449	L&N 78-2	4,500	252,000	10,471.00	586,376	14,971.00	838,376
86	HT	80-Ton Open Top Hoppers	189558-189643	L&N 78-2	4,500	387,000	10,471.00	900,506	14,971.00	1,287,506
33	HT	100-Ton Open Top Hoppers	192057-192089	L&N 78-2	4,500	148,500	10,471.00	345,543	14,971.00	494,043
206	GB	70-Ton Gondola Cars	26745-26747 27327-27398 27554-27644 27748-27763 29020-29041 29200-29201	L&N 78-3	4,500	927,000	12,096.00	2,491,776	16,596.00	3,418,776

Quantity*	AAR Mechanical Designation	Description	L&N* Railroad Road Numbers (Inclusive)	Builder's Specification Number	Hulk Purchase Price Per Unit	Hulk Purchase Price Total*	Base Reconstruction Cost Per Unit	Base Reconstruction Cost Total*	Purchase Price Per Unit	Purchase Price Total*
2	GBS	70-Ton Gondola Cars	26283-26284	L&N 78-3	$4,500	$ 9,000	$12,096.00	$ 24,192	$16,596.00	$ 33,192
1	GBSR	70-Ton Gondola Car	26259	L&N 78-3	4,500	4,500	12,096.00	12,096	16,596.00	16,596
9	LG	70-Ton Gondola Cars	27399-27405 27764-27765	L&N 78-3	4,500	40,500	12,096.00	108,864	16,596.00	149,364
12	GBS	100-Ton Gondola Cars	27983-27994	L&N 78-3	4,500	54,000	12,096.00	145,152	16,596.00	199,152
20	GB	100-Ton Gondola Cars	27645-27664	L&N 78-3	4,500	90,000	12,096.00	241,920	16,596.00	331,920
80	LO	100-Ton Covered Hopper Cars	201615-201655 205158-205179 250500-250516	L&N 78-4	4,500	360,000	14,365.00	1,149,200	18,865.00	1,509,200
8	FMS	70-Ton Flat Cars	22295 23916-23922	L&N 78-8	4,500	36,000	11,555.00	92,440	16,055.00	128,440
4	FB	70-Ton Bulkhead Flat Cars	990602,990910 991004,991005	L&N 78-5	4,500	18,000	11,555.00	46,220	16,055.00	64,220
2	FB	100-Ton Bulkhead Flat Cars	990309,990310	L&N 78-5	4,500	9,000	11,555.00	23,110	16,055.00	32,110

Quantity*	AAR Mechanical Designation	Description	L&N* Railroad Road Numbers (Inclusive)	Builder's Specification Number	Hulk Purchase Price Per Unit	Hulk Purchase Price Total*	Base Reconstruction Cost Per Unit	Base Reconstruction Cost Total*	Purchase Price Per Unit	Purchase Price Total*
2	FB	100-Ton Bulkhead Flat Cars	990400,990401	L&N 78-5	4,500	$ 9,000	$11,555.00	$ 23,110	$16,055.00	$ 32,110
24	FM	50-Ton Flat Cars	21510 21553-21556 21748-21766	L&N 78-8	4,500	108,000	11,555.00	277,320	16,055.00	385,320
50	LO	70-Ton Covered Hopper Cars to Ballast Cars	45101-45150	L&N 78-6	4,500	225,000	12,290.06	614,503	16,790.06	839,503
33	LP	50-Ton Pulpwood to Welded Rail Cars	42934-42966	L&N 78-7	4,500	148,500	15,784.00	520,872	20,284.00	669,372
828						$3,726,000		$10,374,000		$14,100,000

* This Schedule A sets forth a description of Equipment having a total purchase price of $14,100,000. It is understood and agreed, however, that Reconstruction and Conditional Sale Agreement No. 2 dated as of the date hereof among Mercantile-Safe Deposit and Trust Company, as Agent, L&N Investment Corporation, as Builder, and The Connecticut Bank and Trust Company, as Trustee for American Security Bank, N.A., will cover certain units of Equipment delivered by the Builder having an aggregate purchase price not exceeding $7,000,000. After completion of deliveries this Schedule A will be amended to delete those units of Equipment not covered.

SCHEDULE B

Schedule of Closings

Item 1:	July 25, 1978	
Item 2:	July 25, 1978	$7,000,000
	April 20, 1979	7,000,000

EXHIBIT A
TO RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

TRANSFER AGREEMENT
(No. 2)

As of February 1, 1978

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

Attention of Mr. Russell E. Schreiber,
Corporate Trust Officer.

Dear Sirs:

The undersigned proposes to acquire the used railroad equipment described in Annex I hereto (hereinafter called the Hulks) from Louisville and Nashville Railroad Company (hereinafter called the Railroad) 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 security title to the Hulks, without any warranties, including, but not limited to, warranties as to title, fitness, merchantability or workmanship.

2. You will hold security title under and pursuant to the Reconstruction and Conditional Sale Agreement No. 2 dated as of the date hereof (hereinafter called the Agreement), among you, L&N Investment Corporation (hereinafter called 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 reassign to us your 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 present form or as reconstructed, is a security interest and that we shall at all times be the beneficial owner of the same.

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; that it shall not be necessary that any counterpart be signed by both of us so long as each of us shall sign at least one counterpart; and that this agreement shall be valid, binding and effective at such time as each of us shall have executed this agreement and you shall have received (or as to which you shall have received attested telegraphic communication confirming execution of) a counterpart executed by the undersigned.

7. It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations, warranties, undertakings and agreements herein made on the part of the undersigned, are made and intended not as personal representations, warranties, undertakings and agreements by the undersigned in its individual capacity or for the purpose or with the intention of binding the undersigned personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in a Trust Agreement No. 2 dated as of the date hereof between American Security Bank, N.A., and the undersigned (hereinafter called the Trust Agreement), and this agreement is executed and delivered by the undersigned 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 gross negligence or wilful misconduct, no personal liability or personal responsi-

bility is assumed by or shall at any time be asserted or enforceable against the undersigned on account of this agreement or on account of any representation, warranty, undertaking or agreement of the undersigned herein either expressed or implied, all such personal liability, if any, being expressly waived and released by you and by all persons claiming by, through or under you.

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

Very truly yours,

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee,

by

_____
Authorized Officer

[SEAL]

Attest:

by

_____
Authorized Officer

ACCEPTED:

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

by

_____
Assistant Vice President

Attested:

by

_____
Corporate Trust Officer

STATE OF CONNECTICUT,)
) ss.:
COUNTY OF HARTFORD,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, that the seal affixed to the foregoing instrument is the corporate seal of said corporation and 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 a free act and deed of said corporation.

Notary Public

[NOTARIAL SEAL]

My commission expires

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

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, that the seal affixed to the foregoing instrument is the corporate seal of said corporation and 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 a free act and deed of said corporation.

Notary Public

[NOTARIAL SEAL]

My commission expires

TRANSFER AGREEMENT

(No. 2)

ANNEX I

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
115	50-Ton Box Cars	L&N	97109, 97110, 97161, 97195, 97314, 97355, 98115, 98138, 98386, 98389, 98404, 98437, 98446, 98532, 98546, 98569, 108538, 108541, 108605, 108613, 108648, 108685, 108698, 108709, 108726, 108775, 108800, 108801, 108808, 108810, 108812, 108816, 108824, 108829, 108834, 108847, 108849, 108859, 108865, 108873, 108878, 108881, 108882, 108884, 108885, 108886, 108893, 108897, 108902, 108905, 108910, 108918, 108919, 108926, 108927, 108928, 108930, 108934, 108936, 108956, 108962, 108964, 108971, 108972, 108974, 108976, 108978, 108983, 108987, 109000, 109008, 109027, 109034, 109035, 109044, 109046, 109052, 109053, 109065, 109073, 109084, 109090, 109098, 109115, 109117, 109118, 109134, 109141, 109143, 109145, 109155, 109159, 109172, 109173, 109175, 109186, 109188, 109196, 109198, 109205, 109208, 109227, 109228, 109234, 109238, 109240, 109253, 109255, 109275, 109311, 109348, 109365, 109366, 109375, 109389

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
85	70-Ton Box Cars	L&N	100005, 100076, 100084, 100096, 100102, 100113, 100164, 100165, 100166, 100171, 100216, 100226, 100230, 100272, 100280, 100304, 100327, 100344, 100362, 100373, 100396, 100419, 100429, 100473, 100489, 100518, 100528, 100534, 100579, 100598, 100696, 100700, 100717, 100737, 100739, 100741, 100777, 102000, 102014, 102030, 102032, 102036, 102064, 102067, 102073, 102088, 102094, 102097, 102313, 102317, 102479, 102509, 102607, 102626, 102679, 102689, 102697, 102717, 102718, 102754, 102789, 103111, 103143, 103176, 103177, 103183, 103212, 103263, 103273, 103286, 103313, 103319, 103329, 103384, 103409, 103470, 103508, 103519, 103536, 103544, 103584, 103750, 103833, 103867, 103884
56	70-Ton Open-Top Hoppers	L&N	153014, 153019, 153199, 153229, 153255, 153277, 153308, 153408, 153427, 153479, 153494, 153537, 153571, 153574, 153581, 153618, 153843, 153892, 154018, 154092, 154120, 154126, 154145, 154215, 154320, 154628, 154688, 154712, 154713, 154827, 154861, 154917, 154940, 154952, 154955, 154968, 154972, 155002, 155030,

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
			155147, 155266, 155293, 155296, 155404, 155482, 155731, 155811, 155843, 155931, 155973, 156024, 156091, 156092, 156107, 156108, 156123
86	80-Ton Open-Top Hoppers	L&N	180067, 180227, 180436, 180575, 180616, 180617, 180804, 180833, 180914, 182298, 182415, 182439, 182549, 182589, 182827, 182877, 182887, 183048, 183056, 183156, 183344, 183492, 183498, 183614, 183621, 183932, 183985, 184089, 184116, 184143, 184208, 184361, 184533, 184829, 184841, 184850, 184926, 184942, 184953, 185025, 185288, 185356, 185623, 185728, 186223, 186289, 186339, 186364, 186384, 186408, 186411, 186495, 186621, 186736, 186964, 187060, 187193, 187234, 187242, 187404, 187488, 187537, 187746, 187908, 187987, 188211, 188323, 188359, 188444, 188477, 188486, 188619, 188666, 188900, 188947, 189028, 189065, 189155, 189163, 189256, 189257, 189271, 189308, 189327, 189377, 189381
33	100-Ton Open-Top Hoppers	L&N	191007, 191021, 191113, 191129, 191140, 191212, 191221, 191236, 191283, 191292, 191342, 191389, 191409, 191444, 191546, 191594, 191604, 191615,

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
			191634, 191638, 191640, 191645, 191659, 191667, 191670, 191697, 191724, 191754, 191763, 191772, 191787, 191809, 191886
218	70-Ton Gondola Cars	L&N	26007, 26016, 26017, 26019, 26033, 26040, 26046, 26057, 26062, 26077, 26085, 26087, 26088, 26089, 26090, 26100, 26114, 26134, 26161, 26164, 26179, 26185, 26232, 26234, 26260, 26285, 26288, 26720, 26736, 26740, 39005, 39059, 39070, 39098, 39100, 39103, 39105, 39125, 39145, 39146, 39147, 39153, 39155, 39172, 39173, 39193, 39195, 39202, 39226, 39227, 39231, 39233, 39235, 39239, 39242, 39245, 39270, 39279, 39286, 39287, 39290, 39291, 39293, 39301, 39311, 39330, 39331, 39353, 39356, 39372, 39391, 39394, 39395, 39398, 39404, 39405, 39415, 39421, 39425, 39430, 39439, 39455, 39479, 39488, 39506, 39510, 39522, 39523, 39566, 39572, 39574, 39626, 39631, 39660, 39672, 39684, 39688, 39708, 39712, 39717, 39773, 39780, 39786, 39788, 39805, 39816, 39825, 39850, 39855, 39864, 39872, 39886, 39897, 39913, 39916, 19934, 39960, 39979, 170003, 170016, 170037, 170083, 170125, 170217, 170224, 170232, 170258, 170267, 170270, 170273, 170289, 170291, 170298, 170309, 170333, 170389, 170399, 170413, 170430, 170439, 170457,

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
			170465, 170484, 170491, 170498, 170501, 170506, 170510, 170522, 170576, 170588, 170589, 170601, 170629, 170637, 170659, 170666, 170670, 170673, 170674, 170679, 170692, 170698, 170729, 170732, 170748, 170761, 170768, 170797, 170833, 170834, 170837, 170865, 170878, 170947, 170951, 170977, 171030, 171071, 171076, 171093, 171095, 171105, 171112, 171136, 171202, 171248, 171250, 171256, 171277, 171303, 171358, 171365, 171387, 171389, 171509, 171553, 171558, 171678, 171689, 171703, 171707, 171742, 171804, 171901, 171946, 172042, 172052, 172054, 173078, 173080, 173086, 173087, 173088, 173089, 173091, 173092, 173100
32	100-Ton Gondola Cars	L&N	175012, 175026, 175035, 175041, 175044, 175046, 175057, 175059, 175074, 175089, 175091, 175098, 176007, 176035, 176049, 176077, 176097, 176126, 176179, 176182, 176227, 176279, 176308, 176333, 176396, 176493, 176500, 176662, 176692, 176735, 176766, 176791
80	100-Ton Covered Hopper Cars	L&N	200088, 200159, 200160, 200200, 200212, 200225, 200263, 200309, 200318, 200321, 200342, 200400,

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
			200404, 200432, 200447, 200465, 200536, 200571, 201003, 201005, 201014, 201019, 201031, 201033, 201036, 201042, 201055, 201064, 201066, 201068, 201070, 201072, 201080, 201081, 201093, 201100, 201112, 201121, 201140, 201167, 201204, 201210, 201218, 201228, 201231, 201264, 201270, 201278, 201295, 201386, 201398, 201433, 201440, 201443, 201449, 201461, 201468, 201485, 201499, 240089, 240197, 240237, 240282, 250027, 250031, 250032, 250034, 250038, 250042, 250052, 250068, 250088, 250093, 250101, 250106, 250108, 250112, 250126, 250129, 250131
4	70-Ton Bulkhead Flat Cars	L&N	22508, 22636, 22643, 22771
4	100-Ton Bulkhead Flat Cars	L&N	22304, 22306, 22932, 22961,
32	50-Ton Flat Cars	MON	7201, 7203, 7206, 7212, 7220, 7221, 7224, 7229, 7231, 7234, 7235, 7236, 7242, 7246, 7247, 7248, 7250, 7607
		L&N	21406, 21414, 22264, 22269, 22273, 22274, 22291, 23902, 23903, 23904, 23906, 23910, 23912, 23914

Quantity*	Description	Rail-Road Prefix	Hulk* Railroad Numbers
50	70-Ton Covered Hopper Cars to Ballast Cars	L&N	37859, 37865, 37866, 37873, 37880, 37887, 37891, 37904, 37907, 37912, 37916, 37935, 37960, 37970, 37980, 37998, 38006, 38035, 38056, 38057, 38067, 38073, 38082, 38098, 38099, 38109, 38124, 38138, 38141, 38155, 38162, 38228, 38263, 38269, 38282, 38285, 38290, 38309, 38324, 38335, 38337, 38342, 38352, 38361, 38387, 38407, 38426, 38434, 38445, 38524
33	50-Ton Pulpwood Cars to Welded Rail Cars	L&N	20516, 20542, 20553, 20558, 20574, 20593, 20624, 20633, 20659, 20682, 20693, 20694, 20720, 20726, 20728, 20729, 20740, 20772, 20797, 20798, 20803, 20809, 20817, 20848, 20877, 20906, 20914, 20929, 20941, 20961, 20963, 20966, 20968
828			

* Although this Annex I sets forth the description of 828 Hulks, Transfer Agreement No. 2 dated as of the date hereof, between Mercantile-Safe Deposit and Trust Company, as Agent, and The Connecticut Bank and Trust Company, as Trustee, will cover only those Hulks which are delivered to the Trustee for reconstruction into Units of Equipment having an aggregate purchase price not exceeding $7,000,000 under Reconstruction and Conditional Sale Agreement No. 2, dated as of the date hereof, between Mercantile-Safe Deposit and Trust Company as Agent, L&N Investment Corporation and The Connecticut Bank and Trust Company as Trustee. Following completion of deliveries, this Annex I will be amended to delete from the description those Hulks not covered.

EXHIBIT B
to the
RECONSTRUCTION AND
CONDITIONAL SALE
AGREEMENT

[CS&M Ref: 3750-017]

LEASE OF RAILROAD EQUIPMENT
(No. 2)

Dated as of February 1, 1978

Between

LOUISVILLE AND NASHVILLE RAILROAD COMPANY,
as Lessee,

and

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity but solely as Owner Trustee,
as Lessor

LEASE OF RAILROAD EQUIPMENT

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LEASE OF RAILROAD EQUIPMENT No. 2, dated as of February 1, 1978, between LOUISVILLE AND NASHVILLE RAILROAD COMPANY (hereinafter called the Lessee) and THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not in its individual capacity but solely as Trustee (hereinafter called the Lessor or the Vendee) under a Trust Agreement No. 2 dated as of the date hereof (hereinafter called the Trust Agreement), with American Security Bank, N.A. (hereinafter called a Beneficiary).

Mercantile-Safe Deposit and Trust Company, not in its individual capacity but solely as Agent under a Participation Agreement No. 2 dated as of the date hereof (hereinafter called the Participation Agreement) with the Lessor, the Lessee, the Beneficiary and the parties named in Schedule A thereto (said Agent, as so acting, being hereinafter, together with its successors and assigns, called the Vendor), L & N Investment Corporation (hereinafter called the Builder) and the Vendee are entering into a Reconstruction and Conditional Sale Agreement No. 2 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 on or prior to the Cut-Off Date (as defined in Article 3 of 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 and the Builder a certificate of acceptance and delivery (hereinafter called the Certificate of Delivery), 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 three interim and 20 consecutive semiannual payments. The interim payments are payable on October 20, 1978, April 20, 1979, and the Cut-Off Date (as defined in the Participation Agreement) or as promptly thereafter as practicable. The 20 semiannual payments are payable on April 20 and October 20 in each year, commencing October 20, 1979, to and including April 20, 1989. The interim payment on October 20, 1978, shall be in an amount equal to the sum of (i) the product of the Purchase Price (as such term is defined in the Security Document) for each Unit subject to the Lease multiplied by .0246528% for each day elapsed from and including the date such Unit is settled for under the Security Document to but not including October 20, 1978, plus (ii) an amount equal to the amount required by the Lessor to make the payment on October 20, 1978, provided for in clause (b) of the last paragraph of Paragraph 9 of the Participation Agreement. The interim payment on April 20, 1979, shall be in an amount equal to the sum of (i) the product of the Purchase Price for each Unit subject to the Lease multiplied by .0246528% for each day elapsed from and including the later of October 20, 1978, or the date such Unit is settled for under the Security Document to but not including April 20, 1979, plus (ii) an amount equal to the amount required by the Lessor to make the payment on April 20, 1979, provided for in clause (b) of the last paragraph of Paragraph 9 of the Participation Agreement. 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 Owner Trustee to the Agent pursuant to clause (a) of the last paragraph of Paragraph 9 of the Participation Agreement. The 20 semiannual rental payments with respect to each Unit then subject to this Lease shall each be in an amount equal

to 5.386418% of the Purchase Price of each such Unit for each Unit delivered and accepted under the Security Document on or prior to December 31, 1978; and the applicable percentage of the Purchase Price of each such Unit shall be 5.868304% for each Unit delivered and accepted from January 1, 1979, through April 20, 1979. The foregoing rental rates have been calculated on the assumption that 70.44718% of the Purchase Price of the Units will be provided by the Vendor out of Investors' Funds (as such term is defined in Paragraph 6 of the Participation Agreement). If for any reason the Investors' Funds are not available and the Lessor pays more than 29.55282% 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 Reconstruction Cost (as defined in the Security Document) of all units settled for under the Security Document is other than 73.57446% of the Purchase Price of such Units, the Lessor and the Lessee agree that the rentals payable hereunder and the Casualty Value percentages set forth in Schedule B hereto will be appropriately adjusted in order that the Beneficiary's after-tax return on and rate of recovery of investment and the annual net cash flows (computed on the same assumptions, including, without limitation, tax rates, as were utilized by the Beneficiary 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, or Baltimore, Maryland, are authorized or obligated to remain closed.

The Lessor irrevocably instructs the Lessee to make, and the Lessee agrees to make, all the payments provided for in this Lease for the account of the Lessor or its assigns, care of the Vendor at P. O. Box 2258, Baltimore, Maryland 21203, Attention of Corporate Trust Department, not later than 10:00 a.m., Baltimore time, on the date upon which such payments are due and payable. Such payments shall be accompanied by instructions to the Vendor, first, to apply

such payments to satisfy the obligations of the Lessor under the Security Document, subject to the limitations contained in the last paragraph of Article 3 of the Security Document, and, second, so long as no event of default or event which with the lapse of time and/or demand provided for in the Security Document could constitute an event of default under the Security Document shall have occurred and be continuing, to pay any balance promptly to the Lessor at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in New York or Baltimore Clearing House Funds by 10:00 a.m., local time, in the city where such payment is to be made.

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 on the date on which the final payment of rent in respect thereof is due hereunder.

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 and the Beneficiary for collection or other charges and will be free of expense to the Lessor and the Beneficiary 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 or the Beneficiary receives credit therefor against its United States Federal income tax liability, any foreign income tax payable by said party 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 based on such receipts or gross receipts taxes other than gross receipts taxes in the nature of sales or use taxes, up to the amount of any such taxes which would be payable to the state and city in which the Lessor and the Beneficiary, respectively, has its principal place of business without apportionment to any other state or city, 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 or on the Beneficiary solely by reason of its interest therein 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 the interest of the Beneficiary 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 and/or the Beneficiary affected thereby, adversely affect the title, property or rights of the Lessor or the interest of the Beneficiary hereunder or the Vendor under the Security Document. If any impositions shall have been charged or levied against the Lessor or the Beneficiary directly and paid by the Lessor or the Beneficiary, the Lessee shall reimburse such party on presentation of an invoice therefor.

In the event that the Lessor or the Beneficiary 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 and/or the Beneficiary as will enable the Lessor and/or the Beneficiary 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.

To the extent the Lessee may be prohibited by law from performing in its own name the duties required by this Section 5, the Lessor and the Beneficiary hereby authorizes the Lessee to act in the Lessor's and/or the Beneficiary's own name and on the Lessor's and/or the Beneficiary's behalf; provided, however, that the Lessee shall indemnify and hold the Lessor and the Beneficiary harmless from and

against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action by the Lessee pursuant to his authorization.

The Lessee shall, whenever reasonably requested by the Lessor or the Beneficiary, submit to the Lessor or the Beneficiary copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to the Lessor or the Beneficiary of the Lessee's performance of its duties under this Section 5. The Lessee shall also furnish promptly upon request such data as the Lessor or the Beneficiary reasonably may require to permit the Lessor's or the Beneficiary's compliance with the requirements of taxing jurisdictions.

It is the intention of the parties hereto that (i) the Lessee will treat the Units covered by this Lease as part of the mass of property used by the Lessee in its operations as a common carrier and for ad valorem tax purposes will report the same to the various states and localities where it is required to do so and will pay the requisite tax thereon, and (ii) neither the Owner Trustee nor the Beneficiary will be required so to report any such property or to pay any ad valorem taxes with respect thereto.

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 stated period which shall exceed the then remaining term of this Lease or for an indefinite period, but only when such indefinite period shall exceed the 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 14 hereof, the Lessee shall, within thirty 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 Occur-

rence, 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 an amount equal to the rental payment or payments in respect of such Unit due and payable on such date plus an amount equal to 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" 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.

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) if applicable to such Unit, that percentage of the Reconstruction Cost thereof as set forth in Table 2 of said Schedule B with respect to such Unit; provided, however, that the Casualty Value percentages set forth in Schedule B hereto apply only to Units delivered and accepted for under the Security Document on or prior to December 31, 1978. With respect to any Unit delivered and accepted for after December 31, 1978, the Lessor and the Lessee agree that the Casualty Value percentages set forth in Schedule B hereto will be appropriately adjusted in order that the Beneficiary's after-tax return on and rate of recovery of investment and the annual net cash flows (computed on the same assumptions, including, without limitation, tax rates, as were utilized by the Beneficiary in originally evaluating this transaction) will not be increased or decreased by reason thereof; provided, however, that the 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.

Whenever any Unit shall suffer a Casualty Occurrence at the end of the term of this Lease or after termina-

tion 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 32.613% 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" basis, and the Lessee accepts such appointment and agrees to use its best efforts to dispose of any such unit in such manner. 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 property insurance in respect of the Units at the time subject hereto, and public liability insurance, in amounts and against risks customarily insured against by the Lessee in respect of similar equipment owned by it, and the benefits thereof shall be payable to the Vendor, the Lessor and the Lessee, as their interests may appear, so long as the indebtedness, if any, evidenced by the Security Document shall not have been paid in full, and thereafter to the Lessor and the Lessee as their interests may appear. If the Lessor shall receive any insurance proceeds from insurance maintained by the Lessee pursuant hereto or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee having made payment of the Casualty Value in respect of such Unit, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to a Unit paid by the Lessee and any balance of such proceeds or condemnation payments shall remain the property of the Lessor. All insurance proceeds received by the Lessor in respect of any Unit not suffering a Casualty Occur-

rence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired.

Section 7. Annual Reports. On or before March 31 in each year, commencing with the calendar year 1979, the Lessee will cause to be furnished to the Lessor, the Vendor and the Beneficiary, 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 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 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 Delivery 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; <u>provided, however</u>, 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 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.

Upon or prior to the return of any Unit by the Lessee to the Lessor pursuant to Section 10 or 13 hereof, the Lessee agrees that it will, at its expense, remove any additions, modifications and improvements made by the Lessee pursuant to the second sentence of this paragraph without causing material damage to such Unit. In the event the Lessee shall make any alteration, replacement, addition or modification to any Unit pursuant to the first sentence of this paragraph (the "Alterations"), the Lessor agrees that it will include the cost thereof in its gross income for Federal income tax purposes. 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 Beneficiary'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, the Lessee will give written notice thereof to the Lessor describing, in reasonable detail, the Alterations and specifying the cost thereof with respect to each Unit.

The Lessee agrees to indemnify, protect and hold harmless the Lessor, the Beneficiary and the Vendor (in each case in their individual and fiduciary capacities) from and against all losses, damages, injuries, liabilities (including without limitation strict or absolute liabilities), claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, reasonable 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, 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 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. Nothing in this Section 8 shall constitute a guaranty by the Lessee of the Conditional Sale

Indebtedness of the Lessor under the Security Document or a guaranty of the residual value of any Unit.

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;

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 30 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 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 have been duly assumed in writing,pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the 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;

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 1.433% per annum discount, compounded semi-annually 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.

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 have been interchanged to return the 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 for a period not exceeding 270 days 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.

Each unit returned to the Lessor pursuant to this Section 10 shall comply with the requirements set forth in the penultimate sentence of the first paragraph of Section 13 hereof. 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, 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.

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 greater of (i) the daily Fair Rental Value (determined in the manner provided in Section 12 hereof) for such Unit, or (ii) an amount equal to 0.029925% of the Purchase Price of such Unit, exceeds the actual earnings received by the Lessor on such Unit for each such day plus the amount of any interest payable by the Lessor for any day during such period which is due under the Security Document because of the Lessor's failure to pay principal or interest thereunder on the due date thereof.

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 Lessee hereby acknowledges notice of the assignment in respect of this Lease set forth in the Assignment of Lease and Agreement dated as of the date hereof, between the Lessor and the Vendor (a copy of which has been delivered to the Lessee), and agrees to make payments to the Vendor as provided therein. 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 thereunder in the manner and to the extent therein provided. In the event that, pursuant to such assignment and the rights of the Vendor thereunder and under the Security Document, the Vendor shall at any time cause this Lease to be terminated, the Lessee agrees that following the payment in full by the Vendee of the entire unpaid Conditional Sale Indebtedness (as defined in the Security Document) together with interest thereon, the Vendee may enforce compliance by the Lessee with its covenants and agreements under this Lease.

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 transfer its leasehold interest under this Lease in the Units or any of them. The Lessee, at its own expense, will promptly pay or discharge or cause to be paid and 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 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. 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 six months prior to the end of the then current term of this Lease to extend the term of this Lease in respect of all, but not less than all, the Units then covered by this Lease for (a) one additional one and one-half-year term commencing on the scheduled expiration of the original term at a semiannual rental equal to 60% of the semiannual rental for the original term; (b) one additional one-year period commencing on the scheduled expiration of the first extended term at a semiannual rental equal to 60% of the semiannual rental for the original term; and (c) for one or two additional one-year periods commencing on the scheduled expiration of the

immediately prior extended term at a semiannual rental equal to the "Fair Market Rental" of such Units as of the commencement of any such extended term. All such semiannual rental payments shall be made on April 20 and October 20 of 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 and in all cases Units shall be appraised as if the Lessee had maintained the same in accordance with Section 6 hereof.

If, after 50 days from the giving of notice by the Lessee of the Lessee's election to extend the term of this Lease pursuant to clause (c) of the preceding paragraph, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental of the Units, such rental shall be determined in accordance with the foregoing definition 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 days after such notice is given, each party shall appoint an independent appraiser within 25 days after such notice is given, and the two appraisers so appointed shall within 35 days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 35 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 the Fair Market Rental of the Units subject to the proposed extended term within 60 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 Fair Market Rental 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 the Fair Market Rental. 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 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 or any of its affiliates as the Lessor may designate or, in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Unit on such tracks for a period not exceeding three months and transport the same, at any time within such three-month 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 or lessee 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 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.

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 greater of (i) the daily Fair Rental Value (determined in the manner provided in Section 12 hereof) for such Unit, or (ii) an amount equal to 0.029495% of the Purchase Price of such Unit, exceeds the actual earnings received by the Lessor on such Unit for each such day.

Section 14. Severability. 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 15. Recording; Expenses. The Lessee, at its own expense, will cause this Lease, 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, re-recording 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, re-register, re-record 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 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 16. Interest on Overdue Rentals. Anything to the contrary herein contained 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 10-3/8% 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 17. 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

One Constitution Plaza,
Hartford, Connecticut 06115,

Attention of Corporate Trust Department,

with a copy to the Beneficiary and to GATX Leasing Corporation, One Embarcadero Center, San Francisco, California 94111, Attention of Contracts Administration,

if to the Lessee, at

908 West Broadway
Louisville, Kentucky 40201,

if to the Vendor, at

P. O. Box 2258,
Baltimore, Maryland 21203,

Attention of Corporate Trust Department,

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 18. Effect and Modification of Lease. Except for the Participation Agreement and the Indemnity Agreements dated as of the date hereof between the Lessee and the Beneficiary, 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 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 Lessor shall be deemed to be the original counterpart. It shall not be necessary that any counterpart be signed by both parties so long as each party shall sign at least one counterpart. This Lease shall be valid, binding and effective at such time as the Vendor shall have received (or as to which the Vendor shall have received attested telegraphic communication confirming execution of) counterparts executed by the Lessor and the Lessee. 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. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the Commonwealth of Kentucky; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

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 representations, warranties, 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, warranties, undertakings and agreements by the Lessor in its individual capacity, or for the purpose or with the intention of binding the Lessor 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 the Lessor solely

in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of gross negligence or wilful misconduct, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against the Lessor on account of any representation, warranty, undertaking or agreement herein 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.

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Owner Trustee,

by

[Seal]

_____
Authorized Officer

Attest:

_____
Authorized Officer

LOUISVILLE AND NASHVILLE RAILROAD COMPANY,

by

[Corporate Seal]

_____
Assistant Vice President

Attest:

_____
Assistant Secretary

STATE OF CONNECTICUT,)
) ss.:
COUNTY OF HARTFORD,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK 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

COMMONWEALTH OF KENTUCKY,)
: ss.:
COUNTY OF JEFFERSON,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is Assistant Vice President of LOUISVILLE AND NASHVILLE RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that such instrument was this day 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

SCHEDULE A

Quantity*	AAR Mechanical Designation	Description	L&N* Railroad Road Numbers (Inclusive)	Builder's Specification Number
105	XL	50-Ton Box Cars	96489-96593	L&N 78-1
10	XM	50-Ton Box Cars	110242-110251	L&N 78-1
49	XL	70-Ton Box Cars	112368-112416	L&N 78-1
36	XM	70-Ton Box Cars	112841-112876	L&N 78-1
56	HT	70-Ton Open Top Hoppers	76394-76449	L&N 78-2
86	HT	80-Ton Open Top Hoppers	189558-189643	L&N 78-2
33	HT	100-Ton Open Top Hoppers	192057-192089	L&N 78-2
206	GB	70-Ton Gondola Cars	26745-26747 27327-27398 27554-27644 27748-27763 29020-29041 29200-29201	L&N 78-3
2	GBS	70-Ton Gondola Cars	26283-26284	L&N 78-3
1	GBSR	70-Ton Gondola Car	26259	L&N 78-3

Quantity*	AAR Mechanical Designation	Description	L&N* Railroad Road Numbers (Inclusive)	Builder's Specification Number
9	LG	70-Ton Gondola Cars	27399-27405 27764-27765	L&N 78-3
12	GBS	100-Ton Gondola Cars	27983-27994	L&N 78-3
20	GB	100-Ton Gondola Cars	27645-27664	L&N 78-3
80	LO	100-Ton Covered Hopper Cars	201615-201655 205158-205179 250500-250516	L&N 78-4
8	FMS	70-Ton Flat Cars	22295 23916-23922	L&N 78-8
4	FB	70-Ton Bulkhead Flat Cars	990602, 990910 991004, 991005	L&N 78-5
2	FB	100-Ton Bulkhead Flat Cars	990309, 990310	L&N 78-5
2	FB	100-Ton Bulkhead Flat Cars	990400, 990401	L&N 78-5
24	FM	50-Ton Flat Cars	21510 21553-21556 21748-21766	L&N 78-8
50	LO	70-Ton Covered Hopper Cars to Ballast Cars	45101-45150	L&N 78-6

Quantity*	AAR Mechanical Designation	Description	L&N* Railroad Road Numbers (Inclusive)	Builder's Specification Number
33	LP	50-Ton Pulpwood to Welded Rail Cars	42934-42966	L&N 78-7
828				

* Although this Schedule A sets forth the description of 828 Units, Lease No. 2, dated as of the date hereof, between The Connecticut Bank and Trust Company, as Trustee, Lessor, and Louisville and Nashville Railroad Company, Lessee, will cover only those Units, having an aggregate purchase price not exceeding $7,000,000, which are delivered to said Lessor under Reconstruction and Conditional Sale Agreement No. 2, dated as of the date hereof, between Mercantile-Safe Deposit and Trust Company, as Agent, L&N Investment Corporation and said Lessor. Following completion of deliveries, this Schedule A will be amended to delete from the description those Units not covered.

SCHEDULE B

Casualty Value Percentages Schedule

Table 1

Rental No.	Rental Payment Date	Percentage of Purchase Price for each Unit
Interim	April 20, 1979	92.874
1	October 20, 1979	91.897
2	April 20, 1980	90.269
3	October 20, 1980	89.025
4	April 20, 1981	86.767
5	October 20, 1981	85.200
6	April 20, 1982	82.629
7	October 20, 1982	79.399
8	April 20, 1983	76.487
9	October 20, 1983	74.199
10	April 20, 1984	70.895
11	October 20, 1984	67.897
12	April 20, 1985	64.415
13	October 20, 1985	61.251
14	April 20, 1986	57.437
15	October 20, 1986	53.902
16	April 20, 1987	49.813
17	October 20, 1987	45.945
18	April 20, 1988	41.540
19	October 20, 1988	37.328
20	April 20, 1989, and thereafter	32.613

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 the Indemnity Agreements dated as of the date hereof, between the Lessee and the Beneficiary). 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:

Anniversary of Delivery and Acceptance	Percentage of Reconstruction Cost
Third	19.231
Fifth	12.821
Seventh	6.411

EXHIBIT C
to the
RECONSTRUCTION
AND CONDITIONAL
SALE AGREEMENT

[CS&M Ref: 3750-017]

ASSIGNMENT OF LEASE AND AGREEMENT
(No. 2)

Dated as of February 1, 1978

between

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity but solely 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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ASSIGNMENT OF LEASE AND AGREEMENT No. 2 dated as of February 1, 1978, by and between THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee under a Trust Agreement No. 2 dated as of the date hereof (hereinafter called the Lessor or the Vendee) with AMERICAN SECURITY BANK, N.A. (hereinafter called the Beneficiary), and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, not in its individual capacity but solely as Agent (hereinafter called the Vendor), under a Participation Agreement No. 2 dated as of the date hereof.

The Vendee and the Vendor are entering into a Reconstruction and Conditional Sale Agreement No. 2 dated as of the date hereof (hereinafter called the Security Document), with L&N Investment Corporation 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 Louisville and Nashville Railroad Company (hereinafter called the Lessee) have entered into a Lease of Railroad Equipment No. 2 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; provided, however, that such assignment and transfer shall be limited to the rights and interests of the Lessor under the Lease as above described and shall in no way be deemed to assign any right, title and interest, powers, privileges or other benefits of the Beneficiary which it may have obtained from the Lessee or otherwise with respect to the Units, including, without limitation, all right, title and interest, powers, privileges and benefits of the Beneficiary arising under the Indemnity Agreement dated as of the date hereof between the Beneficiary and the Lessee and any indemnity payable to the Beneficiary under Section 8 of the Lease and indemnities or tax payments payable or to be reimbursed to the Beneficiary under Section 5 of the Lease, which amount shall be paid directly thereto. 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 the last paragraph of 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 promptly to the Lessor not later than the first business day following such receipt at such place as the Lessor shall specify in writing. If the Vendor shall not receive any rental payment under the first para-

graph of Section 2 of the Lease when due, the Vendor shall notify the Lessor at the address set forth in the Lease; 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, receive, compound and give acquittance for 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.

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 its 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 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 Connecticut, 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.

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 22 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 representations, warranties, 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, warranties, undertakings and agreements by the Lessor in its individual capacity or for the purpose or with the intention of binding the Lessor 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 Lessor solely in the exercise of the powers expressly conferred upon the Lessor 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 the Lessor, except for wilful misconduct or gross negligence, or against the Beneficiary under the Trust Agreement or on account of any representation, warranty, undertaking or agreement herein of the Lessor, either expressed or implied, all such personal liability, 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. It shall not be necessary that any counterpart be signed by both parties so long as each party shall sign at least one counterpart. This Assignment shall be valid, binding and effective at such time as the Vendor shall have executed a counterpart and received (or as to which the Vendor shall have received attested telegraphic communication confirming execution of) a counterpart executed by the Lessor.

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 respec-

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

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee,

by

_____
Authorized Officer

[Seal]

Attest:

_____
Authorized Officer

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

STATE OF CONNECTICUT,)
) ss.:
COUNTY OF HARTFORD,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK 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 MARYLAND,)
) ss.:
CITY OF BALTIMORE,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is 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

LESSEE'S CONSENT AND AGREEMENT

The undersigned, LOUISVILLE AND NASHVILLE RAILROAD COMPANY, a corporation duly incorporated under the laws of the Commonwealth of Kentucky, 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 (except as otherwise provided in the proviso in the first paragraph of Paragraph 1 of the Assignment) and other moneys provided for in the Lease directly 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, at 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 may be executed in several counterparts, each of which when so executed shall be deemed an original, and such counterparts together shall constitute one and the same instrument. It shall not be necessary that any counterpart be signed by both the Lessee and

the Vendor so long as the Lessee and Vendor each shall sign at least one counterpart. This Consent and Agreement shall be valid, binding and effective at such time as the Vendor shall have executed a counterpart and shall have received (or as to which the Vendor shall have received attested telegraphic communication confirming execution of) a counterpart executed by the Lessee.

This Consent and Agreement, when executed as aforesaid by the Lessee and when accepted as aforesaid by the Vendor, shall be deemed to be a contract under the laws of the Commonwealth of Kentucky and, for all purposes, shall be construed in accordance with the laws of said State.

Dated as of February 1, 1978

LOUISVILLE AND NASHVILLE
RAILROAD COMPANY,

by

_____
Assistant Vice President

[Corporate Seal]

Attest:

_____
Assistant Secretary

The foregoing Consent and Agreement is hereby accepted, as of the 1st day of February 1978.

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

COMMONWEALTY OF KENTUCKY,)
) ss.:
COUNTY OF JEFFERSON,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is Assistant Vice President of LOUISVILLE AND NASHVILLE RAILROAD COMPANY, that the seal affixed to the foregoing instrument is the corporate seal of said corporation and 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

[Notary Seal]

My Commission expires

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

On this day of 1978, 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

[Notary Seal]

My Commission expires

EXHIBIT D TO THE
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

HULK PURCHASE AGREEMENT
(No. 2)

Louisville and Nashville Railroad Company

The Connecticut Bank and
Trust Company
One Constitution Plaza
Hartford, Connecticut 06115
Attention of Corporate Trust Department

As of February 1, 1978

Gentlemen:

Louisville and Nashville Railroad Company, a corporation organized under the laws of Kentucky (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 The Connecticut Bank and Trust Company (the "Buyer"), acting not in its individual capacity but solely as trustee for a trustor 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 No. 2 (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 No. 2 (the "Participation Agreement") dated as of the date hereof, and L&N Investment Corporation (the "Builder"), deliver to the Buyer a Bill or Bills of Sale transferring title to a group 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 except for the encumbrances expressly set forth in the Hulk Encum-

brance Certificate (as hereinafter provided) and a Hulk Encumbrance Certificate dated as of the date of such Bill or Bills of Sale. On or after the date of such Bill or Bills of Sale, the Seller will deliver the Hulks in such group 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 April 10, 1979.

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 Investor 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) $3,000,000 and (y) the amount of Available Investor 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, (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 Lessee's title to such hulks to the Buyer, and (d) the Hulk Encumbrance Certificate with respect thereto specified in the fifth paragraph hereof.

The Hulk Encumbrance Certificate with respect to each group of the Hulks shall be dated as of the date of the Bill or Bills of Sale for such group of Hulks and shall expressly set forth, as of such date, the information specified in the penultimate sentence of subparagraph (f) of Paragraph 3 of the Participation Agreement. 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 the second paragraph hereof 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) April 20, 1979 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 by reason of the transfer of title to the Hulks prior to such delivery and acceptance 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 (i) this Agreement was duly authorized by it and lawfully executed and delivered for a valid consideration, the performance of this Agreement will not conflict with any provision of law or with its Charter or By-laws or of any agreement binding upon it and (assuming valid authorization, execution and delivery by the Buyer) this Agreement is, insofar as it is concerned, a valid and existing agreement binding upon it in accordance with its terms as they are now in force; and (ii) no approval is required from any regulatory body with respect to the entering into or performance by it of this Agreement.

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 securing encumbrances with respect thereto (which encumbrances, if any, are set forth in the Hulk Encumbrance Certificate). 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 undertakings and agreements herein made on the part of the Buyer, are made and intended not as personal undertakings and agreements by it in its individual capacity for the purpose or with the intention of binding the Buyer 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 the Buyer 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 Buyer or the trustors hereinabove referred to on account of this Agreement or on account of any representation, undertaking or agreement herein of the Buyer, 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 any of it, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

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. It shall not be necessary that any counterpart be signed by both parties so long as each party shall sign at least one counterpart. This Agreement shall be valid, binding and effective at such time as the Agent shall have received (or as to which the Agent shall have received attested telegraphic communication confirming execution of) counterparts executed by the Buyer and Seller.

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, returning one to the Seller, delivering one to the Agent and giving

the telegraphic confirmation of execution to the Agent as aforesaid.

Very truly yours,

LOUISVILLE AND NASHVILLE
RAILROAD COMPANY,

by

_____
Asst. Vice President

[Corporate Seal]

Attest:

_____
Assistant Secretary

Accepted as of the date
first set forth above.
THE CONNECTICUT BANK AND
TRUST COMPANY, acting not
in its individual capacity
but solely as Trustee,

by

_____
Authorized Officer

[Seal]

Attest:

_____
Authorized Officer

COMMONWEALTH OF KENTUCKY,)
: ss.:
COUNTY OF JEFFERSON,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is Assistant Vice President of LOUISVILLE AND NASHVILLE RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that such instrument was this day 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 CONNECTICUT,)
: ss.:
COUNTY OF HARTFORD,)

On this day of 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the 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

EXHIBIT A--HULK PURCHASE AGREEMENT (No. 1)

		Hulk		Hulk	
Quantity*	Description	Rail-Road Prefix	Railroad Numbers*	Purchase Price	Total Purchase Price
115	50-Ton Box Cars	L&N	97109, 97110, 97161, 97195, 97314, 97355, 98115, 98138, 98386, 98389, 98404, 98437, 98446, 98532, 98546, 98569, 108538, 108541, 108605, 108613, 108648, 108685, 108698, 108709, 108726, 108775, 108800, 108801, 108808, 108810, 108812, 108816, 108824, 108829, 108834, 108847, 108849, 108859, 108865, 108873, 108878, 108881, 108882, 108884, 108885, 108886, 108893, 108897, 108902, 108905, 108910, 108918, 108919, 108926, 108927, 108928, 108930, 108934, 108936, 108956, 108962, 108964, 108971, 108972, 108974, 108976, 108978, 108983, 108987, 109000, 109008, 109027, 109034, 109035, 109044, 109046, 109052, 109053, 109065, 109073, 109084, 109090, 109098, 109115, 109117, 109118, 109134, 109141, 109143, 109145, 109155, 109159, 109172, 109173, 109175, 109186, 109188, 109196, 109198, 109205, 109208, 109227, 109228, 109234, 109238, 109240, 109253, 109255, 109275, 109311, 109348, 109365, 109366, 109375, 109389	$4,500	$517,500

Quantity*	Description	Hulk: Rail-Road Prefix	Hulk: Railroad Numbers*	Hulk: Purchase Price	Hulk: Total Purchase Price
85	70-Ton Box Cars	L&N	100005, 100076, 100084, 100096, 100102, 100113, 100164, 100165, 100166, 100171, 100216, 100226, 100230, 100272, 100280, 100304, 100327, 100344, 100362, 100373, 100396, 100419, 100429, 100473, 100489, 100518, 100528, 100534, 100579, 100598, 100696, 100700, 100717, 100737, 100739, 100741, 100777, 102000, 102014, 102030, 102032, 102036, 102064, 102067, 102073, 102088, 102094, 102097, 102313, 102317, 102479, 102509, 102607, 102626, 102679, 102689, 102697, 102717, 102718, 102754, 102789, 103111, 103143, 103176, 103177, 103183, 103212, 103263, 103273, 103286, 103313, 103319, 103329, 103384, 103409, 103470, 103508, 103519, 103536, 103544, 103584, 103750, 103833, 103867, 103884	$4,500	$382,500
56	70-Ton Open-Top Hoppers	L&N	153014, 153019, 153199, 153229, 153255, 153277, 153308, 153408, 153427, 153479, 153494, 153537, 153571, 153574, 153581, 153618, 153843, 153892, 154018, 154092, 154120, 154126, 154145, 154215, 154320, 154628, 154688, 154712, 154713, 154827, 154861, 154917, 154940, 154952, 154955, 154968, 154972, 155002, 155030,		

Quantity*	Description	Hulk Rail-Road Prefix	Hulk Railroad Numbers*	Hulk Purchase Price	Hulk Total Purchase Price
	70-Ton Open-Top Hoppers (Cont'd)	L&N	155147, 155266, 155293, 155296, 155404, 155482, 155731, 155811, 155843, 155931, 155973, 156024, 156091, 156092, 156107, 156108, 156123		
86	80-Ton Open-Top Hoppers	L&N	180067, 180227, 180436, 180575, 180616, 180617, 180804, 180833, 180914, 182298, 182415, 182439, 182549, 182589, 182827, 182877, 182887, 183048, 183056, 183156, 183344, 183492, 183498, 183614, 183621, 183932, 183985, 184089, 184116, 184143, 184208, 184361, 184533, 184829, 184841, 184850, 184926, 184942, 184953, 185025, 185288, 185356, 185623, 185728, 186223, 186289, 186339, 186364, 186384, 186408, 186411, 186495, 186621, 186736, 186964, 187060, 187193, 187234, 187242, 187404, 187488, 187537, 187746, 187908, 187987, 188211, 188323, 188359, 188444, 188477, 188486, 188619, 188666, 188900, 188947, 189028, 189065, 189155, 189163, 189256, 189257, 189271, 189308, 189327, 189377, 189381	$4,500	$387,000
33	100-Ton Open-Top Hoppers	L&N	191007, 191021, 191113, 191129, 191140, 191212, 191221, 191236, 191283, 191292, 191342, 191389, 191409, 191444, 191546, 191594, 191604, 191615,	4,500	148,500

Quantity*	Description	Hulk Rail-Road Prefix	Hulk Railroad Numbers*	Hulk Purchase Price	Hulk Total Purchase Price
	100-Ton Open Top Hoppers (Cont'd)	L&N	191634, 191638, 191640, 191645, 191659, 191667, 191670, 191697, 191724, 191754, 191763, 191772, 191787, 191809, 191886		
218	70-Ton Gondola Cars	L&N	26007, 26016, 26017, 26019, 26033, 26040, 26046, 26057, 26062, 26077, 26085, 26087, 26088, 26089, 26090, 26100, 26114, 26134, 26161, 26164, 26179, 26185, 26232, 26234, 26260, 26285, 26288, 26720, 26736, 26740, 39005, 39059, 39070, 39098, 39100, 39103, 39105, 39125, 39145, 39146, 39147, 39153, 39155, 39172, 39173, 39193, 39195, 39202, 39226, 39227, 39231, 39233, 39235, 39239, 39242, 39245, 39270, 39279, 39286, 39287, 39290, 39291, 39293, 39301, 39311, 39330, 39331, 39353, 39356, 39372, 39391, 39394, 39395, 39398, 39404, 39405, 39415, 39421, 39425, 39430, 39439, 39455, 39479, 39488, 39506, 39510, 39522, 39523, 39566, 39572, 39574, 39626, 39631, 39660, 39672, 39684, 39688, 39708, 39712, 39717, 39773, 39780, 39786, 39788, 39805, 39816, 39825, 39850, 39855, 39864, 39872, 39886, 39897, 39913, 39916, 39934, 39960, 39979, 170003, 170016, 170037, 170083, 170125, 170217, 170224, 170232, 170258, 170267, 170270, 170273, 170289, 170291, 170298, 170309, 170333, 170389, 170399, 170413, 170430, 170439, 170457,	$4,500	$981,000

Quantity*	Description	Hulk Rail-Road Prefix	Hulk Railroad Numbers*	Hulk Purchase Price	Hulk Total Purchase Price
	70-Ton Gondola Cars (Cont'd)	L&N	170465, 170484, 170491, 170498, 170501, 170506, 170510, 170522, 170576, 170588, 170589, 170601, 170629, 170637, 170659, 170666, 170670, 170673, 170674, 170679, 170692, 170698, 170729, 170732, 170748, 170761, 170768, 170797, 170833, 170834, 170837, 170865, 170878, 170947, 170951, 170977, 171030, 171071, 171076, 171093, 171095, 171105, 171112, 171136, 171202, 171248, 171250, 171256, 171277, 171303, 171358, 171365, 171387, 171389, 171509, 171553, 171558, 171678, 171689, 171703, 171707, 171742, 171804, 171901, 171946, 172042, 172052, 172054, 173078, 173080, 173086, 173087, 173088, 173089, 173091, 173092, 173100		
32	100-Ton Gondola Cars	L&N	175012, 175026, 175035, 175041, 175044, 175046, 175057, 175059, 175074, 175089, 175091, 175098, 176007, 176035, 176049, 176077, 176097, 176126, 176179, 176182, 176227, 176279, 176308, 176333, 176396, 176493, 176500, 176662, 176692, 176735, 176766, 176791	$4,500	$144,000
80	100-Ton Covered Hopper Cars	L&N	200088, 200159, 200160, 200200, 200212, 200225, 200263, 200309, 200318, 200321, 200342, 200400,	4,500	360,000

Quantity*	Description	Hulk Rail-Road Prefix	Hulk Railroad Numbers*	Hulk Purchase Price	Hulk Total Purchase Price
	100-Ton Covered Hopper Cars (Cont'd)	L&N	200404, 200432, 200447, 200465, 200536, 200571, 201003, 201005, 201014, 201019, 201031, 201033, 201036, 201042, 201055, 201064, 201066, 201068, 201070, 201072, 201080, 201081, 201093, 201100, 201112, 201121, 201140, 201167, 201204, 201210, 201218, 201228, 201231, 201264, 201270, 201278, 201295, 201386, 201398, 201433, 201440, 201443, 201449, 201461, 201468, 201485, 201499, 240089, 240197, 240237, 240282, 250027, 250031, 250032, 250034, 250038, 250042, 250052, 250068, 250088, 250093, 250101, 250106, 250108, 250112, 250126, 250129, 250131		
4	70-Ton Bulkhead Flat Cars	L&N	22508, 22636, 22643, 22771	$4,500	$18,000
4	100-Ton Bulkhead Flat Cars	L&N	22304, 22306, 22932, 22961	4,500	18,000
32	50-Ton Flat Cars	MON	7201, 7203, 7206, 7212, 7220, 7221, 7224, 7229, 7231, 7234, 7235, 7236, 7242, 7246, 7247, 7248, 7250, 7607	4,500	144,000
		L&N	21406, 21414, 22264, 22269, 22273, 22274, 22291, 23902, 23903, 23904, 23906, 23910, 23912, 23914		

Quantity*	Description	Hulk Rail-Road Prefix	Hulk Railroad Numbers*	Hulk Purchase Price	Total Purchase Price
50	70-Ton Covered Hopper Cars to Ballast Cars	L&N	37859, 37865, 37866, 37873, 37880, 37887, 37891, 37904, 37907, 37912, 37916, 37935, 37960, 37970, 37980, 37998, 38006, 38035, 38056, 38057, 38067, 38073, 38082, 38098, 38099, 38109, 38124, 38138, 38141, 38155, 38162, 38228, 38263, 38269, 38282, 38285, 38290, 38309, 38324, 38335, 38337, 38342, 38352, 38361, 38387, 38407, 38426, 38434, 38445, 38524	$4,500	$225,000
33	50-Ton Pulpwood Cars to Welded Rail Cars	L&N	20516, 20542, 20553, 20558, 20574, 20593, 20624, 20633, 20659, 20682, 20693, 20694, 20720, 20726, 20728, 20729, 20740, 20772, 20797, 20798, 20803, 20809, 20817, 20848, 20877, 20906, 20914, 20929, 20941, 20961, 20963, 20966, 20968	4,500	148,500
828					$3,726,000

* Although this Exhibit A includes a description of 828 Hulks, Hulk Purchase Agreement No. 2, dated as of the date hereof, between the Connecticut Bank and Trust Company, Trustee, Buyer, and Louisville and Nashville Railroad Company, Seller, will, as provided therein, cover only those Hulks which are delivered to the Buyer for reconstruction into units of Equipment having an aggregate Purchase Price not exceeding $7,000,000 under Reconstruction and Conditional Sale Agreement No. 2 between Mercantile Safe-Deposit Company, as Agent, L&N Investment Corporation and The Connecticut Bank and Trust Company, as Trustee. Following completion of deliveries, this Exhibit A will be amended to delete from the description those Hulks not covered.