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CRAVATH, SWAINE & MOORE RECEIVED

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FEE OPERATION BR.

MAURICE T. MOORE
BRUCE BROMLEY
ROSWELL L. GILPATRICK
ALBERT R. CONNELLY
FRANK H. DETWEILER
GEORGE G. TYLER
JOHN H. MORSE
CHARLES R. LINTON
WILLIAM B. MARSHALL
RALPH L. McAFEE
ROYALL VICTOR
ALLEN H. MERRILL
HENRY W. DEKOSMIAN
ALLEN F. MAULSBY
STEWART R. BROSS, JR.
HENRY P. RIORDAN
JOHN R. HUPPER
SAMUEL C. BUTLER
WILLIAM J. SCHRENK, JR.
BENJAMIN F. CRANE
FRANCIS F. RANDOLPH, JR.
JOHN F. HUNT, JR.
GEORGE J. GILLESPIE, III

RICHARD S. SIMMONS
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MELVIN L. BEDRICK
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DAVID BOIES
DAVID O. BROWNWOOD
PAUL M. DODYK
RICHARD M. ALLEN
THOMAS R. BROME
ROBERT D. JOFFE
ROBERT F. MULLEN

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Date AUG 20 1976
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ICC Washington, D. C.

EDWARD S. PINNEY
L. R. BRESLIN, JR.
HAROLD R. MEDINA, JR.
COUNSEL
4, PLACE DE LA CONCORDE
75008 PARIS, FRANCE
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TERMINAL HOUSE
52, GROSVENOR GARDENS
LONDON, SW1W 0AU, ENGLAND
TELEPHONE: 01-730-5203
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CABLE ADDRESSES
CRAVATH, N.Y.
CRAVATH, PARIS
CRAVATH, LONDON S.W.1

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 Louisiana & Arkansas Railway Company for filing and recordation counterparts of the following documents:

- 1(a) Conditional Sale Agreement (No. 2) dated as of June 15, 1976, between Exchange National Bank of Chicago, as Trustee, and General Motors Corporation (Electro-Motive Division);
- (b) Agreement and Assignment (No. 2) dated as of June 15, 1976, between General Motors Corporation (Electro-Motive Division) and American National Bank & Trust Company of Chicago, as Agent;
- 2(a) Lease of Railroad Equipment (No. 2) dated as of June 15, 1976, between Louisiana & Arkansas Railway Company and Exchange National Bank of Chicago, as Trustee;
- (b) Assignment of Lease and Agreement (No. 2) dated as of June 15, 1976, between Exchange National Bank of Chicago, as Trustee, and American National Bank & Trust Company of Chicago, as Agent;
- (c) Guaranty Agreement (No. 2) dated as of June 15, 1976, between The Kansas City Southern Railway Company and Exchange National Bank of Chicago, as Trustee.

The names and addresses of the parties to the afore-

mentioned Agreements are as follows:

(1) Agent-Vendor-Assignee:

American National Bank & Trust Company of Chicago
33 North LaSalle Street
Chicago, Illinois 60690

(2) Trustee-Vendee-Lessor:

Exchange National Bank of Chicago
130 South LaSalle Street
Chicago, Illinois 60690

(3) Guarantor:

The Kansas City Southern Railway Company
114 West Eleventh Street
Kansas City, Missouri 64105

(4) Builder:

General Motors Corporation
(Electro-Motive Division)
LaGrange, Illinois 60525

(5) Lessee:

Louisiana & Arkansas Railway Company
114 West Eleventh Street
Kansas City, Missouri 64105

Please file and record the documents referred to in this letter and cross-index them under the names of the Agent-Vendor-Assignee, the Trustee-Vendee-Lessor, the Guarantor, the Builder and the Lessee.

The equipment covered by the aforementioned documents consists of the following:

Seven Diesel-Electric Locomotives, bearing identifying numbers KCS670-KCS676.

There is also enclosed a check for \$100 payable to the Interstate Commerce Commission, representing the fee for recording the Conditional Sale Agreement and related Agreement and Assignment (together constituting one document) and the Lease of Railroad Equipment, the related

Assignment of Lease and Agreement and the related Guaranty Agreement (together constituting one document) pursuant to 49CFR1116.1.

Please stamp all counterparts of the enclosed documents with your official recording stamp. You will wish to retain two copies of the instruments for your files. It is requested that the remaining counterparts be delivered to the bearer of this letter.

Very truly yours,



William R. Giusti,
As Agent for Louisiana & Arkansas
Railway Company

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

Encls.

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GUARANTY AGREEMENT
(No. 2)

0449 C
AMERICAN NATIONAL BANK & TRUST COMPANY
CHICAGO, ILL. 60601
REGISTERED OFFICE

GUARANTY AGREEMENT (No. 2) dated as of June 15, 1976, between THE KANSAS CITY SOUTHERN RAILWAY COMPANY, a Missouri corporation (hereinafter called the Guarantor) and EXCHANGE NATIONAL BANK OF CHICAGO, a national banking association, as Trustee (hereinafter called the Trustee), not personally but as trustee under a Trust Agreement dated as of the date hereof with the parties named in Schedule A of said Trust Agreement (hereinafter called the Beneficiaries).

WHEREAS the Trustee and Louisiana & Arkansas Railway Company (hereinafter called the Lessee) are entering into a Lease (No. 2) of Railroad Equipment dated as of the date hereof (hereinafter called the Lease), providing for the leasing by the Trustee to the Lessee of certain units of railroad equipment (hereinafter called the Units);

WHEREAS the Beneficiaries, the Trustee, the Vendor (as hereinafter defined) and the investors named in Schedule B thereto (hereinafter called the Investors) are entering into a Participation Agreement (No. 2) dated as of the date hereof (hereinafter called the Participation Agreement);

WHEREAS the Trustee will assign the Lease and this Agreement for security purposes to American National Bank & Trust Company of Chicago (herein called the Vendor) pursuant to an Assignment of Lease and Agreement (No. 2) (hereinafter called the Lease Assignment), between the Trustee and the Vendor, and the Lessee will consent to the Lease Assignment by execution of a Consent and Agreement; and

WHEREAS as an inducement to the Trustee to enter into the Lease with the Lessee and to lease the Units, or any of them, to the Lessee and as an inducement to the Vendor to invest in the Conditional Sale Indebtedness (as defined in the Conditional Sale Agreement dated as of the date hereof between the Builder named therein and the Trustee (hereinafter called the Conditional Sale Agreement), pursuant to which the Trustee is financing its purchase of the Units), the Guarantor agrees to guarantee as hereinafter provided all obligations and covenants of the Lessee under the Lease;

NOW, THEREFORE, in consideration of the execution and delivery of the Lease and of other good and valuable consideration and the covenants hereinafter contained, the parties hereto agree as follows:

1. The Guarantor hereby unconditionally guarantees to the Beneficiaries and the Trustee the due and punctual payment of the rentals and other payments payable under the Lease, and the due and punctual performance of all obligations of the Lessee under the Lease, and unconditionally guarantees to the Beneficiaries and the Trustee that all sums payable by the Lessee under the Lease will be promptly paid when due, together with interest thereon as therein provided, whether at stated maturity or by declaration or otherwise, and in case of default by the Lessee in any such obligations or payments, the Guarantor agrees punctually to perform or pay the same, irrespective of any enforcement against the Lessee of any of the rights of the Beneficiaries or the Trustee under the Lease or Participation Agreement.

2. The Guarantor hereby agrees that its obligations hereunder shall be absolute and unconditional and shall remain in full force and effect until the Guarantor or the Lessee shall have fully and satisfactorily discharged its obligations hereunder to each Beneficiary and the Trustee (and shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever) irrespective of the genuineness, validity, regularity or enforceability of the Lease or this Guaranty Agreement or any conduct of the Lessee and/or the Trustee or any other circumstances which might constitute a legal or equitable discharge of a surety or guarantor and irrespective of any circumstances which might otherwise limit the recourse of the Trustee or any Beneficiary to the Lessee. The Guarantor hereby waives diligence, presentment, demand for payment, notice of dishonor and protest and notice of assignment of the Lease in whole or in part or of any default thereunder and all notices with respect thereto and all demands whatsoever thereunder and hereunder. No waiver by the Trustee or any Beneficiary of any of its or their rights hereunder or under the Lease and no action by the Trustee or any Beneficiary to enforce any of its rights hereunder or under the Lease or failure to take, or delay in taking, any such action shall affect the obligations of the Guarantor hereunder or thereunder.

3. In the event that the Guarantor shall make any payments to the Trustee or any Beneficiary on account of its guaranty hereunder, the Guarantor hereby covenants and agrees that it shall not acquire any rights, by subrogation or

otherwise, against the Lessee or with respect to any of the Equipment by reason of such payments, all such rights being hereby irrevocably released, discharged and waived by the Guarantor; provided, however, that after the payment by the Guarantor to the Trustee or the Beneficiaries of all amounts payable under the Lease, the Guarantor shall, by subrogation, be entitled to the rights of the Trustee or the Beneficiaries against the Lessee by reason of and to the extent of such payment or payments.

4. The Guarantor represents and warrants as follows:

(a) No authorization or approval from any governmental or public body or authority of the United States of America or of any of the States thereof or the District of Columbia is necessary for the execution, delivery and performance of this Agreement, the Lease or the Lease Assignment or, if any such authorization or approval is necessary, it has been obtained.

(b) The Guarantor has furnished to each Beneficiary and each Investor consolidated balance sheets of the Guarantor as of December 31, 1974 and 1975, and related statements of income and retained earnings for the years then ending and for the six months' period ending June 30, 1976. Such consolidated financial statements are in accordance with the books and records of the Guarantor and have been prepared in accordance with generally accepted accounting principles. These statements have been prepared on a consistent basis throughout the period covered thereby. The consolidated financial statements present fairly the financial condition of the Guarantor at such dates and the results of its operations for such periods.

5. The Guarantor will deliver on or prior to the Closing Date (as defined in the Conditional Sale Agreement) to the Trustee and the Vendor (with a copy to Messrs. Cravath, Swaine & Moore, special counsel to the Vendor, at their address specified in the Participation Agreement) an opinion of counsel for the Guarantor dated on or not more than ten days prior to such Closing Date to the effect set forth in clauses (i) and (iii) of subparagraph (a) of Paragraph 7 of the Participation Agreement in so far as such matters relate to the Guarantor and to the further effect that:

(i) the Guarantor is a corporation duly incorporated, validly existing, and in good standing under

the laws of the State of Missouri and is duly qualified to do business and in good standing in such other jurisdictions in which the business and activities of the Guarantor require such qualification;

(ii) the Guarantor has corporate power, authority and legal right to carry on its business as now conducted, and is duly authorized and empowered to execute and deliver the Guaranty, and to fulfill and comply with the terms, conditions and provisions hereof; the Guaranty has been duly authorized, and has been duly executed and delivered and, assuming due authorization, execution and delivery hereof by the other party hereto, constitutes a valid, legal and binding agreement, enforceable in accordance with its terms;

(iii) to the knowledge of such counsel after reasonable investigation, except as heretofore described to each Investor in writing, there are no actions, suits or proceedings (whether or not purportedly on behalf of the Guarantor) pending or (to the knowledge of the Guarantor) threatened against or affecting the Guarantor or any property rights of the Guarantor at law or in equity, or before any commission or other administrative agency, which could materially and adversely affect the financial condition or operating results of the Guarantor; and the Guarantor (to its knowledge) is not in default with respect to any order or decree of any court or governmental commission, agency or instrumentality which default could materially and adversely affect the financial condition or operating results of the Guarantor;

(iv) to the knowledge of such counsel after reasonable investigation, neither the execution and delivery of the Guaranty nor the consummation of the transactions contemplated herein and in the Lease nor the fulfillment of, or compliance with, the terms and provisions hereof and thereof will conflict with, or result in a breach of, any of the terms, conditions or provisions of the certificate of incorporation (as amended) or the by-laws (as amended) of the Guarantor or of any bond, debenture, note, mortgage, indenture, agreement or other instrument to which the Guarantor is now a party or by which it or its property may be bound, or constitute (with the giving of notice or the passage of time or both) a default thereunder, or result in the creation or imposition of any lien, charge, security interest or other encumbrance of any nature whatsoever upon any property

of the Guarantor pursuant to the terms of any such agreement or instrument;

(v) to the knowledge of such counsel after reasonable investigation, neither the execution and delivery of the Guaranty nor the consummation of the transactions contemplated herein and in the Lease nor the fulfillment of, or compliance with, the terms and provisions hereof and thereof nor compliance with the terms and provisions of the Lease in the event the Guarantor shall become the Lessee thereunder will conflict with, or result in a breach of, any of the terms, conditions or provisions of any law, or any regulation, order, injunction or decree of any court or governmental instrumentality presently in effect within the United States;

(vi) the Guaranty and the Lease have been duly authorized, executed and delivered and are legal and valid instruments, binding on the parties thereto and enforceable in accordance with their terms;

(vii) the Lease and the Lease Assignment have been duly filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act and there have been filed and recorded such financing statements and other documents as may be necessary to perfect and protect the rights and interests of the Vendor in the Lease and the Guaranty and the payments due and to become due under the Lease and the Guaranty in accordance with the laws of the State of Missouri; no other filing or recordation is necessary for the protection of the rights of the Vendor therein or in the Equipment in any state of the United States of America or the District of Columbia; and

(viii) no authorization or approval from any governmental or public body or authority of the United States of America, or of any of the States thereof or the District of Columbia is, to the knowledge of said counsel after reasonable investigation, necessary for the execution, delivery and performance of the Guaranty or the Lease or, if any such authorization or approval is necessary, it has been obtained.

6. The obligations of the Guarantor herein set forth in respect of the Lease shall terminate at the expira-

tion of the original or any extended term of the Lease and upon the satisfaction of the obligations of the Lessee in respect of said original or extended term and of the Guarantor hereunder.

7. This Agreement shall be assignable in whole or in part by the Trustee without the consent of the Guarantor or the Beneficiaries, but the Guarantor shall be under no obligation to any assignee of the Trustee except upon written notice of such assignment. All the rights of the Trustee hereunder shall inure to the benefit of the Beneficiaries and the Trustee's assigns, including the Vendor.

8. The Guarantor hereby acknowledges that it has received copies of the Lease and the Lease Assignment and is fully aware of all the terms and conditions of each such agreement.

9. This Agreement shall in all respects be governed by and construed in accordance with the laws of the State of Missouri.

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

THE KANSAS CITY SOUTHERN RAILWAY COMPANY,

by M J McElain
Vice President

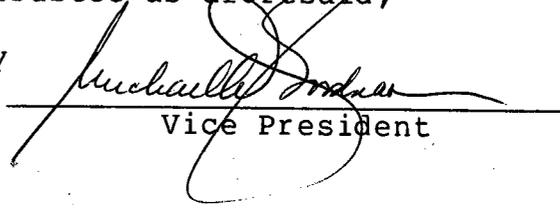
[Corporate Seal]

Attest:

Spaldine D. Dallas
Assistant Secretary

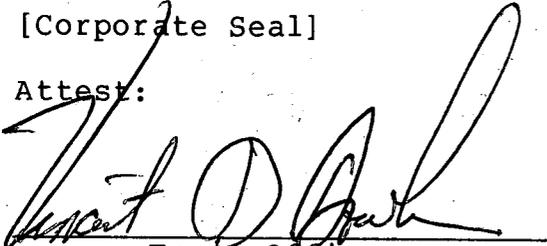
EXCHANGE NATIONAL BANK OF CHICAGO,
as Trustee as aforesaid,

by


Vice President

[Corporate Seal]

Attest:


ASST. Trust Officer

STATE OF MISSOURI,)
) ss.:
COUNTY OF JACKSON,)

On this 13th day of August 1976, before me personally appeared M. J. Mc Clain, to me personally known, who, being by me duly sworn, says that he is Vice President of THE KANSAS CITY SOUTHERN RAILWAY 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.

J. B. Niedermeyer
Notary Public

[Notarial Seal]
My Commission expires
May 29, 1979

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

On this 16 day of August 1976, before me personally appeared MICHAEL D. GOODMAN, to me personally known, who, being by me duly sworn, says that he is Vice President of EXCHANGE NATIONAL BANK OF CHICAGO, 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.

J. Henry Gahnd
Notary Public

[Notarial Seal]
My Commission expires
4/27/78