

FILE SECOND



SEABOARD COAST LINE RAILROAD COMPANY

ROBERT E. NORTHUP
VICE PRESIDENT AND SECRETARY

J. L. WILLIAMS
ASSISTANT VICE PRESIDENT
AND ASSISTANT SECRETARY

3600 West Broad Street
Richmond, Virginia 23230

RECORDATION NO. 1064-A Filed & Recorded

FEB 21 1978 3 40 PM

February 21, 1978

INTERSTATE COMMERCE COMMISSION

CERTIFICATION UNIT

FEB 21 3 33 PM '78

RECEIVED

Mr. H. G. Homme, Jr.
Acting Secretary
Interstate Commerce Commission
Washington, D. C. 20423

Dear Mr. Homme:

I am enclosing for filing and recordation under the provisions of Section 20c of the Interstate Commerce Act, as amended, counterparts Nos. 1 through 8, inclusive, of Equipment Lease dated as of January 1, 1978, described in detail below. Such document by its terms provides that each counterpart shall be deemed an original and, accordingly, counterpart No. 2 may be treated as the original and the others as counterparts thereof.

The equipment being leased was acquired by the Lessor under a Reconstruction Agreement being filed with the Commission simultaneously herewith for recordation immediately prior hereto.

1. Names and addresses of the parties to the Equipment Lease

(a) Lessor - Trust Company for USL, Inc.,
1211 West 22nd Street, Oak Brook, Illinois 60521

(b) Lessee - Seaboard Coast Line Railroad Company,
3600 West Broad Street, Richmond, Virginia 23230

2. Description of the equipment

Identifying marks

"Owned By and Leased From a Bank or Trust Company, as Trustee, and Subject to a Security Agreement Filed Under the Interstate Commerce Act, Section 20c"

8-052A232

FEB 21 1978

50'

M. B. Amerson, Jr.

C. Amerson

Mr. H. G. Homme, Jr. - 2

<u>General</u> <u>Description</u>	<u>Type of</u> <u>Equipment</u>	<u>A.A.R.Mech.</u> <u>Design.</u>	<u>Number</u>	<u>SCL Road Numbers</u>
Box Cars	50' 55-ton	XM and XL	250	28300-28549, incl.

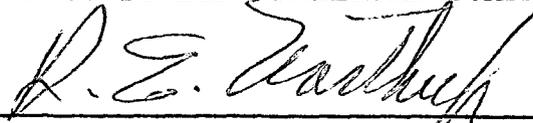
3. Counterparts Nos. 2 through 8 of the above mentioned document should be returned to Mr. Erle J. Zoll, Jr., representing the undersigned, 1000 Connecticut Avenue, N. W., Washington, D. C. 20036.

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

Very truly yours,

SEABOARD COAST LINE RAILROAD COMPANY

By



R. E. Northup
Vice President and Secretary

COUNTERPART NO. 1 OF
8 COUNTERPARTS.

9264-A
RECORDATION NO. Filed & Recorded

FEB 21 1978 3 40 PM

INTERSTATE COMMERCE COMMISSION

EQUIPMENT LEASE

Dated as of January 1, 1978

Between

TRUST COMPANY FOR USL, INC.,
as Trustee under Seaboard Coast Line Trust No. 27

LESSOR

and

SEABOARD COAST LINE RAILROAD COMPANY

LESSEE

(Seaboard Coast Line Trust No. 27)
(250 Rebuilt 50 Foot Boxcars)

TABLE OF CONTENTS

<u>Section</u>	<u>Heading</u>	<u>Page</u>
	Parties	1
1.	Purchase, Reconstruction and Delivery of Equipment ...	1
1.1.	Purchase and Reconstruction Arrangements	1
1.2.	Delivery and Acceptance of Items	2
1.3.	Lessee's Satisfaction with Equipment; Conformance with Specifications and Requirements	2
2.	Rentals and Payment Dates	2
2.1.	Rentals for Equipment	2
2.2.	Adjustment of Rentals	2
2.3.	Rental Payment Dates	4
2.4.	Manner and Place of Rent Payments	4
2.5.	Net Lease	6
3.	Term of the Lease	6
4.	Ownership and Marking of Equipment	6
4.1.	Retention of Title	6
4.2.	Duty to Number and Mark Equipment	6
4.3.	Prohibition Against Certain Designations	7
5.	Disclaimer of Warranties	7
6.	Lessee's Indemnity	8
6.1.	Scope of Indemnity	8
6.2.	Continuation of Indemnities and Assumptions	8
7.	Rules, Laws and Regulations	8
8.	Use and Maintenance of Equipment	9
9.	Liens on Equipment	9

<u>Section</u>	<u>Heading</u>	<u>Page</u>
10.	Filing, Payment of Fees and Taxes	10
10.1.	Filing	10
10.2.	Indemnification for Non-Income Taxes	10
11.	Insurance; Payment for Casualty Occurrence	12
11.1.	Insurance	12
11.2.	Duty of Lessee to Notify Lessor	12
11.3.	Payment for Casualty Loss	12
11.4.	Rent Termination	12
11.5.	Disposition of Equipment	13
11.6.	Casualty Value	13
11.7.	Risk of Loss	13
11.8.	Eminent Domain	13
12.	Annual Reports	14
12.1.	Duty of Lessee to Furnish	14
12.2.	Lessors's Inspection Rights	14
13.	Return of Equipment Upon Expiration of Term	14
14.	Default	15
14.1.	Events of Default	15
14.2.	Remedies	17
14.3.	Cumulative Remedies	18
14.4.	Lessor's Failure to Exercise Rights	19
14.5.	Notice of Event of Default	19
15.	Return of Equipment Upon Default	19
15.1.	Lessee's Duty to Return	19
15.2.	Specific Performance	20
15.3.	Lessor Appointed Lessee's Agent	20
16.	Assignments by Lessor	20
17.	Assignments by Lessee; Use and Possession	21
17.1.	Lessee's Rights to the Equipment	21
17.2.	Use and Possession on Lines Other Than Lessee's Own	22
17.3.	Merger, Consolidation or Acquisition of Lessee.	22
18.	Renewal Options	22

<u>Section</u>	<u>Heading</u>	<u>Page</u>
18.1.	Renewal Options	22
18.2.	Delivery of Equipment	23
19.	Interest on Overdue Rentals and Amounts Paid by Lessor	24
20.	Miscellaneous	24
20.1.	Limitations of Liability	24
20.2.	Notices	25
20.3.	Right of Lessor to Perform	26
20.4.	Execution in Counterparts	26
20.5.	Law Governing	26
20.6.	Headings and Table of Contents	26
20.7.	Severability	26

Attachments to Equipment Lease:

- Schedule A - Description of Items of Equipment
- Schedule B - Certificate of Acceptance under Equipment Lease
- Schedule C-1 - Schedule of Casualty Value
- Schedule C-2 - Alternate Schedule of Schedule Value

SEABOARD COAST LINE RAILROAD COMPANY

EQUIPMENT LEASE

THIS EQUIPMENT LEASE dated as of January 1, 1978 between TRUST COMPANY FOR USL, INC., an Illinois trust company, as trustee (the "Lessor") under a Trust Agreement dated as of January 1, 1978 with NEMLC Leasing Associates No. 1, a Massachusetts limited partnership (the "Trustor") providing for the creation of the trust known as Seaboared Coast Line Trust No. 27, and SEABOARD COAST LINE RAILROAD COMPANY, a Virginia corporation (the "Lessee");

W I T N E S S E T H:

That for and in consideration of the premises and of the rental to be paid and the covenants hereinafter mentioned the parties hereby agree as follows:

SECTION 1. PURCHASE, RECONSTRUCTION AND DELIVERY OF EQUIPMENT.

1.1. Purchase and Reconstruction Arrangements. The Lessor and the Lessee have entered into a Hulk Purchase Agreement dated as of January 1, 1978 (the "Hulk Purchase Agreement") providing for the sale by the Lessee to the Lessor of certain used items of railroad equipment and into a Reconstruction Agreement dated as of January 1, 1978 (the "Reconstruction Agreement") providing for the reconstruction by the Lessee of said items of railroad equipment into those reconstructed items of railroad equipment (collectively the "Equipment" and individually an "Item" or "Item of Equipment") described in Schedule A attached hereto and made a part hereof in accordance with the specifications (the "Specifications") referred to in the Reconstruction Agreement, and upon delivery of each Item of Equipment and the acceptance of such Item of Equipment as provided in Section 1.2 hereof, the Lessor shall lease and let such Item of Equipment to the Lessee and the Lessee shall hire such Item of Equipment from the Lessor for the rental and on and subject to the terms and conditions herein set forth. The Lessor, the Lessee and the Trustor have, together with the investor named in Schedule 1 thereto (the "Note Purchaser"), entered into a Participation Agreement dated as of January 1, 1978 (the "Participation Agreement") setting forth the understanding and agreement of said parties as to the arrangements for payment by the Lessor of the cost of purchase of said used items of railroad equipment and for the reconstruction thereof into the Equipment.

1.2. Delivery and Acceptance of Items. The Lessor will cause each Item of Equipment to be tendered to the Lessee at such point or points as may be determined in accordance with the provisions of Section 2 of the Reconstruction Agreement. Upon such tender, the Lessee will cause an inspector designated and authorized by the Lessee to inspect the same, and, if such Item of Equipment is found to be in good order, to accept delivery of such Item of Equipment and to execute and deliver to the Lessor a Certificate of Acceptance in the form attached hereto as Schedule B (the "Certificate of Acceptance") with respect to such Item of Equipment.

1.3. Lessee's Satisfaction with Equipment; Conformance with Specifications and Requirements. The Lessee's execution and delivery to the Lessor of a Certificate of Acceptance with respect to each Item of Equipment shall conclusively establish that such Item of Equipment is acceptable to and accepted by the Lessee under this Lease, notwithstanding any defect with respect to design, manufacture, condition or in any other respect, and that such Item of Equipment is in good order and condition and appears to conform to the Specifications (as defined in the Reconstruction Agreement) applicable thereto and to all applicable United States Department of Transportation and Interstate Commerce Commission requirements and specifications, if any, and to all standards recommended by the Association of American Railroads applicable to railroad equipment of the character of the Equipment as reconstructed as of the date of this Lease. By execution and delivery of such Certificate of Acceptance, the Lessee represents that it has no knowledge of any such defect.

SECTION 2. RENTALS AND PAYMENT DATES.

2.1. Rentals for Equipment. The Lessee agrees to pay the Lessor, on the dates provided in Section 2.3 hereof the following rentals for the Items of Equipment leased hereunder:

(a) Interim Rental. For each Item of Equipment, an amount (the "Interim Rental") per day set forth in Schedule A hereto (computed on the basis of the actual number of elapsed days) for the period from and including the Closing Date (as defined in the Participation Agreement) for such Item to but not including July 15, 1978.

(b) Fixed Rental. For each Item of Equipment, sixteen (16) consecutive semiannual installments of rental (the "Fixed Rental") each in the amount set forth in Schedule A hereto.

2.2. Adjustment of Rentals. In determining the amount of each installment of Fixed Rental payable pursuant to Section 2.1 hereof, the Lessor and the Lessee have assumed that (i)

on each Closing Date, the Note Purchaser will purchase the principal amount of the Notes contemplated to be purchased thereby in the Participation Agreement (said terms having the meanings therein defined) so that the Trustor shall not be required pursuant to Section 2.4 of the Participation Agreement to pay the entire amount of the Total Cost of the Items of Equipment (as defined in the Participation Agreement) which were to have been settled for on such Closing Date, and (ii) the Items of Equipment will be delivered and accepted hereunder and settled for under the closing arrangements provided in the Participation Agreement so that the average date of delivery and acceptance of all Items of Equipment and the average Closing Date of such Items would be March 15, 1978, and (iii) under no circumstances would any Item of Equipment be delivered and accepted hereunder later than June 30, 1978. In the event that pursuant to Section 2.4 of the Participation Agreement, the Note Purchaser shall fail to purchase the Notes to be issued on a Closing Date and the Trustor shall thereby be required to pay the entire amount of the Total Cost of the Items of Equipment which were to have been settled for on such Closing Date in the manner provided in said Section 2.4, then the installment of Interim Rental provided to be paid per day by the Lessee pursuant to Section 2.1(a) hereof in respect of such Items shall be increased by an amount equal to 0.001656% of the Total Cost of such Items, each of the sixteen semiannual installments of Fixed Rental provided to be paid by the Lessee pursuant to Section 2.1(b) hereof in respect of such Items shall be increased by an amount equal to 0.45827% of the Total Cost of such Items, and the Casualty Values payable in respect of such Items shall, in lieu of the amounts set forth in Schedule C-1 hereto, be the amounts set forth in Schedule C-2 hereto. In the event that any Item of Equipment shall fail to be delivered and accepted hereunder on or prior to June 30, 1978, or in the event that all Items of Equipment are not delivered and accepted hereunder and settled for on Closing Dates as provided in the Participation Agreement in a manner so that the average date of delivery and acceptance of all Items and the average date of settlement for all Items shall not, in both cases, be March 15, 1978, then in either or both such events the Lessee and the Lessor agree that the Fixed Rental and the Casualty Values (as defined in Section 11.6 hereof) shall be adjusted to an amount as shall, in the reasonable opinion of the Trustor, cause the Trustor's after-tax economic yields and cash flows (computed on the same assumptions, including tax rates, as were utilized by the Trustor in originally evaluating this transaction) to equal the after-tax economic yields and cash flows that would have been realized by the Trustor if neither of the conditions specified in clauses (i) and (ii) above had occurred; provided that the Fixed Rental and the Casualty Values, as so adjusted, with respect to any Item of Equipment shall in no event be reduced below amounts necessary to discharge that portion of the principal of and/or interest on the Notes issued under the Participation Agreement due and payable on each rent payment date under this Lease.

2.3. Rental Payment Dates. The installment of Interim Rental with respect to all Items of Equipment shall be due and payable on July 14, 1978. The installments of Fixed Rental for each Item of Equipment shall be due and payable on July 14, 1978 and on the fifteenth day of each January and July thereafter to and including January 15, 1986. If any of the rent payment dates is not a business day, the rent payment otherwise payable on such date shall be payable on the next succeeding business day. For purposes of this Lease, the term "business day" means calendar days, excluding Saturdays, Sundays and holidays on which banks in the State of Illinois or the Commonwealth of Virginia are authorized or required to close.

2.4. Manner and Place of Rent Payments. The Lessor instructs the Lessee to make all payments due hereunder as follows:

(a) The installments of Interim Rental and the first installment of Fixed Rental shall be paid to the Lessor by wire transfer to Harris Trust and Savings Bank, 111 West Monroe Street, Chicago, Illinois 60690, Account No. 429-522-6 Attention: _____.

(b) The portion of any installment of Fixed Rental resulting from an increase in the amount thereof pursuant to Section 2.2 hereof shall be paid in full by wire transfer to New England Merchants National Bank, 28 State Street, Boston, Massachusetts for the account of NEMLC Leasing Associates No.1, Account No. 2010-5201;

(c) Unless otherwise directed in writing by the Note Purchaser, the second to and including the seventh installments of Fixed Rental shall be paid in two parts as follows:

(i) a portion thereof equal to 6.05971% of the Total Cost (as defined in the Participation Agreement) shall be paid by wire transfer (identifying each payment as a rental payment made in regard to Seaboard Coast Line Trust No. 27) to National Bank of Commerce, One Commerce Square, Memphis, Tennessee 38150, Attention: Special Lending Division, and

(ii) the balance thereof equal to 0.28202% of the Total Cost to be paid by wire transfer to New England Merchants National Bank, 28 State Street, Boston, Massachusetts for the account of NEMLC Leasing Associates No.1, Account No. 2010-5201;

(d) Unless otherwise directed in writing by the Note Purchaser, the eighth to and including the fifteenth installments of Fixed Rental shall be paid in two parts as follows:

(i) a portion thereof equal to 5.30746% of the Total Cost (as defined in the Participation Agreement) shall be paid by wire transfer (identifying each payment as a rental payment made in regard to Seaboard Coast Line Trust No. 27) to National Bank of Commerce, One Commerce Square, Memphis, Tennessee 38150, Attention: Special Lending Division, and

(ii) the balance thereof equal to 1.03427% of the Total Cost to be paid by wire transfer to New England Merchants National Bank, 28 State Street, Boston, Massachusetts for the account of NEMLC Leasing Associates No. 1, Account No. 2010-5201;

(e) The sixteenth and final installment of Fixed Rental shall be paid by wire transfer to New England Merchants National Bank, 28 State Street, Boston, Massachusetts for the account of NEMLC Leasing Associates, No. 1, Account No. 2010-5201;

(f) The entire amount of any payment of Casualty Value payable pursuant to Section 11 hereof shall be paid by a check drawn on a bank located in the continental United States (identifying the same as a payment of Casualty Value relating to Seaboard Coast Line Trust No. 27) payable to the Note Purchaser and mailed by first class mail, postage prepaid to National Bank of Commerce, One Commerce Square, Memphis, Tennessee 38150, Attention: Special Lending Division.

(g) The amount of any payment owing to the Lessor or the Trustor pursuant to Sections 6, 10.2, 11.1 (with respect to public liability insurance) and 20.3 hereof shall be made directly to the party to receive the same without regard to the assignment of this Lease or the payments due hereunder to the Note Purchaser as collateral security as hereinafter provided.

(h) The amount of any interest due in respect of the late payment of any rentals or other amounts pursuant to Section 19 hereof shall be paid to the party and in the manner herein provided to receive said rental or other amount.

(i) All payments other than those above specified shall be made by the Lessee directly to the party to receive the same unless any such payment has previously been made by the Lessor or the Note Purchaser, in which case the Lessee shall reimburse the Lessor or the Note Purchaser, as the case may be, directly for such payment.

The Lessee agrees that it will make payments due hereunder by wire transfer where specified above at the opening of business on the due date of such payment of Federal or otherwise immediately available funds to the party to whom such payment is to be made, and otherwise by check of the Lessee drawn on a bank located in the continental United States and mailed to the party to receive the same at the address herein provided or at such other address as the Lessee shall have been provided advised in writing.

2.5. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent or reduction thereof, including, but not limited to, abatements or reductions due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise or against any assignee of the Lessor pursuant to Section 16 hereof, 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 damage to or loss or destruction of all or any of the Equipment from any cause whatsoever, or the taking or requisitioning of the Equipment by condemnation or otherwise, the lawful prohibition of the Lessee's use of the Equipment, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or lack of right, power or authority of the Lessor to enter into this Lease, 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 unless the obligation to pay the same shall be terminated pursuant to Section 11 hereof, or until, pursuant to Section 13 hereof, the Equipment has been stored by the Lessee for the Lessor for the full period therein provided or leaves the Lessee's lines for off-line delivery to the Lessor.

SECTION 3. TERM OF THE LEASE.

The term of this Lease as to each Item of Equipment shall begin on the date of the delivery to and acceptance by the Lessee of such Item of Equipment and, subject to the provisions of Section 11 hereof, shall terminate eight (8) years following the Term Lease Commencement Date provided for in Schedule A hereto with the privilege of renewal provided for in Section 18 hereof.

SECTION 4. OWNERSHIP AND MARKING OF EQUIPMENT.

4.1. Retention of Title. The Lessor, as between the Lessor and the Lessee, shall and hereby does retain full legal title to the Equipment notwithstanding the delivery thereof to and possession and use thereof by the Lessee.

4.2. Duty to Number and Mark Equipment. The Lessee will cause each Item of Equipment to be kept numbered with its road number as set forth in Schedule A hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting color upon each side of each Item of Equipment in letters not less than one inch in height as follows:

"Owned By and Leased From a Bank or Trust Company, as Trustee, and Subject to a Security Agreement Filed Under the Interstate Commerce Act, Section 20c."

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the Lessor to such Item of Equipment, its rights under this Lease and the rights of any assignee under Section 16 hereof. The Lessee will not place any such Item of Equipment in operation or exercise any control or dominion over the same until the required legend shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced or destroyed. The Lessee will not change the road number of any Item of Equipment except with the consent of the Lessor and in accordance with a statement of new road numbers to be substituted therefor, which consent and statement previously shall have been filed with the Lessor by the Lessee and filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited.

4.3. Prohibition Against Certain Designations. Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause 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 it of the same or a similar type for convenience of identification of the right of the Lessee to use the Equipment under this Lease.

SECTION 5. DISCLAIMER OF WARRANTIES.

THE LESSOR LEASES THE EQUIPMENT, AS-IS WITHOUT WARRANTY OR REPRESENTATION EITHER EXPRESS OR IMPLIED, AS TO (A) THE FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY OF ANY ITEM OR ITEMS OF EQUIPMENT INCLUDING WITHOUT LIMITATION THEIR VALUE, CONDITION, DESIGN OR OPERATION, (B) THE LESSOR'S TITLE THERETO, (C) THE LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEROF, OR (D) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE. The Lessor hereby 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 and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have as owner of the Equipment against any manufacturers or contractors in respect thereof.

SECTION 6. LESSEE'S INDEMNITY.

6.1. Scope of Indemnity. The Lessee shall defend, indemnify and save harmless the Lessor, the Trustor and the Note Purchaser and their respective successors, agents and assigns from and against:

(a) any and all loss or damage of or to the Equipment, usual wear and tear excepted, and

(b) any claim, cause of action, damages, liability, cost or expense (including, without limitation, counsel fees and costs in connection therewith) which may be incurred in any manner by or for the account of any of them (i) relating to the Equipment or any part thereof, including, without limitation, the construction, reconstruction, purchase, delivery, installation, ownership, leasing or return of the Equipment or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects are latent or discoverable by the Lessor or by the Lessee), (ii) by reason or as the result of any act or omission of the Lessee for itself or as agent or attorney-in-fact for the Lessor hereunder, (iii) as a result of claims for patent infringements, or (iv) as a result of claims for negligence or strict liability in tort.

6.2. Continuation of Indemnities and Assumptions. The indemnities and assumptions of liability in this Section 6 contained shall continue in full force and effect notwithstanding the termination of this Lease, or the termination of the term hereof in respect of any one or more Items of Equipment, whether by expiration of time, by operation of law or otherwise; provided, however, that such indemnities and assumptions of liability shall not apply in respect of any matters referred to in subsection (a) or clause (i), (ii) or (iv) of subsection (b) of Section 6.1 hereof, occurring after the termination of this Lease, except for any such matters occurring after the termination arising in connection with the Lessee's assembling, delivering, storing or transporting of the Equipment as provided in Section 13 or 15, as the case may be. The Lessee shall be entitled to control, and shall assume full responsibility for, the defense of such claim or liability, and may select such counsel as it deems appropriate in connection with such matter; provided that, if Lessor shall reasonably determine that it is in the best interests of the Lessor or the Trustor to appoint another counsel to be associated with the counsel selected by the Lessee, then Lessee agrees to the appointment of such additional counsel as the Lessor shall select and to pay the reasonable fees and expenses thereof.

SECTION 7. RULES, LAWS AND REGULATIONS.

The Lessee agrees to comply with all governmental laws, regulations, requirements and rules (including, without limitation, the rules of the United States Department of Transportation, the

Interstate Commerce Commission and the current Interchange Rules or supplements thereto of the Mechanical Division, Association of American Railroads as the same may be in effect from time to time) with respect to the use, maintenance and operation of each Item of Equipment subject to this Lease. In case any equipment or appliance is required to be installed on such Item of Equipment in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such changes, additions and replacements at its own expense.

SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.

The Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Lessee shall, at its own cost and expense, maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted, suitable for use in interchange. Except as required by the provisions of Section 7 hereof, and except as otherwise permitted by the provisions of this Section 8, the Lessee shall not modify any Item of Equipment without the prior written authority and approval of the Lessor which shall not be unreasonably withheld. Any parts installed or replacements made by the Lessee upon any Item of Equipment pursuant to Section 7 hereof or pursuant to its obligation to maintain and keep the Equipment in good order, condition and repair under this Section 8 shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Lessor without cost or expense to the Lessor. The Lessee shall make no other additions or improvements to any Item of Equipment unless the same are readily removable without causing material damage to such Item of Equipment. If the Lessee shall at its cost cause such readily removable additions or improvements to be made to any Item of Equipment, the Lessee agrees that it will, prior to the return of such Item of Equipment to the Lessor hereunder, remove the same at its own expense without causing material damage to such Item of Equipment. Title to any such readily removable additions or improvements shall remain with the Lessee.

SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee shall pay or satisfy and discharge any and all claims against, through or under the Lessee and its successors or assigns which, if unpaid, might constitute or become a lien or a charge upon the Equipment, and any liens or charges which may be levied against or imposed upon any Item of Equipment as a result of the failure of the Lessee to perform or observe any of its covenants or agreements under this Lease, but the Lessee shall not be required to pay or discharge any such claims so long as it shall, in good faith and by appropriate legal proceedings contest

the validity thereof in any reasonable matter which will not affect or endanger the title and interest of the Lessor to the Equipment. The Lessee's obligations under this Section 9 shall survive the termination of this Lease.

SECTION 10. FILING, PAYMENT OF FEES AND TAXES.

10.1. Filing. The Lessee will, at its sole expense, cause this Lease, the Reconstruction Agreement and the Security Agreement (as defined in Section 16 hereof) to be duly filed, recorded or deposited with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act and in such other places within or without the United States as shall be required by law for the protection of its title or the security interest of the Note Purchaser under the Reconstruction Agreement or the Security Agreement and will perform any other act and will execute, acknowledge, deliver, file, register and record (and will refile, re-register or rerecord whenever required) any and all further instruments required by law for the purpose of protecting the Lessors's title to, or the Note Purchaser's security interest in, the Equipment for the purpose of carrying out the intention of this Lease, and in connection with any such action, will upon the written request of the Lessor or the Note Purchaser deliver to the Lessor and the Note Purchaser proof of such filings and an opinion of the Lessee's counsel that such action has been properly taken. The Lessee will pay all costs, charges and expenses incident to any such filing, refiling, recording and re-recording or depositing and re-depositing of any such instruments or incident to the taking of such action.

10.2. Indemnification for Non-Income Taxes. Whether or not any of the transactions contemplated hereby are consummated, the Lessee agrees to pay, and to indemnify and hold the Lessor and the Trustor and their respective successors and assigns harmless from, all taxes, assessments, fees and charges of any nature whatsoever, together with any penalties, fines, additions to tax or interest thereon, howsoever imposed, whether levied or imposed upon the Lessor or otherwise, by any Federal, state or local government or governmental subdivision in the United States or by any foreign country or subdivision thereof, upon or with respect to, any item or any part thereof; the purchase, ownership, delivery, leasing, possession, use, operation, transfer of title, return or other disposition thereof; the indebtedness with respect thereto; the rentals, receipts or earnings arising therefrom; or this Lease or the Participation Agreement or the Hulk Purchase Agreement or the Reconstruction Agreement referred to therein, any payment made pursuant to any such agreement, or the property, the income or other proceeds received with respect to the Equipment (all such taxes, assessments, fees, charges, penalties, fines, additions to tax and interest imposed as aforesaid being hereinafter called "Taxes"); excluding, however: (i) Taxes of the United States or of any state or political subdivision thereof or any foreign country or subdivision thereof imposed on or measured

solely by the net income or excess profits of the Lessor or franchise taxes measured by the net income of the Lessor, or gross receipts taxes other than gross receipts taxes in the nature of sales, use or similar transaction taxes; and (ii) any Taxes imposed as a direct result of a voluntary transfer or other voluntary disposition by the Lessor or any transfer or disposition by the Lessor resulting from bankruptcy or other proceedings for the relief of creditors in which the Lessor is the debtor, whether voluntary or involuntary, of any interest in any Item or interest in rentals under this Lease. The Lessee will also pay promptly all Taxes which may be imposed upon any Item of Equipment or for the use or operation thereof or upon the earnings arising therefrom or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every party of such Item of Equipment free and clear of all Taxes which might in any way affect the title of the Lessor or result in a lien upon any such Item of Equipment; provided, however, that the Lessee shall be under no obligation to pay any Taxes so long as it is contesting in good faith and by appropriate legal proceedings such Taxes and the nonpayment thereof does not, in the advance opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or under the Hulk Purchase Agreement or under the Reconstruction Agreement. If any Taxes shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor. Prior to making such payment, the Lessor shall promptly notify the Lessee of the Taxes charged or levied, and the Lessee shall have the opportunity to contest in good faith and by appropriate legal proceedings such Taxes, at its sole expense.

In the event any reports with respect to Taxes are required to be made on the basis of individual Items of Equipment, the Lessee will either make such reports in such manner as to show the interests of the Lessor and any assignee under Section 16 hereof in such Item of Equipment or notify the Lessor and any such assignee of such requirement and make such reports in such manner as shall be satisfactory to the Lessor and any such assignee.

In the event that, during the continuance of this Lease, any Tax accrues or becomes payable or is levied or assessed (or is attributable to the period of time during which this Lease is in existence) which the Lessee is or will be obligated to pay or reimburse, pursuant to this Section 10.2, such liability shall continue, notwithstanding the expiration of this Lease, until all such Taxes are paid or reimbursed by the Lessee.

For purposes of this Section 10.2, the term "Trustor" shall include any member of an affiliated group, of which any of the Beneficiaries (as defined in the Tax Benefits Agreement referred to in the Participation Agreement) is, or may become, a member if consolidated joint or combined returns are filed for such affiliated group for Federal, state or local income tax purposes.

SECTION 11. INSURANCE; PAYMENT FOR CASUALTY OCCURRENCE.

11.1. Insurance. The Lessee will at all times while this Lease is in effect, at its own expense, cause to be carried and maintained property insurance in respect of the Equipment at the time subject hereto, and public liability insurance, in amounts and against risks customarily insured against by railroad companies in respect of similar equipment and in any event comparable to those risks insured against by the Lessee in respect of similar equipment owned by it.

11.2. Duty of Lessee to Notify Lessor. In the event that any Item of Equipment shall be or become lost, stolen, destroyed, or, in the opinion of the Lessee, irreparably damaged during the term of this Lease, including any renewal term hereunder, or thereafter while the Item of Equipment is in the possession of the Lessee pursuant to Section 13 or 15 hereof, or shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise during the term of this Lease, including any renewal terms hereunder (any such occurrence, except for any requisition which by its terms is for an indefinite period or is for a stated period which does not exceed the term of this Lease, being hereinafter called a "Casualty Occurrence"), the Lessee shall promptly and fully (after it has knowledge of such Casualty Occurrence) inform the Lessor and the Note Purchaser in regard thereto and shall pay the Casualty Value (as defined in Section 11.6 hereof) of such Item in accordance with the terms hereof.

11.3. Payment for Casualty Loss. In the event of a Casualty Occurrence with respect to any Item of Equipment of which the Lessee has knowledge prior to the Term Lease Commencement Date, the Lessee, on the Term Lease Commencement Date, shall pay to the Lessor a sum equal to the Casualty Value of such Item of Equipment as of the date of such payment, plus the installment of Interim Rental due on such date. In the event of a Casualty Occurrence with respect to any Item of Equipment of which the Lessee has knowledge on or after the Term Lease Commencement Date, the Lessee, on the next succeeding Fixed Rental payment date, shall pay to the Lessor a sum equal to the Casualty Value of such Item of Equipment as of the date of such payment. The installment of Fixed Rental in respect of the Item or Items for which the Casualty Value is then being paid which would be otherwise due on such date of payment of the Casualty Value need not be paid if such Casualty Value is so paid.

11.4. Rent Termination. Upon (and not until) payment of the Casualty Value in respect of any Item or Items of Equipment, the obligation to pay rent for such Item or Items of Equipment accruing on and subsequent to the Casualty Value payment date shall terminate, but the Lessee shall continue to pay rent for all other Items of Equipment.

11.5. Disposition of Equipment. The Lessee shall, as agent for the Lessor, dispose of such Item or Items of Equipment having suffered a Casualty Occurrence as soon as it is able to do so in a commercially reasonable manner in its then existing condition and location without representation or warranty, express or implied. As to each separate Item of Equipment so disposed of, the Lessee may retain all amounts arising from such disposition plus any insurance proceeds and damages received by the Lessee by reason of such Casualty Occurrence up to the Casualty Value attributable thereto and shall remit the excess, if any, to the Lessor. In disposing of such Item of Equipment, the Lessee shall take such action as the Lessor shall reasonably request to terminate any contingent liability which the Lessor might have arising after such disposition from or connected with such Item of Equipment.

11.6. Casualty Value. The Casualty Value of each Item of Equipment shall be an amount determined as of the date the Casualty Value is required to be paid as provided in this Section 11 (and not the date of the Casualty Occurrence) equal to that percentage of the Total Cost (as defined in the Participation Agreement) of such Item of Equipment set forth in the Schedule of Casualty Value attached hereto as Schedule C-1 opposite such date of payment.

11.7. Risk of Loss. The Lessee shall bear the risk of loss and, except as hereinabove in this Section 11 provided, shall not be released from its obligations hereunder in the event of any Casualty Occurrence to any Item of Equipment from and after the date hereof and continuing throughout the term hereof and during any storage period provided in Sections 13 and 15 hereof until payment of the Casualty Value and Fixed Rental installment due on and prior to the date of payment of such Casualty Value in respect of such Item of Equipment has been made, such Item or the salvage thereof has been disposed of by the Lessee and the title to such Item or the salvage thereof and all risk of loss and liabilities incident to ownership have been transferred to the purchaser of such Item or the salvage thereof.

11.8. Eminent Domain. In the event that during the term of this Lease the use of any Item of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for an indefinite period or for a stated period which does not exceed the term of this Lease, the Lessee's obligation to pay rent shall continue for the duration of such requisitioning or taking. The Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession.

SECTION 12. ANNUAL REPORTS.

12.1. Duty of Lessee to Furnish. On or before March 31 in each year, commencing with the year 1979, the Lessee will furnish to the Lessor and its assigns an accurate statement, as of the preceding December 31 (a) showing the amount, description and numbers of the Items of Equipment then leased hereunder, the amount, description and numbers of all Items of Equipment that may 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 such other information regarding the condition or repair of the Equipment as the Lessor may reasonably request, and (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4.2 hereof shall have been preserved or replaced.

12.2. Lessor's Inspection Rights. The Lessor and any assignee of the Lessor pursuant to Section 16 hereof each shall have the right, at its sole cost, liability and expense, by its authorized representative, to inspect the Equipment and the Lessee's records with respect thereto, at such times as shall be reasonably necessary to confirm to the Lessor or, as the case may be, such assignee, the existence and proper maintenance thereof during the continuance of this Lease.

SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM.

Upon the expiration of the term of this Lease with respect to any Item of Equipment, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Item of Equipment to the Lessor upon such storage tracks of the Lessee as the Lessor may designate, or in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Item of Equipment on such tracks for a period not exceeding 90 days and transport the same at any time within such 90-day period to any reasonable place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as directed by the Lessor upon not less than 30 days' written notice to the Lessee; provided, that the obligations of the Lessee to so transport shall be limited to only one such movement in respect of any such Item of Equipment; provided further, that, in the event the Lessor shall designate storage tracks which are then unavailable either because such tracks are then being used to store equipment owned by a third party pursuant to a contractual obligation of the Lessee to provide storage therefor or because the storage of the Items of Equipment on such tracks would materially impair the ability of the Lessee to meet its obligations to perform services as a common carrier to the public, then the Lessee agrees to so store the Items of Equipment upon such other storage tracks as shall then be so available and nearest to such storage tracks designated by the Lessor. The Lessee covenants that, at the time any Item of Equipment is

returned to the Lessor in the manner above provided, it will then be in compliance with all applicable United States Department of Transportation and Interstate Commerce Commission requirements and specifications, if any, and all standards recommended by the Association of American Railroads applicable to railroad equipment of the character of the Equipment. All movement and storage of each such Item is to be at the risk and expense of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Item, 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. The assembling, delivery storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so assemble, deliver, store and transport the Equipment. All amounts earned in respect of the Equipment, but not exceeding the rental, per diem, or other similar charge for equipment received therefor, after the date of expiration 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 Equipment is not assembled, delivered and stored, as hereinabove provided, within 30 days after such expiration, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which the Fair Rental Value (determined in the manner provided in Section 18 hereof) for such Equipment for each such day exceeds all amounts earned in respect of the Equipment, but not exceeding the rental, per diem or other similar charge for Equipment received by the Lessor on such Equipment for such day. In the event Lessor has not given the required written notice after 60 days of storage to move the Equipment off Lessee's lines, Lessor will pay to Lessee the then fair and reasonable market rate for storage for such Equipment beginning with the first day after the free 90-day storage period.

SECTION 14. DEFAULT.

14.1. Events of Default. Any of the following events shall constitute an Event of Default hereunder:

(a) Default shall be made in the payment of any part of the rental or other sums provided in Section 2 or 11 hereof and such default shall continue for ten days; or

(b) The Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or the unauthorized possession of any Item of Equipment under this Lease.

(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 and such default shall continue for 30 days after written notice from the Lessor to the Lessee, specifying the default and demanding the same to be remedied; or

(d) Any representation or warranty made by the Lessee herein or in the Participation Agreement, the Hulk Purchase Agreement or the Reconstruction Agreement or in any statement or certificate furnished to the Lessor or its assigns pursuant to or in connection with this Lease, the Participation Agreement, the Hulk Purchase Agreement or the Reconstruction Agreement is untrue in any material respect as of the date of issuance or making thereof; or

(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 hereunder, 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), 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 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 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; or

(f) 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 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 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.

14.2. Remedies. If any Event of Default has occurred and is continuing, 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, including reasonable attorneys' fees; or

(b) By notice in writing to the Lessee, terminate this Lease, whereupon all right of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be located and take possession of all or any of such Equipment and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Equipment for any purpose whatever, but the Lessor, shall nevertheless, have a right to recover from the Lessee any and all amounts 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 and also to recover forthwith from the Lessee (i) 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 Item of Equipment, which represents the excess of the present worth, at the time of such termination, of all rentals for such Item which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease over the then present worth of the then Fair Rental Value of such Item for such period computed by discounting from the end of such term to the date of such termination rentals which the Lessor reasonably estimates to be obtainable for the use of such Item during such period, such present worth to be computed in each case on a basis of a 6% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder

had this Lease not been payable hereunder had this Lease not been terminated, or (y) an amount equal to the excess of any of the Casualty Value of such Item of Equipment as of the rent payment date on or immediately preceding the date of termination over the amount the Lessor reasonably estimates to be the Fair Market Value thereof at such time; provided, however, that in the event the Lessor shall have sold any Item of Equipment, 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 (i) with respect thereto 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 of such Item of Equipment as of the rent payment date on or immediately preceding the date of termination over the net proceeds of such sale, and (ii) any damages and expenses, other than for a failure to pay rental, in addition thereto, including reasonable attorneys' fees, which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease other than for the payment of rental.

For purposes of Section 14.2 above, the Fair Rental Value for any Item of Equipment shall be determined in the appraisal arrangements specified in Section 18.1(b) hereof and the Fair Market Value for any Item of Equipment shall be determined in accordance with similar appraisal arrangements with appropriate adjustment for sale instead of rental, with any appraisal expenses to be borne by the Lessee; provided that any sale in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the Fair Market Value of such Item and any rental in a commercially reasonable manner of any Item of Equipment prior to any such determination shall conclusively establish the Fair Rental Value of such Item.

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

14.4. Lessor's Failure to Exercise Rights. The failure of the Lessor to exercise the rights granted it hereunder upon any 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.

14.5. Notice of Event of Default. The Lessee also agrees to furnish to Lessor, the Trustor and the Note Purchaser, promptly upon any responsible officer becoming aware of any condition which constituted or constitutes an Event of Default under this Lease or which, after notice or lapse of time, or both, would constitute such an Event of Default, written notice specifying such condition and the nature and status thereof. For the purposes of this Section 14.5 a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of the Lessee in this Lease contained, any corporate officer of Lessee who, in the normal performance of his operational responsibilities, would have knowledge of such matter and the requirements of this Lease with respect thereto.

SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT.

15.1. Lessee's Duty to Return. If the Lessor or any assignee of the Lessor pursuant to Section 16 hereof shall terminate this Lease pursuant to Section 14 hereof, the Lessee shall forthwith deliver possession of the Equipment to the Lessor. For the purpose of delivering possession of any Item of Equipment to the Lessor as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

(a) Forthwith place such Equipment in such reasonable storage place on the Lessee's lines of railroad as the Lessor may designate or, in the absence of such designation, as the Lessee may select; provided that, in the event the Lessor shall designate storage tracks which are then unavailable either because such tracks are then being used to store equipment owned by a third party pursuant to a contractual obligation of the Lessee to provide storage therefor or because the storage of the Items of Equipment on such tracks would materially impair the ability of the Lessee to meet its obligations to perform services as a common carrier to the public, then the Lessee agrees to so store the Items of Equipment upon such other storage tracks as shall then be so available and nearest to such storage tracks designated by the Lessor;

(b) Permit the Lessor to store such Equipment in such reasonable storage place on the Lessee's lines of railroad without charge for insurance, rent or storage for a period not exceeding 365 days; and

(c) Transport the Equipment to any place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as the Lessor may direct in writing.

All amounts earned in respect of the Equipment, but not exceeding the rental, per diem, or other similar charge for equipment received therefor, 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 Item of Equipment is not assembled, delivered and stored, as hereinabove provided, within 30 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 Fair Rental Value (determined in the manner provided in Section 18 hereof) for such Equipment for each such day exceeds all amounts earned in respect of the Equipment, but not exceeding the rental, per diem or other similar charge for Equipment received by the Lessor on such Equipment for each such day.

15.2. Specific Performance. The assembling, delivery, storage and transporting of the Equipment as hereinabove 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 Equipment.

15.3. Lessor Appointed Lessee's Agent. Without in any way limiting the obligations of the Lessee under the foregoing provisions of this Section 15, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Items of Equipment to the Lessor, to demand and take possession of such Item in the name and on behalf of the Lessee from whomsoever shall be at the time in possession of such Item.

SECTION 16. ASSIGNMENTS BY LESSOR.

The Lessee and the Lessor hereby confirm that, concurrently with the execution and delivery of this Lease, the Lessor has executed and delivered to the Note Purchaser a Security Agreement dated as of January 1, 1978 (the "Security Agreement") which assigns and grants a security interest to the Note Purchaser in, to and under this Lease and certain of the rentals and other amounts payable hereunder, all as more explicitly set forth in Section 1 of the Security Agreement. The Lessee hereby acknowledges receipt of an executed copy of the Security Agreement and agrees that the sums payable by the Lessee here-

under which have been assigned to the Note Purchaser under the Security Agreement shall be paid to or upon the written order of the Note Purchaser; provided that until receipt of any such written order the Lessee may make all such payments in accordance with the provisions of Section 2.4 hereof. Without limiting the foregoing, the Lessee further acknowledges and agrees that, so long as any indebtedness secured by the Security Agreement remains unpaid, (i) the rights of the Note Purchaser in and to the sums payable under this Lease which are assigned to the Note Purchaser under the Security Agreement shall not be subject to any abatement whatsoever, and shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever whether by reason of failure of or defect in the Lessor's title, or any interruption from whatsoever cause (other than from a wrongful act of such assignee) in the use, operation or possession of the Equipment or any part thereof, or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that, except in the event of a wrongful act on the part of the Note Purchaser, the Lessee shall be unconditionally and absolutely obligated to pay the Note Purchaser all of the rents and other sums which are the subject matter of the assignment, and (ii) the Note Purchaser shall, if an Event of Default, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, shall have occurred and be continuing, have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of the Note Purchaser) which by the terms of this Lease are permitted or provided to be exercised by the Lessor; provided that so long as no Event of Default or event which with the lapse of time or giving of notice, or both, would constitute an Event of Default, shall have occurred and be continuing, the Lessor and the Note Purchaser shall have the right to and shall exercise jointly such rights, privileges and remedies.

It is understood and agreed that the right, title and interest of the Note Purchaser in, to and under this Lease and the rents and other sums due and to become due hereunder shall by the express terms granting and conveying the same be subject to the interest of the Lessee in and to the Equipment.

SECTION 17. ASSIGNMENTS BY LESSEE; USE AND POSSESSION.

17.1. Lessee's Rights to the Equipment. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease, but, without the prior written consent of the Lessor, the Lessee shall not assign,

transfer or encumber its leasehold interest under this Lease in any of the Equipment. 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 Equipment, except to the extent permitted by the provisions of Section 17.2 hereof.

17.2. Use and Possession on Lines Other Than Lessee's Own. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the Equipment and to the use thereof upon the lines of railroad owned or operated by it (either alone or jointly) or by any corporation, a majority of whose voting stock (i.e., having ordinary voting power for the election of a majority of its Board of Directors) is owned directly or indirectly by the Lessee, or upon lines of railroad over which the Lessee or such corporation has trackage or other operating rights or over which equipment of the Lessee is regularly operated pursuant to contract and also to permit the use of any Item of Equipment upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, but only upon and subject to all the terms and conditions of this Lease. Notwithstanding the foregoing, the Lessee shall at no time throughout the term of this Lease assign or permit the assignment of any Item of Equipment to regular service (including, without limitation, the regular operation and maintenance thereof) outside the continental United States. No assignment or sublease entered into by the Lessee hereunder shall relieve the Lessee of any liability or obligation hereunder which shall be and remain those of a principal and not a surety.

17.3. Merger, Consolidation or Acquisition of Lessee. Nothing in this Section 17 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any corporation (which shall have duly assumed in writing satisfactory to the Lessor the obligations hereunder of the Lessee) into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all of the lines of railroad of the Lessee, provided that such assignees, successors or transferees will not, upon the effectiveness of such merger or consolidation or acquisition of properties, be in default under any provision of this Lease and that such merger or consolidation or acquisition of properties shall not alter in any way the Lessee's obligations to the Lessor hereunder which shall be and remain those of a principal and not a guarantor.

SECTION 18. RENEWAL OPTIONS.

18.1. Renewal Options. Provided that the Lessee is not in default hereunder, the Lessee shall have the following renewal options:

(a) The Lessee shall have the option to renew and extend this Lease as to all, but not less than all, of the Items of Equipment then leased hereunder for two (2) additional renewal terms of two years each upon and subject to the terms and conditions herein contained for the original term of this Lease; provided that the semiannual Fixed Rental payable for and during any such renewal term shall be an amount equal to the Fair Rental Value (as hereinafter defined) of such Items of Equipment. Each renewal term shall commence immediately upon the expiration of the preceding term. The Lessee shall give the Lessor written notice of any such election 180 days prior to the commencement of any renewal term provided for in this Section 18.2; and

(b) The Fair Rental Value of an Item of Equipment 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 a lessee currently in possession) and an informed and willing lessor under no compulsion to lease. If on or before 90 days prior to the date of commencement of the renewal term elected by the Lessee, the Lessor and the Lessee are unable to agree upon a determination of the Fair Rental Value of the Item of Equipment, such value shall be determined in accordance with the foregoing definition by a qualified independent Appraiser. The term "Appraiser" shall mean two independent appraisers, one chosen by the Lessor and one chosen by the Lessee, or, if such appraisers cannot agree on the amount of such value within 60 days prior to the date of commencement of the applicable renewal term, then the term "Appraiser" shall mean an appraiser chosen by the American Arbitration Association. The Appraiser shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee. Upon receipt of notice of such determination, the Lessor and Lessee shall have the option to enter or not enter into such renewal; however, in the event they elect to enter into the renewal, the appraiser's determination of such Fair Rental Value shall be conclusively binding upon both Lessor and Lessee. The expenses and fees of the Appraiser shall be borne by the Lessee.

18.2. Delivery of Equipment. Unless the Lessee has elected to purchase the Items of Equipment then leased hereunder or to renew this Lease in respect of such Items of Equipment as provided in Section 18.1 hereof, all of such Items of Equipment shall

be returned to the Lessor at the end of the original term, or the then current renewal term, as the case may be, in accordance with Section 13 hereof.

SECTION 19. INTEREST ON OVERDUE RENTALS AND AMOUNTS PAID BY LESSOR.

Anything to the contrary herein contained notwithstanding, any nonpayment of rentals due hereunder, or amounts expended by the Lessor on behalf of the Lessee, shall result in the additional obligation on the part of the Lessee to pay also an amount equal to 9-1/4% per annum (or the lawful rate, whichever is less) on the overdue rentals and amounts expended for the period of time during which they are overdue or expended and not repaid.

SECTION 20. MISCELLANEOUS.

20.1. Limitations of Liability. It is expressly understood and agreed by and between the Lessor and the Lessee and their respective successors and assigns that this Lease is executed by Trust Company for USL, Inc., not individually or personally but solely as Trustee under the Trust Agreement in the exercise of the power and authority conferred and vested in it as such Trustee (and Trust Company for USL, Inc. hereby warrants that it possesses full power and authority to enter into and perform this Lease), that each and all of the representations, undertakings and agreements herein made on the part of the Lessor are each and every one of them made and intended not as personal representations, undertakings and agreements by the Lessor or the Trustor, or for the purpose or with the intention of binding the Lessor or the Trustor personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Trust Agreement, that this Lease 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, that actions to be taken by the Lessor pursuant to its obligations hereunder may, in certain instances, be taken by the Lessor only upon specific authority of the Trustor, that nothing herein contained shall be construed as creating any liability on the Lessor or the Trustor, individually or personally, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of, Trust Company for USL, Inc., or the Trustor, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Lessee and be each and every person now or hereafter claiming by, through or under the Lessee, and that so far as Lessor or the Trustor, individually or personally are concerned, the Lessee and any person claiming by, through or under the Lessee shall look solely to the Trust Estate as defined in the Trust Agreement for the

performance of any obligation under this Lease. The term "Lessor" as used in this Lease shall include any trustee succeeding the Lessor as trustee under the Trust Agreement or the Trustor if the trust created thereby is revoked. Any obligation of the Lessor hereunder may be performed by the Trustor, and any such performance shall not be construed as revocation of the trust created by the Trust Agreement. Nothing contained in this Lease shall restrict the operation of the provisions of the Trust Agreement with respect to its revocation or the resignation or removal of the Trustee thereunder.

It is expressly understood and agreed by and between the Lessor and the Lessee and their respective successors and assigns that this Lease is executed by the Lessee in its corporate capacity and that nothing herein contained shall be construed as creating any liability on any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of the Lessee to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Lessor and by each and every person now or hereafter claiming by, through or under the Lessor.

20.2. Notices. Any 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 certified mails, first class, postage prepaid, addressed as follows:

If to the Lessor: Trust Company for USL, Inc.,
as Trustee under Seaboard Coast
Line Trust No. 27
1211 West 22nd Street
Oak Brook, Illinois 60521
Attention: Trust Officer

with a copy to:

United States Lease Financing, Inc.
633 Battery Street
San Francisco, California 94111
Attention: Vice President-
Operations

If to the Trustor: NEMLC Leasing Associates No. 1
c/o New England Merchants Leasing
Corporation
P.O. Box 2322
Boston, Massachusetts 02107
Attention: Vice President
Administration

Purchaser: National Bank of Commerce
One Commerce Square
Memphis, Tennessee 38150
Attention: William H. Norcross
Vice President

If to the Lessee: Seaboard Coast Line Railroad Company
3600 West Broad Street
Richmond, Virginia 23230
Attention: L. G. Anderson
Vice President and Treasurer

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

20.3. Right of Lessor to Perform. If the Lessee shall fail to comply with any of its covenants herein contained, the Lessor may, but shall not be obligated to, make advances to perform the same and to take all such action as in the Lessor's opinion may be necessary to obtain such performance. All payments so made by the Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred in connection therewith shall be payable by the Lessee to the Lessor upon demand as additional rent hereunder, with interest at the rate of 9-1/4% per annum.

20.4. Execution in Counterparts. This Lease, and any lease supplemental hereto, may be executed in several counterparts, each of which so executed shall be deemed to be an original and in each case such counterparts shall constitute but one and the same instrument.

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

20.6. Headings and Table of Contents. All Section headings and the Table of Contents are inserted for convenience only and shall not affect any construction or interpretation of this Lease.

20.7. 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 provisions in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed by their respective officers thereunder duly authorized and the corporate seals to be hereto affixed as of the day and year first above written.

TRUST COMPANY FOR USI, INC.,
as Trustee under Seaboard Coast Line
Trust No. 27

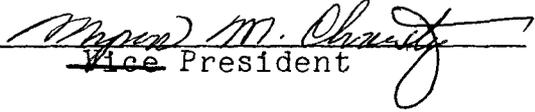
[CORPORATE SEAL]

ATTEST:



Assistant Secretary

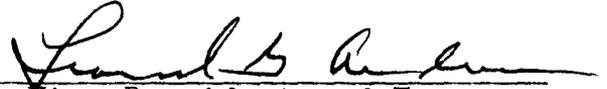
By



Vice President

SEABOARD COAST LINE RAILROAD COMPANY

By



Its Vice President and Treasurer

[CORPORATE SEAL]

ATTEST:



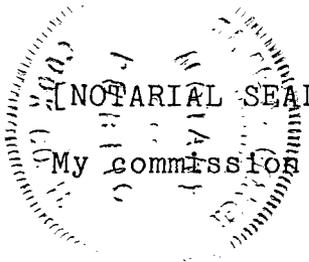
Assistant Secretary

ILLINOIS

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

On this 13th day of February, 1978, before me personally appeared Myron M. Christy, to me personally known, who being by me duly sworn, says that he is the Vice President of TRUST COMPANY FOR USL, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Diane D. Baxter
Notary Public



COMMONWEALTH OF VIRGINIA)
)
) SS
CITY OF RICHMOND)

On this 17th day of February, 1978, before me personally appeared Leonard G. Anderson, to me personally known, who being by me duly sworn, says that he is the Vice President and Treasurer of SEABOARD COAST LINE RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

CW Whitehurst
Notary Public

[NOTARIAL SEAL]
My commission expires: Apr. 30, 1979

DESCRIPTION OF ITEMS OF EQUIPMENT

DESCRIPTION AND MARK AND NUMBER OF RECONSTRUCTED ITEMS OF EQUIPMENT:	250 50 Foot Reconstructed Roller Bearing Boxcars, Marked and Numbered SCL 28300 to SCL 28549, both inclusive
PURCHASE PRICE OF ORIGINAL EQUIPMENT:	\$850 per Item (\$212,500 for 250 Items)
RECONSTRUCTION PRICE OF EQUIPMENT:	\$10,280 per Item (\$2,570,000 for 250 Items)
TOTAL COST OF EQUIPMENT:	\$11,130 per Item (\$2,782,500 for 250 Items)
TERM LEASE COMMENCEMENT DATE:	July 14, 1978
PLACE OF DELIVERY:	Rebuilding Plant of the Lessee at Waycross, Georgia
DAILY INTERIM RENTAL:	An amount per day equal to 0.0229167% of the Total Cost of each Item of Equipment
FIXED RENTAL:	Sixteen (16) semiannual installments each in an amount equal to 6.34173% of the Total Cost of each Item of Equipment

(Seaboard Coast Line Trust No. 27)

SCHEDULE A
(to Equipment Lease)

CERTIFICATE OF ACCEPTANCE
UNDER EQUIPMENT LEASE

TO: Trust Company for USL, Inc., as Trustee under the
Equipment Lease dated as of January 1, 1978 (the "Lessor")

I, a duly appointed and authorized representative of Seaboard Coast Line Railroad Company (the "Lessee") under the Equipment Lease dated as of January 1, 1978 between the Lessor and the Lessee, do hereby certify that I have inspected, received, approved and accepted delivery under the Lease of the following Items of Equipment:

TYPE OF EQUIPMENT: 50 Foot Rebuilt Boxcars

PLACE ACCEPTED:

DATE ACCEPTED:

NUMBER OF UNITS:

MARKED AND NUMBERED:

I do further certify that the foregoing Items of Equipment are in good order and condition, and appear to conform to the Specifications applicable thereto, that the Lessee has no knowledge of any defect in any of the foregoing Items of Equipment with respect to design, manufacture, condition or in any other respect, and that each Item has been labeled by means of a plate or a stencil printed in contrasting colors upon each side of the Item in letters not less than one inch in height as follows:

"Owned By and Leased From a Bank or Trust
Company, as Trustee, and Subject to a
Security Agreement Filed Under the
Interstate Commerce Act, Section 20c."

The execution of this Certificate will in no way relieve or decrease the responsibility of Seaboard Coast Line Railroad Company for any warranties it has made with respect to the Equipment.

Dated: _____, 197_.

Inspector and Authorized Representative
of Seaboard Coast Line Railroad Company

(Seaboard Coast Line Trust No. 27)

SCHEDULE B
(to Equipment Lease)

SEABOARD COAST LINE RAILROAD COMPANY

SCHEDULE OF CASUALTY VALUE

The Casualty Value for an Item of Equipment payable on the Term Lease Commencement Date or any rental payment date thereafter shall mean an amount equal to the percent of the Total Cost of such Item set forth opposite such date in the following schedule (as the same may be increased pursuant to Annex 1 to this Schedule C-1):

<u>Term Lease Commencement Date or Number of Fixed Rental Payment Date on which Casualty Value is Paid</u>	<u>Percentage of Total Cost Payable as Casualty Value</u>
Term Lease Commencement Date	93.45%
2	88.33%
3	85.44%
4	82.23%
5	78.70%
6	74.93%
7	70.90%
8	66.66%
9	62.20%
10	57.54%
11	52.69%
12	47.67%
13	42.50%
14	37.19%
15	31.85%
16	26.34%
Lease Termination Date and thereafter during any storage period	20.00%

(Seaboard Coast Line Trust No. 27)

SCHEDULE C-1
(to Equipment Lease)

Annex I to Schedule C-1
(to Equipment Lease)

The percentages set forth in Table 1 to this Schedule C-1 have been computed without regard to recapture of the Investment Credit (as defined in an agreement between the Lessor and the Lessee dated the date hereof relating to certain tax indemnities). Consequently, the Casualty Value of any Item 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 Price set forth below:

<u>Anniversary of Delivery and Acceptance</u>	<u>Percentage of Reconstruction Price</u>
Third	21.82929%
Fifth	14.55286%
Seventh	7.27643%

SEABOARD COAST LINE RAILROAD COMPANY

ALTERNATE SCHEDULE OF CASUALTY VALUE

(Alternate Schedule under Section 2.2)

The Casualty Value for an Item of Equipment payable on the Term Lease Commencement Date or any rental payment date thereafter shall mean an amount equal to the percent of the Total Cost of such Item set forth opposite such date in the following schedule (as the same may be increased pursuant to Annex 1 to this Schedule C-2):

<u>Term Lease Commencement Date or Number of Fixed Rental Payment Date on which Casualty Value is Paid</u>	<u>Percentage of Total Cost Payable as Casualty Value</u>
Term Lease Commencement Date	95.339%
2	90.519
3	87.919
4	84.929
5	81.599
6	77.939
7	73.840
8	69.620
9	65.130
10	60.390
11	55.270
12	50.060
13	44.630
14	38.970
15	32.920
16	26.800
Lease Termination Date and thereafter during any storage period	20.000

(Seaboard Coast Trust Line No. 27)

SCHEDULE C-2
(to Equipment Lease)

Annex 1 to Schedule C-2
(to Equipment Lease)

The percentages set forth in Table 1 to this Schedule C-2 have been computed without regard to recapture of the Investment Credit (as defined in an agreement between the Lessor and the Lessee dated the date hereof relating to certain tax indemnities). Consequently, the Casualty Value of any Item 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 Price set forth below:

<u>Anniversary of Delivery and Acceptance</u>	<u>Percentage of Reconstruction Price</u>
Third	21.82929%
Fifth	14.55286%
Seventh	7.27643%