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RECORDATION NO. 13375
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INTERSTATE COMMERCE COMMISSION

No. 1-355A042
DEC 23 1981
Date
Fee $ 100.00
Washington, D. C.

December 18, 1981

Bangor and Aroostook Railroad Company
Lease Financing Dated as of December 1, 1981
9% Conditional Sale Indebtedness Due 1996

[CS&M Ref: 5735-002]

Dear Ms. Mergenovich:

Pursuant to 49 U.S.C. § 11303 and the Commission's rules and regulations thereunder, as amended, I enclose herewith on behalf of Bangor and Aroostook Railroad Company for filing and recordation counterparts of the following documents:

(1) (a) Conditional Sale Agreement dated as of December 1, 1981, between Armco Industrial Credit Corporation, as Vendee, and Whittaker Corporation, Berwick Forge and Fabricating Division, as Builder; and

(b) Agreement and Assignment dated as of December 1, 1981, between Mercantile-Safe Deposit and Trust Company, as Agent, and Whittaker Corporation, Berwick Forge and Fabricating Division, as Builder.

(2) (a) Lease of Railroad Equipment dated as of December 1, 1981, between Bangor and Aroostook Railroad Company, as Lessee, and Armco Industrial Credit Corporation, as Lessor; and

(b) Assignment of Lease and Agreement dated as of December 1, 1981, between Armco Industrial Credit Corporation, as Lessor, and Mercantile-Safe Deposit and Trust Company, as Agent.

The names and addresses of the parties to the aforementioned Agreements are as follows:

Vendee-Lessor:

Armco Industrial Credit Corporation,
Suite 700,
Two Hillcrest Green,
12720 Hillcrest Road,
Dallas, Texas 75230.

Builder-Vendor:

Whittaker Corporation,
Berwick Forge and Fabricating Division,
P. O. Box 188,
West Ninth Street,
Berwick, Pennsylvania 18603.

Lessee:

Bangor and Aroostook Railroad Company,
Northern Maine Junction Park,
R.R. 2,
Bangor, Maine 04401.

Agent-Vendor Assignee:

Mercantile-Safe Deposit and Trust Company,
Two Hopkins Plaza,
Baltimore, Maryland 21203.

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

The equipment covered by the aforementioned agreements consists of 83 50'6" 70-ton General Purpose Boxcars

bearing the road numbers of the Lessee BAR 4500-4582, both inclusive and also bearing the legend "Ownership Subject to a Security Agreement Filed with the Interstate Commerce Commission".

Enclosed is our check for $100 for the required recordation fee. Please accept for recordation one counterpart of each of the enclosed agreements, stamp the remaining counterparts with your recordation number and return them to the delivering messenger along with your fee receipt addressed to the undersigned.

Very truly yours,

Laurance V. Goodrich

Laurance V. Goodrich
As Agent for Bangor and
Aroostook Railroad Company.

Agatha Mergenovitch, Secretary,
Interstate Commerce Commission,
Washington, D.C. 20423

Encls.

89A

Interstate Commerce Commission

Washington, D.C. 20423

12/23/81

OFFICE OF THE SECRETARY

Laurance V. Goodrich

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

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act,49 U.S.C. 11303, on 12/23/81 at 10:55am , and assigned re-recordation number(s). 13375,13375-A,13375-B, 13375-C

Sincerely yours,

Agatha L. Mergenovich

Agatha L. Mergenovich
Secretary

Enclosure(s)

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INTERSTATE COMMERCE COMMISSION

[CS&M Ref. 5735-002]

CONDITIONAL SALE AGREEMENT

Dated as of December 1, 1981,

Between

ARMCO INDUSTRIAL CREDIT CORPORATION, Vendee,

and

WHITTAKER CORPORATION, BERWICK FORGE AND FABRICATING DIVISION, Builder

CONDITIONAL SALE AGREEMENT

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CONDITIONAL SALE AGREEMENT dated as of December 1, 1981, between WHITTAKER CORPORATION, BERWICK FORGE AND FABRICATING DIVISION, a California corporation ("Builder" or "Vendor" as the context may require, all as more particularly set forth in Article 1 hereof), and ARMCO INDUSTRIAL CREDIT CORPORATION ("Vendee").

WHEREAS the Builder has agreed to construct, sell and deliver to the Vendee, and the Vendee agrees to purchase, subject to the terms and conditions hereof, the equipment described in Annex B hereto ("Equipment");

WHEREAS the Vendee is entering into a lease with BANGOR AND AROOSTOOK RAILROAD COMPANY, a Maine corporation ("Lessee"), in substantially the form annexed hereto as Annex C ("Lease"); and

WHEREAS MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY ("Assignee"), is acting as agent for a certain investor pursuant to a Participation Agreement dated as of the date hereof ("Participation Agreement") among the Lessee, the Assignee, the Vendee and the investor named therein ("Original Investor", and, together with its successors and assigns, "Investors");

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

ARTICLE 1. ASSIGNMENT; DEFINITIONS

1.1. Contemplated Sources of Purchase Price; Assignment. The parties hereto contemplate that the Vendee will furnish 31.70977% of the Purchase Price (as defined in paragraph 4.1 hereof) of the Equipment and that an amount equal to the balance of such Purchase Price shall be settled with the Builder by the Assignee pursuant to an Agreement and Assignment dated as of the date hereof ("CSA Assignment") between the Builder and the Assignee.

1.2. Lease Assignment. The Vendee will assign to the Vendor, as security for the payment and performance of all the Vendee's obligations hereunder, certain of its right, title and interest in and to the Lease, pursuant to

an Assignment of Lease and Agreement in substantially the form of Annex D hereto ("Lease Assignment") and the Lessee will consent thereto pursuant to the Consent and Agreement annexed thereto ("Consent").

1.3. Meaning of "Builder" and "Vendor". The term "Builder", whenever used in this Agreement, means, both before and after any assignment of its rights hereunder, the party hereto which has manufactured the Equipment to be constructed and sold hereunder and any successor or successors for the time being to its manufacturing properties and business. The term "Vendor", whenever used in this Agreement, means, before any such assignment, the Builder, and, after any such assignment, both any assignee or assignees for the time being of such particular assigned rights, as regards such rights, and also any assignor as regards any rights hereunder that are retained or excluded from any assignment. Any reference herein to this Agreement or any other agreement shall mean said agreement and all amendments and supplements hereto or thereto then in effect.

ARTICLE 2. CONSTRUCTION AND SALE

Pursuant to this Agreement, the Builder shall construct the Equipment at its plant described in Annex B hereto, and will sell and deliver the Equipment to the Vendee, and the Vendee will purchase from the Builder and accept delivery of and pay for the Equipment, each unit of which shall be constructed in accordance with the specifications referred to in Annex B hereto and in accordance with such modifications thereof as may be agreed upon in writing between the Builder, the Vendee and the Lessee (which specifications and modifications, if any, are hereinafter called the "Specifications"). The Builder represents and warrants that (i) the design, quality and component parts of each unit of the Equipment to be delivered by the Builder under this Agreement shall conform, on the date of delivery and acceptance thereof, to all Department of Transportation and Interstate Commerce Commission requirements and specifications and to all standards, if any, recommended by the Association of American Railroads reasonably interpreted as being applicable to railroad equipment of the character of such unit, (ii) each such unit will be new railroad equipment, (iii) none of such component parts will be used components (except to the extent referred to in any footnote to Annex B hereto) and (iv) none of such units will have been used so as to preclude first use in the Vendee or the Lessee.

ARTICLE 3. INSPECTION AND DELIVERY

3.1. Place of Delivery. The Builder will deliver the Equipment to the Vendee at the place or places specified in Annex B hereto (or if Annex B does not specify a place or places, at the place or places designated from time to time by the Vendee), freight charges and storage charges, if any, prepaid, in accordance with the delivery schedule set forth in Annex B hereto; provided, however, that delivery of any unit of the Equipment shall not be made until this Agreement and the Lease have been filed pursuant to 49 U.S.C. § 11303 and deposited with the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada and for publication of notice of such deposit in The Canada Gazette; and provided further that the Builder shall have no obligation to deliver any unit of Equipment hereunder (i) subsequent to the commencement of any proceedings specified in clause (c) or (d) of paragraph 16.1 hereof or the occurrence of any event of default (as defined in paragraph 16.1 hereof), or event which, with the lapse of time and/or demand, could constitute such an event of default or (ii) unless the Builder shall have been notified by the Assignee that the conditions contained in Paragraph 6 of the Participation Agreement have been met and the Builder shall have been notified by the Vendee that the conditions contained in Paragraph 7 of the Participation Agreement have been met or waived. The Builder agrees not to deliver any unit of Equipment hereunder if the Builder shall have actual knowledge or following receipt of written notice from the Vendee or the Assignee (a) of the commencement of any such proceedings or the occurrence of any such event, as aforesaid or (b) that any of the conditions contained in Paragraph 6 or 7 of the Participation Agreement have not been met or waived until such time as such written notice may be canceled by a further written notice or the Vendee and Assignee consent to the resumption of deliveries.

3.2. Force Majeure. The Builder's obligation as to time of delivery is subject, however, to delays resulting from causes beyond the Builder's reasonable control, including, without limitation, acts of God, acts of government such as embargoes, priorities and allocations, war or war conditions, riot or civil commotion, sabotage, strikes, differences with workmen, accidents, fire, flood, explosion, damage to plant, equipment or facilities, delays in receiving necessary materials or delays of carriers or subcontractors.

3.3. Exclusion of Equipment. Any Equipment not delivered pursuant to paragraph 3.1 hereof and any

Equipment not delivered and accepted hereunder on or before December 31, 1981, shall be excluded from this Agreement, and the Vendee shall be relieved of its obligation to purchase and pay for such Equipment; provided, however, that the Vendee may elect by written notice to the Builder and Lessee to purchase and pay for any such Equipment not so delivered and accepted hereunder on or before December 31, 1981. If any Equipment shall be excluded herefrom pursuant to the preceding sentence, the parties hereto shall execute an agreement supplemental hereto limiting this Agreement to the Equipment not so excluded herefrom. In the event of any such exclusion of any unit of Equipment herefrom pursuant to the foregoing provisions of this paragraph 3.3 or pursuant to paragraph 4.1 hereof, or in the event the Vendee is relieved of its obligation hereunder to accept or pay for any or all units of Equipment in accordance with the terms and conditions hereof for any reason whatsoever, the Lessee will be obligated pursuant to Paragraph 1 of the Participation Agreement to accept all such units completed and delivered by the Builder and to pay the full purchase price therefor when due, all in accordance with the terms of its prior contractual arrangements with the Builder relating to the Equipment (the "Purchase Order"), and the Vendee will reassign, transfer and set over to the Builder all the right, title and interest of the Vendee in and to the units so excluded.

3.4. Inspection. During construction, the Equipment shall be subject to inspection and approval by the authorized inspectors of the Vendee (who may be employees of the Lessee), and the Builder shall grant to such authorized inspectors reasonable access to its plant. The Builder agrees to inspect the materials used in the construction of the Equipment in accordance with the standard quality control practices of the Builder. Upon or after completion of each unit or of a number of units of the Equipment, such unit or units shall be presented to an inspector of the Vendee for inspection at the place specified for delivery of such unit or units, and if each such unit conforms to the Specifications and requirements and standards applicable thereto, such inspector or an authorized representative of the Vendee (who may be an employee of the Lessee) shall execute and deliver to the Builder a certificate of acceptance ("Certificate of Acceptance") stating that such unit or units have been inspected and accepted on behalf of the Vendee and are marked in accordance with paragraph 10.1 hereof; provided, however, that the Builder shall not thereby be relieved of its warranty referred to in paragraph 14.4 hereof. By § 2

of the Lease, the Vendee is appointing the Lessee its agent to inspect and accept delivery of the Equipment. Acceptance of any unit of Equipment by the Lessee (or its employees or agents, as aforesaid) pursuant to § 2 of the Lease shall be deemed to be acceptance of such unit by the Vendee.

3.5. Builder's Responsibilities After Delivery. On delivery by the Builder hereunder of units of Equipment and acceptance of each such unit hereunder at the place specified for delivery, the Builder shall have no further responsibility for, nor bear any risk of, any damage to or the destruction or loss of such units; provided, however, that the Builder shall not thereby be relieved of its warranty referred to in paragaph 14.4 hereof.

ARTICLE 4. PURCHASE PRICE AND PAYMENT

4.1. Meaning of "Purchase Price"; Exclusion of Units. The base price or prices per unit of the Equipment are set forth in Annex B hereto. Such base price or prices are subject to such increase or decrease as otherwise may be agreed to by the Builder, the Vendee and the Lessee. The term "Purchase Price" as used herein shall mean the base price or prices as so increased or decreased as set forth in the invoice of the Builder delivered to the Vendee and, if the Purchase Price is other than the base price or prices set forth in said Annex B, the invoice or invoices shall be accompanied by, or have endorsed thereon, the agreement or approval of the Lessee and the Vendee (such invoice or invoices being hereinafter called "Invoices"). If on any Closing Date the aggregate Purchase Price of Equipment for which settlement has theretofore been and is then being made would, but for the provisions of this sentence, exceed the Maximum Purchase Price specified in Item 4 of Annex A hereto, the Builder (and any assignee of the Builder) will enter into an agreement excluding from this Agreement such unit or units of Equipment then proposed to be settled for and specified by the Vendee and the Lessee, as will, after giving effect to such exclusion, reduce such aggregate Purchase Price to not more than said Maximum Purchase Price and the Vendee shall have no further obligation or liability in respect of the units so excluded.

4.2. Designation of Equipment; Settlement and Closing Dates. The Equipment shall be settled for in such number of Groups of Equipment as is provided for in Item 2 of

Annex A hereto. The term "Closing Date" with respect to any Group shall be such date as is specified in Item 2 of Annex A hereto or as is specified by the Lessee by six business days' written notice thereof with the concurrence of the Vendee, the Assignee and the Builder, but in no event shall such date be later than December 31, 1981 ("Cut Off Date"). Such notice shall specify the aggregate Purchase Price of such Group and a copy thereof shall be sent by the Lessee to the Builder, the Assignee and the Vendee. The term "Group", as used herein, shall mean the group of units of Equipment being settled for on any Closing Date. The place of each closing shall be determined by mutual agreement among the parties hereto. At least five business days prior to the Closing Date with respect to a Group of Equipment, the Builder shall present to the Vendee, the Assignee and the Lessee the Invoices for the Equipment to be settled for. The term "business days" as used herein means calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in Bangor, Maine, Dallas, Texas, Baltimore, Maryland, or New York, New York, are authorized or obligated to remain closed.

4.3. Indebtedness of Vendee to Vendor. Subject to the terms of this Agreement, the Vendee hereby acknowledges itself to be indebted to the Vendor in the amount of, and hereby promises to pay in immediately available funds to the Vendor at such place as the Vendor may designate, the Purchase Price of the Equipment, as follows:

(a) on the Closing Date with respect to each Group an amount equal to 31.70977% of the aggregate Purchase Price of the units of Equipment in such Group; and

(b) in 60 quarterly installments, as hereinafter provided, an amount equal to the aggregate Purchase Price of the units of Equipment for which settlement is then being made, less the aggregate amount paid or payable with respect thereto pursuant to subparagraph (a) of this paragraph (the portion of the Purchase Price payable under this subparagraph (b) is hereinafter called "CSA Indebtedness").

4.4. CSA Indebtedness; Payment Dates; Interest. (1) The installments of the CSA Indebtedness shall be payable quarterly on January 4, April 4, July 4 and October 4 in each year, commencing January 4, 1982, to and including October 4, 1996, each such date being hereinafter called a "Payment Date". The unpaid balance of the CSA Indebtedness

shall bear interest from the Closing Date in respect of which such Indebtedness was incurred at the rate of 9% per annum. Interest on the unpaid balance of the CSA Indebtedness shall be payable in arrears on January 4, 1982, and quarterly on each Payment Date thereafter. The amounts of CSA Indebtedness payable on each Payment Date shall be calculated so that the amount and allocation of principal and interest payable on each Payment Date shall be substantially in proportion to the amount and allocation of principal and interest on such Payment Date set forth in Schedule I hereto (subject to the provisions of Article 7 hereof) and the aggregate of such installments of principal shall completely amortize the CSA Indebtedness at maturity. The Vendee will furnish to the Vendor and the Lessee promptly after the last Closing Date a schedule, in such number of counterparts as shall be requested by the Vendor, showing the respective amounts of principal and interest payable on each Payment Date.

(2) If any of the dates for payment of principal or interest is not a business day, such payment shall be payable on the next business day.

4.5. Calculation of Interest. Interest under this Agreement shall be calculated on the basis of a 360-day year of twelve 30-day months except that interest payable on January 4, 1982, shall be computed on an actual elapsed day, 365-day year, basis.

4.6. Penalty Interest. The Vendee will pay interest, to the extent legally enforceable, at the rate of 16% per annum ("Penalty Rate") upon all amounts remaining unpaid after the same shall have become due and payable pursuant to the terms hereof or such lesser amount as shall be legally enforceable, anything herein to the contrary notwithstanding.

4.7. Currency of Payment; Limitation on Prepayment. All payments provided for in this Agreement shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Except as provided in Article 7 hereof, the Vendee shall not have the privilege of prepaying any portion of the CSA Indebtedness prior to the date it becomes due.

4.8. Liability of Vendee Limited to "Income and Proceeds from Equipment". Notwithstanding any other

provision of this Agreement (including, but not limited to, any provision of Articles 16 and 17 hereof, except as set forth in this paragraph 4.8), but not limiting the effect of Article 23 hereof, the liability of the Vendee or any assignee of the Vendee for all payments to be made by it under this Agreement, with the exception only of the payments to be made pursuant to paragraph 4.3(a) hereof and paragraph 13.1 hereof, shall not exceed an amount equal to, and shall be payable only out of, the "income and proceeds from the Equipment", and such payments shall be made by the Vendee only to the extent that the Vendee or any assignee of the Vendee shall have actually received sufficient "income and proceeds from the Equipment" to make such payments. Except as provided in the preceding sentence, neither the Vendee nor any assignee of the Vendee shall have any liability to make any payments under this Agreement whatsoever except from the "income and proceeds from the Equipment" to the extent actually received by the Vendee or any assignee of the Vendee. As used herein the term "income and proceeds from the Equipment" shall mean

(i) if one of the events of default specified in paragraph 16.1 hereof shall have occurred and while it shall be continuing, so much of the following amounts as are indefeasibly received by the Vendee or any assignee of the Vendee at any time after any such event and during the continuance thereof: (a) all amounts of rental and amounts in respect of Casualty Occurrences (as defined in paragraph 7.2 hereof) paid for or with respect to the Equipment pursuant to the Lease and any and all other payments received under § 13 or any other provision of the Lease and (b) any and all payments or proceeds received for or with respect to the Equipment as the result of the sale, lease or other disposition thereof, after deducting all costs and expenses of such sale, lease or other disposition, and

(ii) at any other time only that portion of the amounts referred to in the foregoing clauses (a) and (b) (not including amounts paid by the Lessee to the Vendee as reimbursement of sums paid by the Vendee on account of prior defaults under § 13.1(A) of the Lease) as are indefeasibly received by the Vendee or any assignee of the Vendee and as shall equal the portion of the CSA Indebtedness (including prepayments thereof required in

respect of Casualty Occurrences) and/or interest thereon due and payable on the date such amounts were required to be paid pursuant to the Lease or as shall equal any other payments then due and payable under this Agreement;

it being understood that "income and proceeds from the Equipment" shall in no event include (x) amounts referred to in the foregoing clauses (a) and (b) which were received by the Vendee or any assignee of the Vendee prior to the existence of such an event of default which exceeded the amounts required to discharge that portion of the CSA Indebtedness (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon due and payable on the date on which amounts with respect thereto received by the Vendee or any assignee of the Vendee were required to be paid to it pursuant to the Lease or which exceeded any other payments due and payable under this Agreement at the time such amounts were payable under the Lease or (y) payments by the Lessee to the Vendee pursuant to §§ 6, 12 and 20 of the Lease (except to the extent that and in the event any such payment discharges a corresponding obligation of the Vendee to the Vendor under this Agreement). Nothing contained herein limiting the liability of the Vendee shall derogate from the right of the Vendor to proceed against the Equipment as provided for herein for the full unpaid Purchase Price of the Equipment and interest thereon and all other payments and obligations hereunder. Notwithstanding anything to the contrary contained in Article 16 or 17 hereof, the Vendor agrees that in the event it shall obtain a judgment against the Vendee for an amount in excess of the amounts payable by the Vendee pursuant to the limitations set forth in this paragraph, it will, accordingly, limit its execution of such judgment to amounts payable pursuant to the limitations set forth in this paragraph.

ARTICLE 5. SECURITY INTEREST IN THE EQUIPMENT

5.1. Vendor To Retain Security Interest; Accessions Are Part of Equipment. The Vendor shall and hereby does retain a security interest in the Equipment until the Vendee shall have made all its payments under this Agreement and shall have kept and performed all its agreements herein contained, notwithstanding any provision of this Agreement limiting the liability of the Vendee and notwithstanding the delivery of the Equipment to and the possession and use thereof by the Vendee and the Lessee as provided in this

Agreement and the Lease. Such retention of security interest is solely to secure performance by the Vendee of its obligations under this Agreement (without regard to any provision of this Agreement limiting the liability of the Vendee), and, subject thereto, ownership of the Equipment shall be and remain in the Vendee subject to such performance. Any and all parts installed on and additions and replacements made to any unit of the Equipment (i) which are not readily removable without causing material damage to such unit, (ii) the cost of which is included in the Purchase Price of such unit or (iii) which are required for the operation or use of such unit by the Association of American Railroads and/or the Interstate Commerce Commission, the United States Department of Transportation or any other applicable regulatory body, shall constitute accessions to the Equipment and shall be subject to all the terms and conditions of this Agreement and included in the term "Equipment" as used in this Agreement.

5.2. Obligations upon Payment of CSA Indebtedness. Except as otherwise specifically provided in Article 7 hereof, when and only when the Vendor shall have been paid the full indebtedness in respect of the Purchase Price of the Equipment, together with interest and all other payments as herein provided, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee without further transfer or action on the part of the Vendor or the Vendee. However, the Vendor, if so requested by the Vendee at that time, will (a) execute an instrument releasing its security interest in the Equipment and transferring such interest to the Vendee or upon its order, free of all liens, security interests and other encumbrances created or retained hereby and deliver such instrument to the Vendee at its address referred to in Article 22 hereof, (b) execute and deliver at the same place, for filing, recording or depositing in all necessary public offices, such instrument or instruments in writing as may be necessary or appropriate in order then to make clear upon the public records the title of the Vendee to the Equipment and (c) pay to the Vendee any money paid to the Vendor pursuant to Article 7 hereof and not theretofore applied as therein provided. The Vendee hereby waives and releases any and all rights, existing or that may be acquired, in or to the payment of any penalty, forfeit or damages for failure to execute and deliver such instrument or instruments or to file any certificate of payment in compliance with any law or statute requiring the filing of the same, except for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file such certificate within a reasonable time after written demand by the Vendee.

ARTICLE 6. TAXES

6.1. General Tax Indemnification. Whether or not any of the transactions contemplated hereby are consummated, the Vendee agrees to pay, and to indemnify and hold the Vendor harmless on an after-tax basis from, all taxes, assessments, fees and governmental charges of any nature whatsoever, together with any penalties, fines, additions to tax or interest thereon, howsoever imposed, whether levied or imposed upon the Vendee, the Vendor, the Lessee 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 unit of the Equipment or any part thereof; the purchase, ownership, delivery, leasing, possession, use, operation, transfer of title, return or other disposition thereof; the rentals, receipts or earnings arising therefrom; or this Agreement, the CSA Assignment, the Lease, the Lease Assignment, 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 any state or political subdivision thereof and (if and to the extent that any person indemnified hereunder is entitled to a credit therefor against its United States Federal income taxes) of any foreign country or subdivision thereof, imposed on or measured solely by the gross, adjusted gross, or net receipts, or income or excess profits of the Vendor, or franchise taxes to the extent measured by gross, adjusted gross, or net receipts, or income or excess profits of the Vendor, or gross or net receipts taxes other than gross or net receipts taxes in the nature of sales or use taxes, and other than Taxes arising out of or imposed in respect of the receipt of indemnification payments pursuant to this Agreement; provided that such Taxes of any foreign country or subdivision thereof incurred as a result of the indemnified party being taxed by such foreign country or subdivision on its world-wide income without regard to the transactions contemplated by this Agreement shall be excluded whether or not the indemnified party is entitled to a credit against its United States Federal income taxes; (ii) any Taxes imposed on or measured by any fees or compensation received by the Vendor; (iii) Taxes which are imposed on or measured solely by the net income of the Vendor if and to the extent that such Taxes are in substitution for or reduce the Taxes

payable by any other person which the Vendee has not agreed to pay or indemnify against pursuant to this Article 6; and (iv) any payroll or similar tax and any property, sales, use, occupancy or similar taxes with respect to property other than the Units; provided, however, that the Vendee shall not be required to pay any Taxes during the period it may be contesting the same in the manner provided in paragraph 6.2 hereof.

6.2. Claims; Contests; Refunds. If claim is made against the Vendor for any Taxes indemnified against under this Article 6, the Vendor shall promptly notify the Vendee. If reasonably requested by the Vendee in writing, the Vendor shall, upon receipt of any indemnity satisfactory to it for all costs, expenses, losses, legal and accountants' fees and disbursements, penalties, fines, additions to tax and interest, and at the expense of the Vendee, contest in good faith the validity, applicability or amount of such Taxes by (a) resisting payment thereof if possible, (b) not paying the same except under protest, if protest is necessary and proper, and (c) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative or judicial proceedings, or both. The Vendee may also contest, at its own expense, the validity, applicability or amount of such Taxes in the name of the Vendor; provided that, no proceeding or actions relating to such contest shall be commenced (nor shall any pleading, motion, brief or other paper be submitted or filed in the name of the Vendor in any such proceeding or action) without the prior written consent of the Vendor. If the Vendor shall obtain a refund of all or any part of such Taxes previously reimbursed by the Vendee in connection with any such contest or an amount representing interest thereon, the Vendor shall pay the Vendee the amount of such refund or interest net of expenses; provided, however, that no event of default set forth in paragraph 16.1 hereof and no event which with notice or lapse of time or both would constitute such an event of default shall have occurred and be continuing.

6.3. Reports or Returns. In case any report or return is required to be made with respect to any obligation of the Vendee under or arising out of this Article 6, the Vendee shall either make such report or return in such manner as will show the interests of the Vendor in the Equipment or shall promptly notify the Vendor of such requirement and shall make such report or return in such manner as shall be satisfactory to the Vendor. All costs and expenses

(including legal and accountants' fees) of preparing any such return or report shall be borne by the Vendee.

6.4. Survival. All of the obligations of the Vendee under this Article 6 shall survive and continue, notwithstanding payment in full of all amounts due under this Agreement.

ARTICLE 7. MAINTENANCE AND CASUALTY OCCURRENCES

7.1. Maintenance. Subject to the limitations contained in Article 23 hereof, the Vendee shall, at its own cost and expense, maintain and keep each unit of the Equipment in good operating order, repair and condition, ordinary wear and tear excepted, in accordance with the Interchange Rules of the American Association of Railroads.

7.2. Casualty Occurrences. In the event that any unit of Equipment shall suffer a Casualty Occurrence (as defined in § 7 of the Lease), the Vendee shall, promptly after it shall have received notice from the Lessee or has otherwise been informed that such unit has suffered a Casualty Occurrence, cause the Vendor to be fully informed in regard thereto. On the Casualty Payment Date (as defined in § 7.1 of the Lease), the Vendee shall, subject to the limitations contained in paragraph 4.8 hereof, pay to the Vendor a sum equal to the Casualty Value (as defined in paragraph 7.3 hereof) of such unit suffering a Casualty Occurrence as of such Casualty Payment Date, together with an amount equal to accrued interest thereon. The Vendee shall file, or cause to be filed, with the Vendor a certificate setting forth the Casualty Value of such unit. Any money paid to the Vendor pursuant to this paragraph shall be applied on the date of such payment to prepay, without penalty or premium, ratably in accordance with the unpaid balance of each installment, the CSA Indebtedness, together with all interest accrued on the portion of the CSA Indebtedness being prepaid. The Vendee shall promptly cause to be furnished to the Vendor and the Lessee a revised schedule of payments of principal and interest thereafter to be made, in such number of counterparts as the Vendor and the Lessee may request, calculated as provided in paragraph 4.4 hereof.

7.3. Casualty Value. The Casualty Value of each unit of the Equipment suffering a Casualty Occurrence shall be deemed to be that portion of the original Purchase Price thereof referred to in paragraph 4.3(b) hereof remaining unpaid on the date as of which such Casualty Value shall be

determined (without giving effect to any prepayment or prepayments theretofore made under this Article with respect to any other unit). For the purpose of this paragraph and paragraph 7.4 hereof, each payment of the Purchase Price made pursuant to Article 4 hereof shall be deemed to be a payment with respect to each unit of Equipment in like proportion as the original Purchase Price of such unit bears to the aggregate original Purchase Price of all the Equipment.

7.4. Obligations upon Payment of Casualty Value. Upon payment by the Vendee to the Vendor of the Casualty Value of any unit of the Equipment having suffered a Casualty Occurrence, absolute right to the possession of, title to and property in such unit shall pass to and vest in the Vendee, without further transfer or action on the part of the Vendor or the Vendee and the provisions of the second and third sentences of paragraph 5.2 shall apply as though expressly set forth in this paragraph 7.4.

ARTICLE 8. INSURANCE PROCEEDS AND CONDEMNATION PAYMENTS

If the Vendor shall receive any insurance proceeds or condemnation payments in respect of any units suffering a Casualty Occurrence, the Vendor shall promptly pay such insurance proceeds or condemnation payments to the Vendee; provided, however, that no event of default shall have occurred and be continuing hereunder and the Vendee shall have made payment of the Casualty Value of such units, together with accrued interest thereon, to the Vendor. All insurance proceeds received by the Vendor in respect of any unit of Equipment not suffering a Casualty Occurrence shall be paid to the Vendee upon proof satisfactory to the Vendor that any damage to such unit in respect of which such proceeds were paid has been fully repaired.

ARTICLE 9. REPORTS AND INSPECTIONS

On or before March 31 in each year, commencing with the year 1983, the Vendee shall, subject to the provisions of Article 23 hereof, cause to be furnished to the Vendor an accurate statement to the effect set forth in § 8 of the Lease. The Vendor shall have the right, by its agents, to inspect the Equipment and the Vendee's and the Lessee's records with respect thereto at such reasonable times as the Vendor may request during the term of this Agreement.

ARTICLE 10. MARKING OF EQUIPMENT

10.1. Marking of Equipment. The Vendee will cause each unit of the Equipment to be kept numbered and marked as provided in § 5 of the Lease. The Vendee will not permit the identifying number of any unit of the Equipment to be changed except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been filed with the Vendor and filed, recorded and deposited by or on behalf of the Vendee in all public offices where this Agreement shall have been filed, recorded and deposited.

10.2. No Designations of Ownership. Except as provided in paragraph 10.1 hereof, the Vendee will not allow the name of any person, association or corporation to be placed on any unit of the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Equipment may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates.

ARTICLE 11. COMPLIANCE WITH LAWS AND RULES

11.1. Compliance with Laws and Rules. During the term of this Agreement, the Vendee will comply, and will cause every lessee or user of the Equipment to comply, in all respects (including, without limitation, with respect to the use, maintenance and operation of the Equipment) with all Applicable Laws (as defined in § 10 of the Lease) and in the event that such Applicable Laws require any alteration, replacement or addition of or to any part on any unit of the Equipment, the Vendee will or will cause the Lessee to conform therewith at no expense to the Vendor; provided, however, that the Vendee or the Lessee may, in good faith, contest the validity or application of any such Applicable Laws in any reasonable manner which does not, in the opinion of the Vendor, adversely affect the property or rights of the Vendor under this Agreement.

ARTICLE 12. POSSESSION AND USE

12.1. Possession and Use of Equipment by Vendee. The Vendee, so long as an event of default shall not have occurred and be continuing under this Agreement, shall be

entitled, from and after delivery of the Equipment by the Builder to the Vendee, to the possession of the Equipment and the use thereof, but only upon and subject to all the terms and conditions of this Agreement.

12.2. Lease Permitted; Lease Subordinate; No Amendment or Termination. The Vendee simultaneously with the execution hereof is leasing the Equipment to the Lessee as provided in the Lease, and the rights of the Lessee and its permitted assigns under the Lease shall be subordinated and junior in rank to the rights, and shall be subject to the remedies, of the Vendor under this Agreement. The Lease shall not be amended in any material respect or terminated (except in accordance with § 4 thereof) without the prior written consent of the Vendor.

12.3. Other Leases of Equipment. Subject to the rights of the Lessee under the Lease, the Vendee may also lease the Equipment to any other entity, but only with the prior written consent of the Vendor, which consent may be subject to the conditions, among others, that (i) such lease shall provide that the rights of such lessee are made expressly subordinate to the rights and remedies of the Vendor under this Agreement, (ii) such lessee shall expressly agree not to assign or permit the assignment of any unit of the Equipment to service involving the regular operations and maintenance thereof outside the United States and (iii) such lease shall be assigned to the Vendor as security on terms consistent with those set forth in Annex D hereto, and in any event satisfactory to the Vendor.

ARTICLE 13. PROHIBITION AGAINST LIENS

13.1. Vendee To Discharge Liens. The Vendee will pay or discharge any and all sums claimed by any party from, through or under the Vendee or its successors or assigns which, if unpaid, might become a lien, charge or security interest on or with respect to the Equipment, or any unit thereof and will promptly discharge any such lien, charge or security interest which arises, but shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the security interest of the Vendor in or to the Equipment or otherwise under this Agreement.

EXHIBIT A
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

[CS&M Ref: 2044-189]

TRANSFER AGREEMENT

Dated as of October 25, 1981

Between

FIRST SECURITY BANK OF UTAH, N.A.,
not in its individual capacity but
solely as Agent,

and

FIRST SECURITY STATE BANK,
not in its individual capacity but
solely as Trustee.

TRANSFER AGREEMENT

As of October 25, 1981

First Security Bank of Utah, N.A.,
not in its individual capacity
but solely as Agent for the
Investors under a Participation
Agreement dated as of the date hereof
(the "Participation Agreement"),
79 South Main Street
Salt Lake City, Utah 84111.

Attention of Corporate Trust Department.

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

1. In order to arrange for the financing of the reconstruction of the Hulks and the sale of the reconstructed Hulks to us by you on conditional sale, the undersigned hereby assigns and transfers to you (WITHOUT ANY WARRANTIES, INCLUDING, BUT NOT LIMITED TO, WARRANTIES AS TO TITLE, FITNESS, MERCHANTABILITY OR WORKMANSHIP) security title (but not legal or beneficial title) to the Hulks.

2. You will hold security title under and pursuant to this Agreement and the Hulks will be reconstructed pursuant to the Reconstruction and Conditional Sale Agreement dated as of the date hereof (the "RCSA"), among you, the Builder and us. In accordance with the RCSA, the undersigned will cause the Hulks to be delivered to the Builder on your behalf.

3. Upon completion of the reconstruction, your security title to the reconstructed Hulks will be conditionally sold by you to us in accordance with the RCSA.

4. If any Hulks are not reconstructed, delivered, accepted and settled for under the RCSA you shall promptly release and reassign to us your security title to such Hulks, without warranty.

5. It is agreed that this Agreement is being entered into solely to permit you to effectuate the foregoing and your interests in the Hulks, in present form or as reconstructed, is a security interest and that we shall at all times be the owner of the same provided that, notwithstanding your retention of security title to the Hulks during reconstruction (until released pursuant hereto) your interest in the Hulks being reconstructed shall not secure the CSA Indebtedness or any other obligations due you or the Investors until reconstruction of the Hulks is completed and they are delivered, accepted and settled for under the RCSA.

6. It is agreed that we shall have no personal liability under this Agreement, our obligations being solely as set forth in the Participation Agreement and the other agreements annexed to the Participation Agreement. It is further agreed, anything herein to the contrary notwithstanding, that each of the representations, warranties, undertakings and agreements herein made by us are made and intended not as our personal representations, warranties, undertakings and agreements in our individual capacity or for the purpose or with the intention of binding us personally but are made and intended for the purpose of binding only the Trust Estate (as such term is used in a Trust Agreement dated as of the date hereof between Litton Equity Investments, Alpha Inc. and us (the "Trust Agreement")), and this Agreement is executed and delivered by us not in our own right but solely in the exercise of the powers expressly conferred upon us as trustee under the Trust Agreement; and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against us (except in the case of our gross negligence or wilful misconduct) on account of this Agreement or on account of any representation, warranty, undertaking or agreement made by us herein, either expressed or implied, all such personal liability, if any, being expressly waived and released by you and by all persons claiming by, through or under you.

7. Insofar as you or anyone claiming through you is concerned, it is agreed that the Trust Estate shall not include this Agreement and shall not include the Hulks until they are reconstructed, delivered, accepted and settled for under the RCSA.

8. It is agreed that this Agreement may be executed by you and us in any number of counterparts,

EXHIBIT B
to the
RECONSTRUCTION AND
CONDITIONAL SALE
AGREEMENT

[CS&M Ref. 2044-189]

LEASE OF RAILROAD EQUIPMENT

Dated as of October 25, 1981

Between

SEABOARD COAST LINE RAILROAD COMPANY,
as Lessee,

and

FIRST SECURITY STATE BANK,
not in its individual capacity but solely as Trustee,

Lessor.

The rights and interests of the Lessor under this Lease are subject to a security interest in favor of First Security Bank of Utah, N.A., as Agent for certain institutional investors. The original of this Lease is held by said Agent.

LEASE OF RAILROAD EQUIPMENT

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LEASE OF RAILROAD EQUIPMENT, dated as of October 25, 1981, between SEABOARD COAST LINE RAILROAD COMPANY, a Virginia corporation (the "Lessee") and FIRST SECURITY STATE BANK, a Utah banking corporation, not in its individual capacity but solely as trustee (the "Lessor") under a trust agreement dated as of the date hereof (the "Trust Agreement") with Litton Equity Investments, Alpha Inc. (the "Owner").

The Lessee and the Lessor are entering into a Reconstruction and Conditional Sale Agreement dated as of the date hereof (the "RCSA") with FIRST SECURITY BANK OF UTAH, N.A., not in its individual capacity but solely as Agent (said bank as so acting, being hereinafter, together with its successors and assigns, called the "Vendor"), under a Participation Agreement dated as of the date hereof (the "Participation Agreement") with the Lessor, the Lessee, the Owner and the party named in Schedule A thereto (such party, together with its successors and assigns, including any purchaser pursuant to Paragraph 14A thereof being hereinafter called the "Investors"), wherein the Vendor has agreed to transfer to the Lessor its interest in the railroad equipment described in Schedule A thereto (the "Equipment") after it has been reconstructed (pursuant to the terms of the RCSA) from the hulks (the "Hulks") delivered to the Lessor pursuant to a Hulk Purchase Agreement dated as of the date hereof (the "Hulk Purchase Agreement") between the Lessor and the Lessee.

The Lessee desires to lease all the units of the Equipment as are delivered, accepted and settled for under the RCSA (the "Units"). The Lessor will assign certain rights in this Lease for security to the Vendor pursuant to an Assignment of Lease and Agreement dated as of the date hereof (the "Lease Assignment") and the Lessee will consent thereto pursuant to the Consent and Agreement attached to the Lease Assignment (the "Consent").

In consideration of the agreements hereinafter set forth, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions, but subject to all the rights and remedies of the Vendor under the RCSA:

SECTION 1. Delivery and Acceptance of Units. The Lessor will cause each Unit to be tendered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under the RCSA. Upon such tender, the Lessee will cause an authorized

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

SECTION 2. Rental. The Lessee agrees to pay to the Lessor, as rental for each Unit subject to this Lease, 30 consecutive semiannual payments in arrears on February 1 and August 1 of each year commencing February 1, 1983. The first 15 semiannual rental payments shall each be in an amount equal to the sum of (a) 5.1856% of the Purchase Price (as defined in the RCSA) of each Unit then subject to this Lease (a "Fixed Rental Amount") and (b) the Variable Rental Amount (as defined below) in respect of the semiannual period for which such installment is paid, and the remaining 15 semiannual rental payments thereafter shall each be in an amount equal to the sum of (a) 6.337956% of the Purchase Price of each such Unit then subject to this Lease (a "Fixed Rental Amount") and (b) the Variable Rental Amount in respect of the semiannual period for which such installment is paid. The foregoing rental rates and the Casualty Value percentages set forth in Schedule B hereto have been calculated on the assumption that (i) the Units will be delivered and accepted on or prior to July 31, 1982, (ii) the Reconstruction Cost (as defined in the RCSA) of the Units will equal the estimated Reconstruction Cost set forth in Schedule A to the RCSA and (iii) the Closing Date (as defined in the RCSA) for all the Units will be on the date set forth in Schedule B to the RCSA. If for any reason any of the above assumptions shall not be true and accurate, the Lessor and the Lessee agree that the rentals payable hereunder and the Casualty Value percentages set forth in Schedule B hereto will be adjusted, if necessary in the Owner's opinion (or if necessary because the Units were not subject to this Lease until after July 31, 1982), in order that the Owner's net after-tax return on and rate of recovery of investment and annual net cash flows (computed on the same assumptions, including, without limitation, tax rates, as were utilized by the Owner in establishing the lease rentals and Casualty Value percentages for this transaction) will not be increased or decreased by reason thereof. The amount of such increase or decrease shall be determined by the Owner, which determination shall be conclusive and binding on Lessee if the Owner shall certify in writing to the Lessee that such increase or decrease was determined in good faith compliance with the immediately preceding sentence. The rentals payable hereunder and the Casualty Value percentages are also subject to

adjustment as provided in the fifth paragraph of Article 3 of the RCSA, Paragraph 14A of the Participation Agreement and the Indemnity Agreement. The Lessor and the Lessee agree to execute an addendum to this Lease to reflect each such adjustment; provided that such adjustment shall be effective for all purposes of this Lease regardless of whether such addendum is actually executed and delivered. Notwithstanding any other provision in this Lease, the Participation Agreement, the RCSA or the Indemnity Agreement, the rentals and Casualty Value percentages, as so adjusted (including any adjustment to the Fixed Rental Amount resulting from a positive or negative Variable Rental Amount (as hereinafter defined)), shall be sufficient to satisfy the obligations of the Lessor under the RCSA, notwithstanding any limitation of liability contained therein.

"Variable Rental Amount" shall mean, for any semiannual rental payment date, (i) the amount of interest on the outstanding CSA Indebtedness due and payable on such date, less (ii) the amount of interest which would have accrued on the outstanding CSA Indebtedness during the semiannual period preceding such semiannual rental payment date and which would have been due and payable on such date if the outstanding CSA Indebtedness had borne interest payable annually at a rate per annum equal to 14.25% (computed on the basis of a 360-day year consisting of 12 30-day months). The Variable Rental Amount may be positive, negative or zero.

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

This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof

or setoff against rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due to, or by reason of, any past, present or future claims of the Lessee against the Lessor under this Lease or under the RCSA, or the Owner or the Vendor or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or failure of title of the Lessor to any of the Units or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against Lessee's use of all or any of the Units, the taking or requisitioning of any of the Units by condemnation or otherwise, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency, bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever. All payments under the Lease shall be made by bank wire transfer of Federal or other funds immediately available at, and not later than 10:00 a.m. local time, in the city where such payments are due.

SECTION 3. Term of Lease. The term of this Lease as to each Unit shall begin on the date of the delivery to and acceptance by the Lessee of such Unit and, subject to the provisions of Sections 6, 9 and 12 hereof,

shall terminate on the date on which the final payment of rent in respect thereof is due hereunder; provided, however, that all the obligations of the Lessee, except for the payment of rent and the furnishing of annual reports, shall continue until surrender of the Units in accordance with Section 13 hereof. Nothing in this paragraph shall be deemed to terminate any obligation or provision of this Lease which by its terms is stated to survive the final payment of rent due hereunder.

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

SECTION 4. Identification Marks. The Lessee, so long as this Lease shall remain in effect, will cause each Unit to be kept numbered with the road number set forth in Schedule A hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of such Unit, in letters not less than one inch in height, the words "Ownership Subject to a Security Agreement Filed with the Interstate Commerce Commission" or other appropriate markings designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect Lessor's and Vendor's title to and property in such Unit and the rights of the Lessor under this Lease and of the Vendor under the RCSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such legend shall have been so marked on both sides thereof and will replace promptly any such legend which may be removed, obliterated, defaced or destroyed. The Lessee will not change the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and filed by the Lessee in all public offices where this Lease and the RCSA shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to that effect and to the further effect that such filing, recordation and deposit will protect the Vendor's and the Lessor's interests in such Units and that no filing, recording, depositing or giving of notice with or to any

other Federal, state or local government or agency thereof is necessary to protect the interests of the Vendor and the Lessor in such Units.

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

SECTION 5. Impositions. All payments to be made by the Lessee hereunder, will be free of all withholding or expense of any nature whatsoever to the Lessor, the Owner, the Vendor, the Investors (as defined in the Participation Agreement) (including their respective successors, assigns, agents and servants) and the Trust Estate (as defined in the Trust Agreement), for, and the Lessee shall pay and shall indemnify and hold harmless the Lessor, the Owner, the Vendor, the Investors (including their respective successors, assigns, agents and servants) and the Trust Estate, from and against all collection charges, all license and registration fees and all taxes, including without limitation, income, sales, use, personal property, stamp, interest equalization, withholding and other taxes, levies, imposts, duties, charges, or withholdings of any nature, together with any penalties, fines or interest thereon (all such collection charges, fees, taxes, levies, imposts, duties, charges, withholdings, penalties, fines and interest being hereinafter called collectively "Impositions"), imposed against the Lessor, the Owner, the Vendor, the Investors (including their respective successors, assigns, agents and servants) the Trust Estate, the Lessee or any Unit or any part thereof by any Federal, state or local government or taxing authority of or in the United States of America, or by any taxing authority or governmental subdivision of a foreign country, upon or with respect to any Unit or any part thereof, or upon or with respect to the purchase, ownership, delivery, leasing, rental payment, shipment, possession, use, operation, sale, return, transfer of title, or other disposition thereof, or upon the rentals, receipts or earnings arising therefrom, or upon the proceeds received with respect thereto, or upon or with respect to this Lease, the Participation Agreement, the

Trust Agreement, the Hulk Purchase Agreement, the RCSA, the Transfer Agreement, the Lease Assignment or the CSA Indebtedness (or any amendment, consent, waiver or modification of any thereof); excluding, however:

(i) United States Federal income taxes payable by the Owner in consequence of the receipt of payments provided for herein and, to the extent that the Owner receives credit therefor against its United States Federal income tax liability, any foreign income taxes payable by the Owner; provided, however, that all other foreign taxes of the Owner for the same period which qualify for such credit are first allowed and utilized;

(ii) the aggregate of all state or local taxes payable by the Owner measured by net income based on such receipts, up to the amount of any such taxes which would be payable to the state and city in which the Owner has its principal place of business (determined without apportionment to any other state);

(iii) any taxes on or measured by any fees or other compensation received by the Lessor or the Vendor for services rendered in connection with the transactions contemplated hereby; or

(iv) any United States Federal, state or local taxes, or other charges on or with respect to the investment in or transfer of the CSA Indebtedness or the revenues, receipts, or earnings therefrom for which any Investor is liable;

except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse herein provided. The Lessee will also pay promptly all Impositions which may be imposed upon any Unit or any part thereof or for the use or operation thereof or upon the earnings arising therefrom or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all Impositions which might in any way affect the title of the Lessor or result in a lien upon any such Unit. The Lessee need not pay any Imposition to the extent that and while it is being contested by the Lessee in good faith and by appropriate proceedings and so long as such proceedings or the nonpayment of such Imposition does not, in the opinion of the Owner and the Vendor involve (A) any

danger of the sale, forfeiture or loss of any Unit or any interest therein, (B) any material adverse change in the title, property or rights of the Lessor in or to the Units hereunder or of Vendor under the RCSA, (C) any assessment or penalty against any party which is indemnified by this Section 5, (D) any interference with the due payment by the Lessee of rentals hereunder or the application of such rentals under the Lease Assignment or (E) any danger of criminal liability or of other liability for which no indemnification is provided hereunder being imposed against the Lessor, the Owner, the Vendor, the Trust Estate, any Investor, or the agents or servants of any of them. If any Imposition shall have been charged or levied against the Lessor, the Owner, the Vendor or the Investors (including their respective successors, assigns, agents and servants) or the Trust Estate directly, the Lessee shall be advised promptly and shall be given an opportunity to contest such Imposition before the Imposition is paid by the Lessor, the Owner, the Vendor, the Investors or the Trust Estate, and if, after such notice is given and such opportunity is provided, the Lessor, the Owner, the Vendor, the Investors or the Trust Estate shall pay such Imposition, the Lessee shall reimburse such person, plus interest at the rate of 14.25% per annum (computed on the basis of a 360-day year or 12 30-day months) from the date of payment to the date of reimbursement, upon presentation of an invoice therefor. The Lessee further agrees that it will promptly pay to the Lessor, the Owner, the Vendor, the Investors (including their respective successors, assigns, agents and servants) or the Trust Estate, as the case may be, an amount which, after deduction of any taxes required to be paid by such person in respect of the receipt thereof, shall be equal to any additional tax payable by such person attributable to the inclusion in such person's income of any payment or reimbursement made or payable by the Lessee under this Section 5; provided, however, that such payment shall be reduced by an amount equal to any reduction in taxes resulting from the deduction by such person of the liability or payments with respect to which such payment or reimbursement is made or paid by the Lessee.

All amounts payable by the Lessee pursuant to this Section 5 shall be payable, to the extent not theretofore paid, on written demand by the party entitled to indemnification; and all the indemnities contained in this Section 5 shall continue in full force and effect notwithstanding the

expiration or other termination of this Lease and are expressly made for the benefit of, and shall be enforceable by the Lessor, the Owner, the Trust Estate, the Vendor and the Investors.

The parties hereto acknowledge that the Units become a part of the mass of property used by the Lessee in its operations as a common carrier by rail. Consequently, the parties agree that the Lessee shall include the Units in the ad valorem tax returns to be filed by the Lessee in the applicable states or localities and that neither the Vendor nor the Vendee shall include the Units in any ad valorem tax returns filed by them in such states or localities.

In the event any reports with respect to Impositions are required to be made, the Lessee will either make such reports in such manner as to show the ownership of the Lessor and the security interest of the Vendor in the Units or notify the Owner, the Lessor and the Vendor of such requirement and make such reports in such manner as shall be satisfactory to the Owner, the Lessor and the Vendor.

In the event the Lessee may be prohibited by law or impaired from contesting in its own name any Imposition covered by this Section 5 in respect of which the Lessee would otherwise be required to make payments to the Owner or the Lessor pursuant hereto, the Owner or the Lessor shall, upon request and at the expense of the Lessee, take all legal and other appropriate action reasonably requested by the Lessee to contest such Imposition. The Owner or the Lessor shall not be obligated to take any such legal or other appropriate action unless the Lessee shall first have indemnified the Lessor and the Owner in a manner satisfactory to the Lessor and the Owner, for all liabilities and expenses which may be entailed therein. Further, the Lessee shall indemnify and hold the Owner and the Lessor harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action taken by the Owner, the Lessor or the Lessee under this Section 5. The Lessee shall be entitled to any refund received by the Owner, the Lessor or the Lessee in respect of any Imposition paid by the Lessee, provided no Event of Default or other event

which, with notice, demand and/or lapse of time, would constitute such an Event of Default shall have occurred and be continuing.

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

In the event that any Unit shall be or become worn out, lost, stolen, destroyed or, in the opinion of the Lessee, irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise by the United States Government for a period which shall exceed the then remaining term of this Lease or by any other governmental entity resulting in loss of possession by the Lessee for the lesser of a period of 90 consecutive days or a period which shall exceed the then remaining term of this Lease (each such occurrence being hereinafter called a "Casualty Occurrence") prior to the return of such Unit in the manner set forth in Section 13 hereof, the Lessee shall, within 30 days after it shall have determined that such Unit has suffered a Casualty Occurrence, fully notify the Lessor and the Vendor in writing with respect thereto. Notwithstanding any such Casualty Occurrence, the Lessee shall continue making all payments provided for in this Lease in respect of such Unit until the Casualty Payment Date (as hereinafter defined) listed in Table 1 of Schedule B hereto next succeeding such notice. On August 1, 1982, or the next rental payment date, as the case may be ("Casualty Payment Date"), the Lessee shall pay to the Lessor the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with Schedule B hereto, plus the rental payment or payments in respect of such Unit then due and payable. Upon the making of all such payments by the Lessee in respect of any Unit, the rental for such Unit shall thereafter cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent, to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable under the circumstances on an "as is, where is, and with all faults" basis in accordance with the Lessee's normal procedures. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the net proceeds

of such sale after deductions of any cost or expense incurred in disposing of such Unit to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

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

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

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

The Lessee will, at all times while this Lease is in effect, at its own expense, cause to be carried and maintained types and amounts of insurance in respect of the Units at the time subject hereto and the use and operation thereof, including, without limitation, property insurance and public liability insurance, in such amounts and for

such risks and with such insurance companies as are at least comparable to insurance coverage carried by the Lessee in respect of similar equipment owned or leased by it; provided, however, that, in respect of property insurance, the Lessee may self-insure any Unit to the extent that it self-insures similar equipment owned by it. The Lessee hereby assigns and transfers to the Lessor, the Owner and the Vendor, as their interests may appear, all right, title, and interest in and to any insurance proceeds paid under any policy of insurance to the extent such proceeds relate to the Units or the use and operation thereof as aforesaid; provided, however, that if the Lessee fully complies with all the provisions of this Section 6 and the penultimate paragraph of Section 9 hereof in respect of the risk insured against as to which such proceeds are paid and, if there is no Event of Default under Section 9 hereof, the Lessee shall be entitled to retain all such proceeds. Lessee will furnish to the Lessor, the Owner and the Vendor on request a statement of its insurance coverage and furnish to the Lessor, the Owner and the Vendor 30 days' prior written notice of any substantial change in such coverage; provided, however, that if it is not practicable for the Lessee to have knowledge of a material change or cancelation of insurance at least 30 days prior to the occurrence thereof, the Lessee shall give the Lessor and the Vendor written notice as soon as the Lessee learns of such change or cancelation.

Nothing in this Section 6 shall prohibit the Lessor, the Vendor or the Owner from maintaining at its expense, additional insurance for its own account with respect to the Units.

SECTION 7. Annual Reports. On or before March 31 in each year, commencing with the calendar year 1983, the Lessee will cause to be furnished to the Lessor, the Owner and the Vendor (at the addresses shown in Section 16 hereof) an accurate statement, as of the preceding December 31, showing the amount, description and numbers of the Units (a) then leased hereunder and/or covered by the RCSA, (b) that have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Lease in the case of the first such statement) and (c) then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs and setting forth such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request, and stating that, in the case of all Units repainted or repaired during the period covered by such

statement, the markings required by Section 4 hereof shall have been preserved or replaced. The Lessor, the Owner and the Vendor shall have the right at their sole cost, risk and expense, by their authorized representatives, to inspect the Units and the Lessee's records with respect thereto (including those relating to any use of the Units outside the United States) at such reasonable times as the Lessor, the Owner or the Vendor may request during the continuance of this Lease.

SECTION 8. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR AND THE OWNER MAKE NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR AND THE OWNER MAKE NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE, OR OTHERWISE, it being agreed that all such risks, as between the Lessor, the Owner and the Lessee, are to be borne by the Lessee. The Lessor and the Owner shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation, or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee, the Owner and the Lessor that all Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor or the Owner based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor, the Owner and the Vendor, to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the

Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units (the "Applicable Laws"), and in the event that, prior to the expiration of this Lease or any renewal thereof and the return of all Units as provided in Section 10 or 13 hereof, such laws or rules require any alteration, replacement, addition or modification of or to any part of any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any Applicable Law in any reasonable manner which does not, in the advance opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or the Vendor, respectively, under this Lease or the RCSA. So long as no Event of Default shall have occurred and be continuing the Lessee, at its own cost and expense, may furnish additions, modifications and improvements to any Unit during the term of this Lease provided that such additions, modifications and improvements (a) are readily removable without causing material damage to such Unit and (b) do not diminish its utility or value. The additions, modifications and improvements made by the Lessee under the first sentence of this paragraph shall be owned by the Lessor, and the additions, modifications and improvements made by the Lessee under the second sentence of this paragraph shall (unless any such addition, modification or improvement is a replacement of or substitution for, any part originally incorporated or installed in or attached to a Unit or any part in replacement of or substitution for any such original part) be owned by the Lessee.

The Lessee agrees to indemnify, protect and hold harmless the Lessor (individually and in its fiduciary capacity), the Owner, the Vendor and the Investors from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as a result of (i) the entering into or the performance of the RCSA, the Participation Agreement, the Documents (as defined in the Participation Agreement), the Hulk Purchase Agreement, or this Lease, or any of the instruments or agreements referred to therein or herein or contemplated thereby or hereby,

(ii) the ownership of any Hulk or any Unit, (iii) the ordering, acquisition, use, operation, maintenance, condition, reconstruction, purchase, delivery, rejection, storage or return of any Hulk or any Unit, (iv) any accident in connection with the operation, use, condition, reconstruction, possession, storage or return of any Hulk or any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in Section 13 of this Lease, including without limitation any claim based upon the doctrines of product liability or strict or absolute liability in tort or by statute imposed, or (v) the transfer of title to the Equipment by the Vendor pursuant to any provision of the RCSA. The Lessor agrees to give the Lessee, promptly upon obtaining knowledge thereof, written notice of any claim or liability to be indemnified against hereunder. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the delivery of the Equipment or the full payment and performance of all obligations under this Lease and the Hulk Purchase Agreement or the expiration or termination of the term of this Lease and/or the Hulk Purchase Agreement; provided, however, that the foregoing indemnification shall not apply to any failure of payment of any of the principal of or interest on the CSA Indebtedness. Nothing in this Section 8 shall constitute a guarantee by the Lessee of the CSA Indebtedness of the Lessor under the RCSA or a guarantee of the residual value of any Unit.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax returns) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units or the leasing thereof to the Lessee.

SECTION 9. Default. If, during the continuance of this Lease, one or more of the following events (an "Event of Default") shall occur:

A. default shall be made in the payment of any amount provided for in Section 2, 5, 6, 8 or 12 hereof and such default shall continue for 10 days;

B. the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any

interest therein, or of the right to possession of the Units, or any thereof;

C. default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Participation Agreement and such default shall continue for 30 days after written notice from the Lessor or the Vendor to the Lessee (and the Lessor, if such notice is given by the Vendor) specifying the default and demanding that the same be remedied;

D. a petition for reorganization under Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease, the RCSA and the Consent shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed and otherwise in accordance with the provisions of 11 U.S.C. § 1168, or any successor provision, as the same may hereafter be amended; or

E. any other 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 or under the Participation Agreement, the RCSA, or the Consent, under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder or under the Participation Agreement, the RCSA, or the Consent), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise

rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease and under the Participation Agreement, the RCSA, and the Consent shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for the property of the Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such a trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced; or

F. an event of default set forth in Article 11 of the RCSA shall have occurred arising out of any default by the Lessee in performing any of its obligations hereunder or under the Participation Agreement, the RCSA, or the Consent and shall not have been cured as provided for therein; or

G. any of the Lessee's representations or warranties made herein, in the Participation Agreement, the RCSA or the Hulk Purchase Agreement or any statement or certificate at any time given in writing pursuant hereto or in connection herewith shall be breached or found to be false or misleading in any material respect;

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

(a) proceed by appropriate court action, 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 amounts sufficient to restore the Owner to the same after-tax rate of return and after-tax cash position (after considering the effect of the receipt of such damages and amounts on their United States Federal income tax and state and local taxes or franchise taxes based on net income) that the Owner would have realized or would have been in had such breach not occurred;

(b) by notice in writing to the Lessee terminate

this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit (as is, where is) during such period, such present value to be computed in each case on the basis of a 10% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated; or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit (as is, where is) at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and

(y) of this part (b) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the rental payment date on or next preceding the date of termination over the net proceeds of such sale.

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

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

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

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

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

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

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

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

The assembling, delivery, storage and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own cost and expense, insure, maintain and keep the Equipment in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any

prospective purchaser of any such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence.

The Lessee hereby waives any and all claims against the Vendor or the Lessor and their agents for damages of whatever nature in connection with any retaking of the Units in any reasonable manner.

All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which the greater of (i) .035211% of the Purchase Price of such Unit or (ii) the per diem interchange rate for such Unit for each such day, exceeds the actual earnings received by the Lessor on such Unit for each such day. Nothing contemplated by this paragraph, including the payment by the Lessee of any amounts pursuant hereto shall be deemed to relieve the Lessee of its obligation to assemble, deliver and store the Units or affect the Lessor's rights and remedies with respect to such obligation.

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

SECTION 11. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. The rights of the Lessor hereunder (including the rights to receive the rentals payable under this Lease) shall inure to the benefit of the Vendor as assignee under the Assignment in the manner and to the extent therein provided.

So long as the Lessee shall not be in default under this Lease and no event of default exists under the RCSA, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease but, without the prior written consent of the Lessor and the Vendor, the Lessee shall not assign or transfer its leasehold interest under this Lease in any of the Units or sublease any of the Units, except to the extent permitted by the provisions of the next succeeding paragraph hereof; and any such assignment or transfer without said consent shall be void. The Lessee, at its own expense, will promptly discharge or cause to be duly discharged any and all sums claimed by any party which if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance which the Lessor or the Owner is obligated to discharge pursuant to Paragraphs 18A and 18B of the Participation Agreement), upon or with respect to any Unit or the interest of the Lessor, the Vendor or the Lessee therein, and will promptly discharge any such lien, charge, security interest or other encumbrance which arises. The Lessee shall not, without the prior written consent of the Lessor and the Vendor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the next succeeding paragraph hereof.

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

Nothing in this Section 11 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any corporation incorporated under the

laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the railroad properties of the Lessee as an entirety or substantially as an entirety; provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease.

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

SECTION 12. Renewal Option; Right of First Refusal. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may elect (which election shall be irrevocable), by written notice delivered to the Lessor not less than 180 days prior to the end of the original term of this Lease (or, in the event the Lessee extends the term of this Lease for an additional two-year term, not less than 180 days prior to the end of that extended term) to extend the term of this Lease in respect of all, but not fewer than all, the Units then covered by this Lease for one or two additional two-year periods commencing on the scheduled expiration of the original term or the first extended term of this Lease, as the case may be, at a semiannual rental payable in arrears in semiannual payments, in an amount equal to the "Fair Market Rental" of such Units as of the commencement of such extended term, such rental payments to be made on February 1, and August 1 in each year of the applicable extended term.

Fair Market Rental shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently

in possession) and an informed and willing lessor under no compulsion to lease and, in such determination, (i) it shall be assumed that the Units are in the condition and repair in which they are required to be maintained pursuant to this Lease and that they are free and clear of all liens, claims and encumbrances, (ii) the value of the additions, modifications and improvements as to which Lessee retains title pursuant to Section 8 shall not be included and (iii) costs of removal from the location of current use shall not be a deduction from such value. If, within two months following receipt of the notice required by the preceding paragraph, Lessor and Lessee are unable to agree upon a determination of the Fair Market Rental of the relevant Units, such rental shall be determined in accordance with the foregoing definition by a qualified independent Appraiser as hereinafter defined. The term "Appraiser" shall mean such independent Appraiser as Lessor may select with the approval of Lessee, or, failing such approved selection, a panel of three independent Appraisers, one of whom shall be selected by Lessor, the second by Lessee and the third designated by the first two so selected; and if the Appraisers selected by Lessor and Lessee are unable to agree upon such third Appraiser, either Lessor or Lessee may apply to any court of competent jurisdiction to select such third Appraiser. 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 Lessor and Lessee. The determination so made shall be conclusively binding upon both Lessor and Lessee. The expenses and fees of the Appraiser shall be paid by Lessee.

Unless this Lease has been terminated under Section 10 or there exists a Default or Event of Default hereunder, Lessor shall not, within 90 days after the end of the original or any renewal term of this Lease or pursuant to an offer received within such period, sell, transfer or otherwise dispose of any Unit unless:

(a) Lessor shall have received from a purchaser or purchasers a bona fide offer or offers in writing to purchase in the aggregate all, but not less than all, of the Units;

(b) Lessor shall have given Lessee notice (i) setting forth in detail the identity of such purchaser or purchasers, the proposed purchase price or prices, the proposed date of purchase and

all other material terms and conditions of such purchase, and (ii) offering to sell such Units to Lessee upon the same terms and conditions as those set forth in such notice; and

(c) Lessee shall not have notified Lessor, within 20 days following receipt of such notice, of its election to purchase such Units upon such terms and conditions.

If Lessee shall not have so elected to purchase such Units, Lessor may sell such Units to the purchaser or purchasers referred to in clause (a) above at a price and upon other terms and conditions no less favorable to Lessor than those specified in such notice. Lessor shall be free to sell any Unit pursuant to an offer received after 90 days of the end of the original or renewal term of this Lease.

Upon payment of the purchase price pursuant to the exercise by Lessee of its right of first refusal, Lessor shall, upon request of Lessee, execute and deliver to Lessee, or to Lessee's assignee or nominee, a bill of sale (without representations or warranties except that the Units so being sold are free and clear of all liens, charges, security interests and other encumbrances by or in favor of any person claiming by, through or under Lessor or the Owner and which the Lessor or the Owner are obligated to discharge pursuant to Paragraph 18 of the Participation Agreement) for such Units, and such other documents as may be required to release such Units from the terms and scope of this Lease and to transfer title thereto to Lessee, or such assignee or nominee, in such form as may reasonably be requested by Lessee, all at Lessee's expense.

SECTION 13. Return of Units upon Expiration of Term. After the expiration of the original or any extended term of this Lease, the Lessee will have 30 days to marshall the Units (without being required to make any payment to Lessor in respect of the Units) and the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Units to the Lessor upon such storage tracks of the Lessee as the Lessee may designate and permit the Lessor to store each group (as defined below) of such Units on such tracks for a period not exceeding 90 days, and transport the Units in each such group, on a one-time basis at any time within such 90-day period, to one or more connecting carriers for shipment, all as directed by the

Lessor, the movement and storage of each such group of Units to be at the expense and risk of the Lessee. A "group" of Units shall mean (i) the first 25% of the Units so delivered, (ii) the next 25% of the Units so delivered, (iii) the next 25% of the Units so delivered, (iv) the next 15% of the Units so delivered and, thereafter, each Unit so delivered will constitute a group. During any such storage period, the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this Section 13 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted, (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads, if applicable, and/or the applicable rules of any governmental agency or other organization with jurisdiction, and (iii) have removed therefrom by the Lessee without cost or expense to the Lessor all additions, modifications and improvements which the Lessee owns pursuant to Section 8 hereof. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and, upon application to any court having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units.

In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 30 days after the end of the term of this Lease, or any extended term, then the Lessee shall pay the Lessor for each day thereafter an amount equal to the greater of (i) .035211% of the Purchase Price of such Unit or (ii) the per diem rental received from the service of such Unit for each such day. In addition, for each Unit that is loaded by the Lessee within 30 days after the end of the Lease, or any extended term, for each day during which the equipment is loaded the Lessee shall pay the Lessor the greater of the amounts specified in clauses (i) and (ii) of the preceding sentence. Nothing contemplated by this paragraph, including payment by

the Lessee of the above specified amounts, shall be deemed to relieve the Lessee from its obligation to assemble, deliver and store the Units or affect the Lessor's rights and remedies with respect to such obligation.

SECTION 14. Recording; Expenses. The Lessee, at its own expense, will cause this Lease, the Transfer Agreement, the RCSA and any assignment hereof or thereof to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303. The Lessee will undertake the filing, recording and depositing and refiling, rerecording and redepositing required of the Lessor under the RSCA and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, reregister, rerecord or redeposit whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease or the assignment hereof to the Vendor, or the RCSA; and the Lessee will promptly furnish to the Vendor and the Lessor evidences of all such filing, registering, recording or depositing, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease, the Assignment, the Transfer Agreement and the RCSA shall be filed with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any unit.

SECTION 15. Interest on Overdue Obligations and Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations when due hereunder shall result in the obligation on the part of the Lessee promptly to pay also an amount equal to 1% over the Original Rate (as defined in the RCSA) per annum of the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

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

(a) if to the Lessor, at 79 South Main Street, Salt Lake City, Utah 84111, attention: Corporate Trust Department, with a copy to Owner;

(b) if to the Lessee, at 500 Water Street, Jacksonville, Florida 32202, attention: Director of Finance;

(c) if to the Vendor, at 79 South Main Street, Salt Lake City, Utah 84111, attention: Trust Division--Corporate Trust Department;

(d) if to the Owner, at 600 Summer Street, Stamford, Connecticut 06904, attention: Vice President-Special Financing;

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

SECTION 17. Effect and Modification of Lease. Except for the Participation Agreement, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized officers of the Lessor and the Lessee.

SECTION 18. Definitions. If and so long as this Lease is assigned to the Vendor (or any successor thereto) for collateral purposes, wherever the term "Lessor" is used in this Lease it shall also apply and refer to the Vendor and any successors thereto unless the context shall otherwise require and except that the Vendor shall not be subject to any liabilities or obligations under this Lease; and the fact that the Vendor is specifically named in certain provisions shall not be construed to mean that the Vendor (and any successors thereto) is not entitled to the benefits of other provisions where only the Lessor is named or where only the Vendor, as the case may be, is named.

SECTION 19. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart

delivered to the Vendor pursuant to the Lease Assignment shall be deemed to be the original counterpart and all other counterparts shall be deemed duplicates thereof. It is not necessary that the parties hereto all sign the same counterpart as long as each party shall sign a counterpart and such counterpart is delivered to the Vendor or its counsel, whereupon this Lease shall become effective. Although this Lease is dated as of the date first set forth above for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

SECTION 20. Law Governing; Severability. The terms of this Lease and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

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

SECTION 21. Immunities. Notwithstanding anything herein to the contrary, each and all of the representations, warranties, undertakings and agreements herein made on the part of the Lessor are made and intended not as personal representations, warranties, undertakings and agreements by The First Security State Bank or the Owner or for the purpose or with the intention of binding said bank or the Owner personally but are made and intended for the purpose of binding only the Trust Estate (as such term is used in the Trust Agreement); and this Lease is executed and delivered by said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank (except in the case of wilful misconduct or gross negligence by said bank) or the Owner hereunder, on account of this Lease or on account of any representation, warranty, undertaking or agreement of said bank hereunder, either expressed or implied, all such personal liability, if any, being

expressly waived and released by the Lessee and by all persons claiming by, through or under the Lessee.

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

FIRST SECURITY STATE BANK, not in its individual capacity but solely as Trustee,

by

_____
Authorized Officer

[Corporate Seal]

Attest:

_____
Authorized Officer

SEABOARD COAST LINE RAILROAD COMPANY,

by

_____
Senior Vice President-Finance

[Corporate Seal]

Attest:

_____
Assistant Secretary

STATE OF UTAH,)
) ss.:
COUNTY OF SALT LAKE,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of FIRST SECURITY STATE BANK, that one of the seals affixed to the foregoing instrument is the corporate seal of said bank and that said instrument was signed and sealed on behalf of said bank 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 bank.

Notary Public

[Notarial Seal]

My Commission Expires

STATE OF FLORIDA,)
) ss.:
COUNTY OF DUVAL,)

On this day of 1981, before me personally appeared Alex J. Mandl, to me personally known, who, being by me duly sworn, says that he is Senior Vice President-Finance of SEABOARD COAST LINE RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that such instrument was this day signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission Expires

Lease of Railroad Equipment

SCHEDULE A*

Quantity	AAR Mechanical Designation	Description	Lessee's Road Numbers (Inclusive)
12	GP-16	Diesel Electric Locomotives	SCL 4637-4639 SCL 4778-4786

* Units subject to this Lease will include only those delivered, accepted and settled for under the RCSA prior to January 31, 1983, and will bear Road Numbers included in the groups of Road Numbers listed above. Upon completion of all deliveries, this Schedule A will be appropriately amended to delete the Equipment listed above which has not become subject to this Lease.

Lease of Railroad Equipment

SCHEDULE B

Casualty Value Percentages Schedule

Table 1

Casualty Payment Date	Percentage
8/1/82	86.6431%
2/1/83	90.8362
8/1/83	98.0515
2/1/84	100.2986
8/1/84	102.4084
2/1/85	101.7141
8/1/85	103.4505
2/1/86	102.4276
8/1/86	102.8828
2/1/87	100.3965
8/1/87	99.1647
2/1/88	96.9137
8/1/88	95.0738
2/1/89	93.2990
8/1/89	91.2407
2/1/90	89.2921
8/1/90	85.7681
2/1/91	82.4327
8/1/91	78.0470
2/1/92	74.8299
8/1/92	70.4949
2/1/93	66.5757
8/1/93	61.8639
2/1/94	57.6255
8/1/94	52.4806
2/1/95	47.9185
8/1/95	42.3431
2/1/96	37.4578
8/1/96	31.5110
2/1/97	26.4615
8/1/97, and thereafter	25.0000

Table 2

The percentages set forth in Table 1 of this Schedule B have been computed without regard to recapture of any investment tax credit. Consequently, the Casualty Value of any Unit suffering a Casualty Occurrence on or before the third, fifth or seventh Anniversary of the date of delivery and acceptance of such Unit shall be increased by the applicable percentage of the Reconstruction Cost set forth below:

Anniversary of Delivery and Acceptance	Percentage of Reconstruction Cost
First	17.5962%
Second	14.0770
Third	10.5577
Fourth	7.0385
Fifth	3.5193

EXHIBIT C
to the
RECONSTRUCTION
AND CONDITIONAL
SALE AGREEMENT

[CS&M Ref. 2044-189]

ASSIGNMENT OF LEASE AND AGREEMENT

Dated as of October 25, 1981

between

FIRST SECURITY STATE BANK,
not individually but solely in its capacity
as Trustee

and

FIRST SECURITY BANK OF UTAH, N.A.,
not in its individual capacity but solely
as Agent.

RL

ASSIGNMENT OF LEASE AND AGREEMENT dated as of October 25, 1981, by and between FIRST SECURITY STATE BANK, a Utah banking corporation, not in its individual capacity but solely as trustee (the "Vendee") under a Trust Agreement, dated as of the date hereof (the "Trust Agreement") with LITTON EQUITY INVESTMENTS, ALPHA INC. (the "Owner"), and FIRST SECURITY BANK OF UTAH, N.A., not in its individual capacity but solely as Agent (the "Vendor") under a Participation Agreement dated as of the date hereof.

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

The Vendee and the Lessee have entered into a Lease of Railroad Equipment dated as of the date hereof (the "Lease") providing for the leasing by the Vendee to the Lessee of the Units.

In order to provide security for the obligations of the Vendee under the RCSA and for certain obligations of the Vendee and the Owner under the Participation Agreement and the Lessee under the Lease and as an inducement to the Vendor to invest in the CSA Indebtedness (as that term is defined in the RCSA), the Vendee has agreed to assign for security purposes its rights in, to and under the Lease to the Vendor.

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

1. The Vendee hereby assigns, transfers and sets over unto the Vendor, as collateral security for the payment and performance of (i) the obligations of the Vendee under the RCSA, (ii) the obligations of the Vendee and the Owner under the Participation Agreement and (iii)

those obligations of the Lessee under the Lease referred to in subparagraph (c) of the second paragraph of this Section 1, all the Vendee's right, title and interest, powers, privileges, and other benefits under the Lease (subject to Sections 10 and 11 hereof) including, without limitation, the immediate right to receive and collect all rentals, profits and other sums payable to or receivable by the Vendee from the Lessee under or pursuant to the provisions of the Lease whether as rent, casualty payment, indemnity, liquidated damages, or otherwise (such moneys, other than Excluded Payments (as hereinafter defined), being hereinafter called the "Payments"), and the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of an Event of Default specified in the Lease, and to do any and all other things whatsoever which the Vendee is or may become entitled to do under the Lease. Notwithstanding the foregoing, the Vendee does not assign to the Vendor, and the Vendor shall have no right or interest in or to, Excluded Payments. As used herein, the term "Excluded Payments" shall mean (i) payments by the Lessee to the Owner for its own account or to the Vendee for its own account pursuant to Sections 5 and 8 of the Lease and the fourth paragraph of Article 9 of the RCSA, and (ii) any proceeds payable under liability insurance policies to or for the benefit of the Owner or the Vendee for its own account. In furtherance of the foregoing assignment and subject to Sections 10 and 11 hereof, the Vendee hereby irrevocably authorizes and empowers the Vendor in its own name, or in the name of its nominee, or in the name of the Vendee or as its attorney, to ask, demand, sue for, collect and receive any and all sums to which the Vendee is or may become entitled under the Lease, and to enforce compliance by the Lessee with all the terms and provisions thereof.

The Vendor agrees to accept any Payments made by the Lessee for the account of the Vendee pursuant to the Lease. To the extent received the Vendor will apply such Payments as follows:

(a) to satisfy the obligations of the Vendee under the RCSA which are due and payable at the time such Payments are due and payable under the Lease or which become due and payable while such Payments are held as collateral security by the Vendor pursuant to the third and fourth paragraphs of this Section 1;

(b) to satisfy any obligations of the Owner and the Vendee under provisions of the Participation Agreement;

(c) if an Event of Default under the Lease (or an event which with notice or lapse of time, or both, could constitute such an Event of Default) shall have occurred and be continuing (unless such Event of Default shall have been cured by the Vendee as provided in Article 11(f) of the RCSA), (i) to satisfy any obligations of the Lessee under any provision of the Lease to the Vendor or any Investor and (ii) to satisfy any obligations of the Lessee, or to effect performance by the Lessee, under Sections 5, 6, 8, 9, 10 and 11 of the Lease; provided, however, that no Payment shall be applied as provided in clause (i) or (ii) (other than with respect to Section 9) until at least 30 days after the Vendor shall have demanded that the Lessee satisfy such obligation or effect such performance; and

(d) if no event of default under the RCSA or Event of Default under the Lease (or any event which with notice or lapse of time, or both, could constitute such an event of default or Event of Default) shall have occurred and be continuing, any balance shall be paid to the Vendee, or to such other person as the Vendee may direct in writing, in the type of funds received by the Vendor at such address as the Vendee may direct in writing.

All Payments received by the Vendor (and not applied pursuant to the second paragraph of this Section 1) which, but for the existance of an Event of Default under the Lease (or an event which with notice or lapse of time, or both, could constitute such an Event of Default) would be distributable, shall be held by the Vendor as part of the collateral security for the Vendee's obligations under the RCSA, the Owner's and the Vendee's obligations under the Participation Agreement and the Lessee's obligations and performance under the Lease (as described in subparagraph (c) of the second paragraph of this Section 1) until the earlier of

(i) application of such Payments pursuant to subparagraph (a), (b) or (c) of the second paragraph of this Section 1,

(ii) such time or such Event of Default or event shall cease to be continuing, or

(iii) 180 days after the Vendor's receipt of such Payment, unless prior to expiration of such 180-day period the Vendor either (A) shall have commenced using reasonable efforts (which under no circumstances shall be deemed to require termination of the Lease) to enforce the Lessee's compliance with its underlying obligation giving rise to such Event of Default or event or (B) shall have authorized the Vendee to seek compliance by the Lessee with such obligation (which authorization shall in no circumstances include the right to terminate the Lease),

at which time such Payments (if not previously applied pursuant to clause (i) above) shall be paid to the Vendee pursuant to subparagraph (d) of the second paragraph of this Section 1.

All Payments received by the Vendor (and not applied pursuant to the second paragraph of this Section 1) which, but for the existance of an event of default under the RCSA (or an event which with notice or lapse of time, or both, could constitute such an event of default) would be distributible, shall be held by the Vendor as part of collateral security for the Vendee's obligations under the RCSA, the Owner's and the Vendee's obligations under the Participation Agreement and the Lessee's obligations and performance under the Lease (as described in subparagraph (c) of the second paragraph of this Section 1) until such event of default or event shall cease to be continuing, at which time such Payments (if not previously applied pursuant to subparagraph (a), (b) or (c) of this Section 1), shall be paid to the Vendee pursuant to subparagraph (d) of the second paragraph of this Section 1.

Notwithstanding anything to the contrary contained herein, Excluded Payments are not part of the collateral security for the Vendor or the Investors and any Excluded Payment received by the Vendor or any Investor shall be immediately paid to the Vendee or the Owner, as the case may be.

If the Vendor shall not receive any payment under Sections 2, 5, 6, 8 or 12 of the Lease when due, the Vendor

shall, on the date due, notify the Vendee, the Owner and the Lessee, by telephone, confirmed in writing, at the respective addresses set forth in the Lease; provided, however, that the failure of the Vendor so to notify the Vendee, the Owner and the Lessee shall not affect the obligations of the Vendee hereunder or under the RCSA or the Lessee under the Lease or the Consent and Agreement attached hereto; provided further, however, that the Vendor shall not issue a Declaration of Default (as defined in the RCSA) or terminate the Lease under Article 11(a) or the last proviso to Article 11(f) of the RCSA until 10 days after such notice.

2. This Assignment is executed only as security and, therefore, the execution and delivery of this Assignment shall not subject the Vendor to, or transfer, or pass, or in any way affect or modify the liability of the Vendee under the Lease, it being understood and agreed that notwithstanding this Assignment or any subsequent assignment, all obligations of the Vendee to the Lessee shall be and remain enforceable by the Lessee, its successors and assigns, against, and only against, the Vendee or persons other than the Vendor.

3. To protect the security afforded by this Assignment the Vendee agrees subject to Paragraphs 10 and 11 hereof, that, without the written consent of the Vendor, the Vendee will not anticipate the rents under the Lease or waive, excuse, condone, forgive or in any manner release or discharge the Lessee thereunder of or from the obligations, covenants, conditions and agreements to be performed by the Lessee, including, without limitation, the obligation to pay the rents in the manner and at the time and place specified therein or enter into any agreement amending, modifying or terminating the Lease and the Vendee agrees that any amendment, modification or termination thereof without such consent shall be void.

4. Subject to Paragraphs 10 and 11 hereof, the Vendee does hereby constitute the Vendor the Vendee's true and lawful attorney, irrevocably, with full power (in the name of the Vendee, or otherwise), to ask, require, demand, and receive, any and all Payments due and to become due under or arising out of the Lease to which the Vendee is or may become entitled, to enforce compliance by the Lessee with all the terms and provisions of the Lease, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which the Vendor may deem to be necessary or advisable in the premises.

5. Upon the full discharge and satisfaction of all the Vendee's obligations under the RCSA and the Participation Agreement (without giving effect to any limitations on liability contained therein) and the Lessee's obligations to the Vendor and the Investor under any provisions of the Lease, this Assignment and all rights herein assigned to the Vendor shall terminate, and all estate, right, title and interest of the Vendor in and to the Lease shall revert to the Vendee.

6. The Vendee will, from time to time, do and perform any other act and will execute, acknowledge, deliver and file (and will refile) any and all further instruments required by law and reasonably requested by the Vendor in order to confirm or further assure, the interests of the Vendor hereunder.

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

8. The terms of this Assignment and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of the State of Utah, but the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

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

10. The Vendor hereby agrees with the Vendee that the Vendor will not, so long as neither an event of default under the RCSA nor an Event of Default under the Lease has occurred and is continuing, exercise or enforce, or seek to

exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits which are assigned and transferred by the Vendee to the Vendor by this Assignment without the prior written consent of the Vendee except the right to receive and apply the Payments as provided in Paragraph 1 hereof and to enforce any right, power, agreement or indemnity under the Lease, and that, subject to the terms of the Lease and the RCSA, the Vendee may, so long as neither an event of default under the RCSA nor an Event of Default under the Lease has occurred and is continuing, exercise or enforce, or seek to exercise or enforce or avail itself enforce or avail itself of, such rights, powers, privileges, authorizations or benefits; provided, however, that the Vendee shall not, and shall not have any authority to, take any action which would terminate the Lease without the prior written consent of the Vendor.

11. Notwithstanding anything herein to the contrary, (a) unless and until an event of default under the RCSA shall have occurred and is continuing, the Vendee shall have the right, without the concurrence of the Vendor, to adjust the rentals and Casualty Value percentages pursuant to Section 2 of the Lease and to exercise the rights of the Lessor under Sections 12 and 13 of the Lease; (b) at all times the Vendee may (without the concurrence of the Vendor) receive all notices, certificates, opinions of counsel and other documents and information to be furnished to the Lessor or the Vendee under the Lease; (c) at all times the Vendee shall have the right to proceed by appropriate court action or actions either at law or in equity to enforce performance by the Lessee of its obligations with respect to Excluded Payments or to recover damages for the breach thereof as provided in Section 9(a) of the Lease but may not declare an Event of Default under or terminate the Lease; and (d) at all times the Vendee may exercise the rights of the Vendee under the last paragraph of Section 6 of the Lease. The Vendor may not at any time, without the consent of the Owner, amend, modify or supplement, or give or accept any waiver or consent with respect to, the Lease so as to increase the liabilities or diminish the immunities of the Owner or reduce the amount or extend the time or payment of any Excluded Payment then due and payable or change any of the circumstances under which such Excluded Payments are payable.

Notwithstanding any other provision of this Assignment, it is expressly agreed by the parties hereto that each and all of the warranties, representations, undertakings and agreements herein made on the part of the Vendee are made and intended not as personal representa-

tions, warranties, undertakings and agreements by First Security State Bank or for the purpose or with the intention of binding said bank or the Owner personally but are made and intended for the purpose of binding only the Trust Estate (as such term is used in the Trust Agreement), and this Assignment is executed and delivered by said bank solely in the exercise of the powers expressly conferred upon said bank as trustee under the Trust Agreement, and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank (except for wilful misconduct or gross negligence on the part of said bank) or the Owner hereunder on account of any representation, warranty, undertaking or agreement of said bank hereunder, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived and released by the Vendor and by all persons claiming by, through or under the Vendor; provided, however, that the Vendor or any person claiming by, through or under it making claim hereunder may look to said Trust Estate for satisfaction of the same.

12. This Assignment may be executed in any number of counterparts, all of which together shall constitute a single instrument, but the counterpart delivered to the Vendor shall be deemed to be the original counterpart. It is not necessary that the parties hereto all sign the same counterpart as long as each party shall sign a counterpart and such counterpart is delivered to the Vendor or its counsel, whereupon this Agreement shall become effective.

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

FIRST SECURITY BANK OF UTAH, N.A., not in its individual capacity but solely as Agent,

[Seal]

by

_____
Authorized Officer

Attest:

_____
Authorized Officer

FIRST SECURITY STATE BANK, not in its individual capacity, but solely as Trustee,

by

_____

Authorized Officer

[Corporate Seal]

Attest:

_____

Authorized Officer

STATE OF UTAH,)
) ss.:
COUNTY OF SALT LAKE,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of FIRST SECURITY BANK OF UTAH, N.A., that one of the seals affixed to the foregoing instrument is the seal of said national banking association, that said instrument was signed and sealed on behalf of said national banking association by authority of its By-laws and he acknowledged that the execution of the foregoing instrument was the free act and deed of said national banking association.

Notary Public

[Notarial Seal]

My Commission Expires

STATE OF UTAH,)
) ss.:
COUNTY OF SALT LAKE,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of FIRST SECURITY STATE BANK, that one of the seals affixed to the foregoing instrument is the corporate seal of said bank, and that said instrument was signed and sealed on behalf of said bank 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 bank.

Notary Public

[Notarial Seal]

My Commission Expires

LESSEE'S CONSENT AND AGREEMENT

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

(1) it will pay all rentals, casualty payments, liquidated damages and other moneys (other than Excluded Payments, as defined in the Assignment) provided for in the Lease (which moneys are hereinafter called the "Payments") due and to become due under the Lease or otherwise in respect of the Units leased thereunder, directly to First Security Bank of Utah, N.A., not in its individual capacity but solely as Agent (the "Vendor"), the assignee named in the Assignment, to be applied as provided in the Assignment, in immediately available funds by 11 a.m. Utah time on the date of payment, to its address at 79 South Main Street, Salt Lake City, Utah 84111, attention of Trust Division, Corporate Trust Department (or to such other address as may be furnished in writing to the undersigned by the Agent);

(2) the Vendor shall be entitled to the benefits of, and to receive and enforce performance of, all the covenants to be performed by the undersigned under the Lease as though the Vendor were named therein as the Lessor and that it will not assert against the Vendor any claim or defense the Lessee may have against the Lessor under the Lease;

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

(4) the Lease shall not, without the prior written consent of the Vendor, be amended, terminated or modified (other than as provided in Paragraph 11 of the Assignment), nor shall any action be taken or omitted by the undersigned, the taking or omission of which might result in an alteration or impairment

of the Lease or this Consent and Agreement or of any of the rights created by any thereof.

This Consent and Agreement when accepted by the Vendor by signing the acceptance at the foot hereof, shall be deemed a contract under, and shall be construed in accordance with, the laws of the Commonwealth of Virginia. It is not necessary that the parties hereto all sign the same counterpart of this Agreement and Consent as long as each party shall sign a counterpart and such counterpart is delivered to the Vendor or its counsel, whereupon this Agreement and Consent shall become effective.

Dated as of October 25, 1981

SEABOARD COAST LINE RAILROAD COMPANY,

by

_____
Senior Vice President-Finance

[Corporate Seal]

Attest:

_____
Assistant Secretary

The foregoing Consent and Agreement is hereby accepted, as of the 25th day of October 1981.

FIRST SECURITY BANK OF UTAH, N.A., not in its individual capacity but solely as Agent,

by

_____
Authorized Officer

[Seal]

Attest:

_____
Authorized Officer

STATE OF NEW YORK,)
) ss.:
COUNTY OF NEW YORK,)

On this day of 1981, before me personally appeared Alex J. Mandl, to me personally known, who, being by me duly sworn, says that he is Senior Vice President-Finance of SEABOARD COAST LINE RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

_____
Notary Public

[Notarial Seal]

My Commission Expires

STATE OF UTAH,)
) ss.:
COUNTY OF SALT LAKE,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of FIRST SECURITY BANK OF UTAH, N.A., that one of the seals affixed to the foregoing instrument is the seal of said national banking association, tht said instrument was signed and sealed on behalf of said national banking association by authority of its By-laws, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said national banking association.

_____
Notary Public

[Notarial Seal]

My Commission Expires

EXHIBIT B
to the
RECONSTRUCTION AND
CONDITIONAL SALE
AGREEMENT

[CS&M Ref. 2044-189]

LEASE OF RAILROAD EQUIPMENT

Dated as of October 25, 1981

Between

SEABOARD COAST LINE RAILROAD COMPANY,
as Lessee,

and

FIRST SECURITY STATE BANK,
not in its individual capacity but solely as Trustee,

Lessor.

The rights and interests of the Lessor under this Lease are subject to a security interest in favor of First Security Bank of Utah, N.A., as Agent for certain institutional investors. The original of this Lease is held by said Agent.

LEASE OF RAILROAD EQUIPMENT

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LEASE OF RAILROAD EQUIPMENT, dated as of October 25, 1981, between SEABOARD COAST LINE RAILROAD COMPANY, a Virginia corporation (the "Lessee") and FIRST SECURITY STATE BANK, a Utah banking corporation, not in its individual capacity but solely as trustee (the "Lessor") under a trust agreement dated as of the date hereof (the "Trust Agreement") with Litton Equity Investments, Alpha Inc. (the "Owner").

The Lessee and the Lessor are entering into a Reconstruction and Conditional Sale Agreement dated as of the date hereof (the "RCSA") with FIRST SECURITY BANK OF UTAH, N.A., not in its individual capacity but solely as Agent (said bank as so acting, being hereinafter, together with its successors and assigns, called the "Vendor"), under a Participation Agreement dated as of the date hereof (the "Participation Agreement") with the Lessor, the Lessee, the Owner and the party named in Schedule A thereto (such party, together with its successors and assigns, including any purchaser pursuant to Paragraph 14A thereof being hereinafter called the "Investors"), wherein the Vendor has agreed to transfer to the Lessor its interest in the railroad equipment described in Schedule A thereto (the "Equipment") after it has been reconstructed (pursuant to the terms of the RCSA) from the hulks (the "Hulks") delivered to the Lessor pursuant to a Hulk Purchase Agreement dated as of the date hereof (the "Hulk Purchase Agreement") between the Lessor and the Lessee.

The Lessee desires to lease all the units of the Equipment as are delivered, accepted and settled for under the RCSA (the "Units"). The Lessor will assign certain rights in this Lease for security to the Vendor pursuant to an Assignment of Lease and Agreement dated as of the date hereof (the "Lease Assignment") and the Lessee will consent thereto pursuant to the Consent and Agreement attached to the Lease Assignment (the "Consent").

In consideration of the agreements hereinafter set forth, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions, but subject to all the rights and remedies of the Vendor under the RCSA:

SECTION 1. Delivery and Acceptance of Units. The Lessor will cause each Unit to be tendered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under the RCSA. Upon such tender, the Lessee will cause an authorized

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

SECTION 2. Rental. The Lessee agrees to pay to the Lessor, as rental for each Unit subject to this Lease, 30 consecutive semiannual payments in arrears on February 1 and August 1 of each year commencing February 1, 1983. The first 15 semiannual rental payments shall each be in an amount equal to the sum of (a) 5.1856% of the Purchase Price (as defined in the RCSA) of each Unit then subject to this Lease (a "Fixed Rental Amount") and (b) the Variable Rental Amount (as defined below) in respect of the semiannual period for which such installment is paid, and the remaining 15 semiannual rental payments thereafter shall each be in an amount equal to the sum of (a) 6.337956% of the Purchase Price of each such Unit then subject to this Lease (a "Fixed Rental Amount") and (b) the Variable Rental Amount in respect of the semiannual period for which such installment is paid. The foregoing rental rates and the Casualty Value percentages set forth in Schedule B hereto have been calculated on the assumption that (i) the Units will be delivered and accepted on or prior to July 31, 1982, (ii) the Reconstruction Cost (as defined in the RCSA) of the Units will equal the estimated Reconstruction Cost set forth in Schedule A to the RCSA and (iii) the Closing Date (as defined in the RCSA) for all the Units will be on the date set forth in Schedule B to the RCSA. If for any reason any of the above assumptions shall not be true and accurate, the Lessor and the Lessee agree that the rentals payable hereunder and the Casualty Value percentages set forth in Schedule B hereto will be adjusted, if necessary in the Owner's opinion (or if necessary because the Units were not subject to this Lease until after July 31, 1982), in order that the Owner's net after-tax return on and rate of recovery of investment and annual net cash flows (computed on the same assumptions, including, without limitation, tax rates, as were utilized by the Owner in establishing the lease rentals and Casualty Value percentages for this transaction) will not be increased or decreased by reason thereof. The amount of such increase or decrease shall be determined by the Owner, which determination shall be conclusive and binding on Lessee if the Owner shall certify in writing to the Lessee that such increase or decrease was determined in good faith compliance with the immediately preceding sentence. The rentals payable hereunder and the Casualty Value percentages are also subject to

adjustment as provided in the fifth paragraph of Article 3 of the RCSA, Paragraph 14A of the Participation Agreement and the Indemnity Agreement. The Lessor and the Lessee agree to execute an addendum to this Lease to reflect each such adjustment; provided that such adjustment shall be effective for all purposes of this Lease regardless of whether such addendum is actually executed and delivered. Notwithstanding any other provision in this Lease, the Participation Agreement, the RCSA or the Indemnity Agreement, the rentals and Casualty Value percentages, as so adjusted (including any adjustment to the Fixed Rental Amount resulting from a positive or negative Variable Rental Amount (as hereinafter defined)), shall be sufficient to satisfy the obligations of the Lessor under the RCSA, notwithstanding any limitation of liability contained therein.

"Variable Rental Amount" shall mean, for any semiannual rental payment date, (i) the amount of interest on the outstanding CSA Indebtedness due and payable on such date, less (ii) the amount of interest which would have accrued on the outstanding CSA Indebtedness during the semiannual period preceding such semiannual rental payment date and which would have been due and payable on such date if the outstanding CSA Indebtedness had borne interest payable annually at a rate per annum equal to 14.25% (computed on the basis of a 360-day year consisting of 12 30-day months). The Variable Rental Amount may be positive, negative or zero.

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

This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof

or setoff against rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due to, or by reason of, any past, present or future claims of the Lessee against the Lessor under this Lease or under the RCSA, or the Owner or the Vendor or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or failure of title of the Lessor to any of the Units or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against Lessee's use of all or any of the Units, the taking or requisitioning of any of the Units by condemnation or otherwise, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency, bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever. All payments under the Lease shall be made by bank wire transfer of Federal or other funds immediately available at, and not later than 10:00 a.m. local time, in the city where such payments are due.

SECTION 3. Term of Lease. The term of this Lease as to each Unit shall begin on the date of the delivery to and acceptance by the Lessee of such Unit and, subject to the provisions of Sections 6, 9 and 12 hereof,

shall terminate on the date on which the final payment of rent in respect thereof is due hereunder; provided, however, that all the obligations of the Lessee, except for the payment of rent and the furnishing of annual reports, shall continue until surrender of the Units in accordance with Section 13 hereof. Nothing in this paragraph shall be deemed to terminate any obligation or provision of this Lease which by its terms is stated to survive the final payment of rent due hereunder.

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

SECTION 4. Identification Marks. The Lessee, so long as this Lease shall remain in effect, will cause each Unit to be kept numbered with the road number set forth in Schedule A hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of such Unit, in letters not less than one inch in height, the words "Ownership Subject to a Security Agreement Filed with the Interstate Commerce Commission" or other appropriate markings designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect Lessor's and Vendor's title to and property in such Unit and the rights of the Lessor under this Lease and of the Vendor under the RCSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such legend shall have been so marked on both sides thereof and will replace promptly any such legend which may be removed, obliterated, defaced or destroyed. The Lessee will not change the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and filed by the Lessee in all public offices where this Lease and the RCSA shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to that effect and to the further effect that such filing, recordation and deposit will protect the Vendor's and the Lessor's interests in such Units and that no filing, recording, depositing or giving of notice with or to any

other Federal, state or local government or agency thereof is necessary to protect the interests of the Vendor and the Lessor in such Units.

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

SECTION 5. Impositions. All payments to be made by the Lessee hereunder, will be free of all withholding or expense of any nature whatsoever to the Lessor, the Owner, the Vendor, the Investors (as defined in the Participation Agreement) (including their respective successors, assigns, agents and servants) and the Trust Estate (as defined in the Trust Agreement), for, and the Lessee shall pay and shall indemnify and hold harmless the Lessor, the Owner, the Vendor, the Investors (including their respective successors, assigns, agents and servants) and the Trust Estate, from and against all collection charges, all license and registration fees and all taxes, including without limitation, income, sales, use, personal property, stamp, interest equalization, withholding and other taxes, levies, imposts, duties, charges, or withholdings of any nature, together with any penalties, fines or interest thereon (all such collection charges, fees, taxes, levies, imposts, duties, charges, withholdings, penalties, fines and interest being hereinafter called collectively "Impositions"), imposed against the Lessor, the Owner, the Vendor, the Investors (including their respective successors, assigns, agents and servants) the Trust Estate, the Lessee or any Unit or any part thereof by any Federal, state or local government or taxing authority of or in the United States of America, or by any taxing authority or governmental subdivision of a foreign country, upon or with respect to any Unit or any part thereof, or upon or with respect to the purchase, ownership, delivery, leasing, rental payment, shipment, possession, use, operation, sale, return, transfer of title, or other disposition thereof, or upon the rentals, receipts or earnings arising therefrom, or upon the proceeds received with respect thereto, or upon or with respect to this Lease, the Participation Agreement, the

Trust Agreement, the Hulk Purchase Agreement, the RCSA, the Transfer Agreement, the Lease Assignment or the CSA Indebtedness (or any amendment, consent, waiver or modification of any thereof); excluding, however:

(i) United States Federal income taxes payable by the Owner in consequence of the receipt of payments provided for herein and, to the extent that the Owner receives credit therefor against its United States Federal income tax liability, any foreign income taxes payable by the Owner; provided, however, that all other foreign taxes of the Owner for the same period which qualify for such credit are first allowed and utilized;

(ii) the aggregate of all state or local taxes payable by the Owner measured by net income based on such receipts, up to the amount of any such taxes which would be payable to the state and city in which the Owner has its principal place of business (determined without apportionment to any other state);

(iii) any taxes on or measured by any fees or other compensation received by the Lessor or the Vendor for services rendered in connection with the transactions contemplated hereby; or

(iv) any United States Federal, state or local taxes, or other charges on or with respect to the investment in or transfer of the CSA Indebtedness or the revenues, receipts, or earnings therefrom for which any Investor is liable;

except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse herein provided. The Lessee will also pay promptly all Impositions which may be imposed upon any Unit or any part thereof or for the use or operation thereof or upon the earnings arising therefrom or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all Impositions which might in any way affect the title of the Lessor or result in a lien upon any such Unit. The Lessee need not pay any Imposition to the extent that and while it is being contested by the Lessee in good faith and by appropriate proceedings and so long as such proceedings or the nonpayment of such Imposition does not, in the opinion of the Owner and the Vendor involve (A) any

danger of the sale, forfeiture or loss of any Unit or any interest therein, (B) any material adverse change in the title, property or rights of the Lessor in or to the Units hereunder or of Vendor under the RCSA, (C) any assessment or penalty against any party which is indemnified by this Section 5, (D) any interference with the due payment by the Lessee of rentals hereunder or the application of such rentals under the Lease Assignment or (E) any danger of criminal liability or of other liability for which no indemnification is provided hereunder being imposed against the Lessor, the Owner, the Vendor, the Trust Estate, any Investor, or the agents or servants of any of them. If any Imposition shall have been charged or levied against the Lessor, the Owner, the Vendor or the Investors (including their respective successors, assigns, agents and servants) or the Trust Estate directly, the Lessee shall be advised promptly and shall be given an opportunity to contest such Imposition before the Imposition is paid by the Lessor, the Owner, the Vendor, the Investors or the Trust Estate, and if, after such notice is given and such opportunity is provided, the Lessor, the Owner, the Vendor, the Investors or the Trust Estate shall pay such Imposition, the Lessee shall reimburse such person, plus interest at the rate of 14.25% per annum (computed on the basis of a 360-day year or 12 30-day months) from the date of payment to the date of reimbursement, upon presentation of an invoice therefor. The Lessee further agrees that it will promptly pay to the Lessor, the Owner, the Vendor, the Investors (including their respective successors, assigns, agents and servants) or the Trust Estate, as the case may be, an amount which, after deduction of any taxes required to be paid by such person in respect of the receipt thereof, shall be equal to any additional tax payable by such person attributable to the inclusion in such person's income of any payment or reimbursement made or payable by the Lessee under this Section 5; provided, however, that such payment shall be reduced by an amount equal to any reduction in taxes resulting from the deduction by such person of the liability or payments with respect to which such payment or reimbursement is made or paid by the Lessee.

All amounts payable by the Lessee pursuant to this Section 5 shall be payable, to the extent not theretofore paid, on written demand by the party entitled to indemnification; and all the indemnities contained in this Section 5 shall continue in full force and effect notwithstanding the

expiration or other termination of this Lease and are expressly made for the benefit of, and shall be enforceable by the Lessor, the Owner, the Trust Estate, the Vendor and the Investors.

The parties hereto acknowledge that the Units become a part of the mass of property used by the Lessee in its operations as a common carrier by rail. Consequently, the parties agree that the Lessee shall include the Units in the ad valorem tax returns to be filed by the Lessee in the applicable states or localities and that neither the Vendor nor the Vendee shall include the Units in any ad valorem tax returns filed by them in such states or localities.

In the event any reports with respect to Impositions are required to be made, the Lessee will either make such reports in such manner as to show the ownership of the Lessor and the security interest of the Vendor in the Units or notify the Owner, the Lessor and the Vendor of such requirement and make such reports in such manner as shall be satisfactory to the Owner, the Lessor and the Vendor.

In the event the Lessee may be prohibited by law or impaired from contesting in its own name any Imposition covered by this Section 5 in respect of which the Lessee would otherwise be required to make payments to the Owner or the Lessor pursuant hereto, the Owner or the Lessor shall, upon request and at the expense of the Lessee, take all legal and other appropriate action reasonably requested by the Lessee to contest such Imposition. The Owner or the Lessor shall not be obligated to take any such legal or other appropriate action unless the Lessee shall first have indemnified the Lessor and the Owner in a manner satisfactory to the Lessor and the Owner, for all liabilities and expenses which may be entailed therein. Further, the Lessee shall indemnify and hold the Owner and the Lessor harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action taken by the Owner, the Lessor or the Lessee under this Section 5. The Lessee shall be entitled to any refund received by the Owner, the Lessor or the Lessee in respect of any Imposition paid by the Lessee, provided no Event of Default or other event

which, with notice, demand and/or lapse of time, would constitute such an Event of Default shall have occurred and be continuing.

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

In the event that any Unit shall be or become worn out, lost, stolen, destroyed or, in the opinion of the Lessee, irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise by the United States Government for a period which shall exceed the then remaining term of this Lease or by any other governmental entity resulting in loss of possession by the Lessee for the lesser of a period of 90 consecutive days or a period which shall exceed the then remaining term of this Lease (each such occurrence being hereinafter called a "Casualty Occurrence") prior to the return of such Unit in the manner set forth in Section 13 hereof, the Lessee shall, within 30 days after it shall have determined that such Unit has suffered a Casualty Occurrence, fully notify the Lessor and the Vendor in writing with respect thereto. Notwithstanding any such Casualty Occurrence, the Lessee shall continue making all payments provided for in this Lease in respect of such Unit until the Casualty Payment Date (as hereinafter defined) listed in Table 1 of Schedule B hereto next succeeding such notice. On August 1, 1982, or the next rental payment date, as the case may be ("Casualty Payment Date"), the Lessee shall pay to the Lessor the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with Schedule B hereto, plus the rental payment or payments in respect of such Unit then due and payable. Upon the making of all such payments by the Lessee in respect of any Unit, the rental for such Unit shall thereafter cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent, to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable under the circumstances on an "as is, where is, and with all faults" basis in accordance with the Lessee's normal procedures. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the net proceeds

of such sale after deductions of any cost or expense incurred in disposing of such Unit to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

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

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

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

The Lessee will, at all times while this Lease is in effect, at its own expense, cause to be carried and maintained types and amounts of insurance in respect of the Units at the time subject hereto and the use and operation thereof, including, without limitation, property insurance and public liability insurance, in such amounts and for

such risks and with such insurance companies as are at least comparable to insurance coverage carried by the Lessee in respect of similar equipment owned or leased by it; provided, however, that, in respect of property insurance, the Lessee may self-insure any Unit to the extent that it self-insures similar equipment owned by it. The Lessee hereby assigns and transfers to the Lessor, the Owner and the Vendor, as their interests may appear, all right, title, and interest in and to any insurance proceeds paid under any policy of insurance to the extent such proceeds relate to the Units or the use and operation thereof as aforesaid; provided, however, that if the Lessee fully complies with all the provisions of this Section 6 and the penultimate paragraph of Section 9 hereof in respect of the risk insured against as to which such proceeds are paid and, if there is no Event of Default under Section 9 hereof, the Lessee shall be entitled to retain all such proceeds. Lessee will furnish to the Lessor, the Owner and the Vendor on request a statement of its insurance coverage and furnish to the Lessor, the Owner and the Vendor 30 days' prior written notice of any substantial change in such coverage; provided, however, that if it is not practicable for the Lessee to have knowledge of a material change or cancelation of insurance at least 30 days prior to the occurrence thereof, the Lessee shall give the Lessor and the Vendor written notice as soon as the Lessee learns of such change or cancelation.

Nothing in this Section 6 shall prohibit the Lessor, the Vendor or the Owner from maintaining at its expense, additional insurance for its own account with respect to the Units.

SECTION 7. Annual Reports. On or before March 31 in each year, commencing with the calendar year 1983, the Lessee will cause to be furnished to the Lessor, the Owner and the Vendor (at the addresses shown in Section 16 hereof) an accurate statement, as of the preceding December 31, showing the amount, description and numbers of the Units (a) then leased hereunder and/or covered by the RCSA, (b) that have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Lease in the case of the first such statement) and (c) then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs and setting forth such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request, and stating that, in the case of all Units repainted or repaired during the period covered by such

statement, the markings required by Section 4 hereof shall have been preserved or replaced. The Lessor, the Owner and the Vendor shall have the right at their sole cost, risk and expense, by their authorized representatives, to inspect the Units and the Lessee's records with respect thereto (including those relating to any use of the Units outside the United States) at such reasonable times as the Lessor, the Owner or the Vendor may request during the continuance of this Lease.

SECTION 8. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR AND THE OWNER MAKE NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR AND THE OWNER MAKE NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE, OR OTHERWISE, it being agreed that all such risks, as between the Lessor, the Owner and the Lessee, are to be borne by the Lessee. The Lessor and the Owner shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation, or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee, the Owner and the Lessor that all Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor or the Owner based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor, the Owner and the Vendor, to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the

Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units (the "Applicable Laws"), and in the event that, prior to the expiration of this Lease or any renewal thereof and the return of all Units as provided in Section 10 or 13 hereof, such laws or rules require any alteration, replacement, addition or modification of or to any part of any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any Applicable Law in any reasonable manner which does not, in the advance opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or the Vendor, respectively, under this Lease or the RCSA. So long as no Event of Default shall have occurred and be continuing the Lessee, at its own cost and expense, may furnish additions, modifications and improvements to any Unit during the term of this Lease provided that such additions, modifications and improvements (a) are readily removable without causing material damage to such Unit and (b) do not diminish its utility or value. The additions, modifications and improvements made by the Lessee under the first sentence of this paragraph shall be owned by the Lessor, and the additions, modifications and improvements made by the Lessee under the second sentence of this paragraph shall (unless any such addition, modification or improvement is a replacement of or substitution for, any part originally incorporated or installed in or attached to a Unit or any part in replacement of or substitution for any such original part) be owned by the Lessee.

The Lessee agrees to indemnify, protect and hold harmless the Lessor (individually and in its fiduciary capacity), the Owner, the Vendor and the Investors from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as a result of (i) the entering into or the performance of the RCSA, the Participation Agreement, the Documents (as defined in the Participation Agreement), the Hulk Purchase Agreement, or this Lease, or any of the instruments or agreements referred to therein or herein or contemplated thereby or hereby,

(ii) the ownership of any Hulk or any Unit, (iii) the ordering, acquisition, use, operation, maintenance, condition, reconstruction, purchase, delivery, rejection, storage or return of any Hulk or any Unit, (iv) any accident in connection with the operation, use, condition, reconstruction, possession, storage or return of any Hulk or any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in Section 13 of this Lease, including without limitation any claim based upon the doctrines of product liability or strict or absolute liability in tort or by statute imposed, or (v) the transfer of title to the Equipment by the Vendor pursuant to any provision of the RCSA. The Lessor agrees to give the Lessee, promptly upon obtaining knowledge thereof, written notice of any claim or liability to be indemnified against hereunder. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the delivery of the Equipment or the full payment and performance of all obligations under this Lease and the Hulk Purchase Agreement or the expiration or termination of the term of this Lease and/or the Hulk Purchase Agreement; provided, however, that the foregoing indemnification shall not apply to any failure of payment of any of the principal of or interest on the CSA Indebtedness. Nothing in this Section 8 shall constitute a guarantee by the Lessee of the CSA Indebtedness of the Lessor under the RCSA or a guarantee of the residual value of any Unit.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax returns) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units or the leasing thereof to the Lessee.

SECTION 9. Default. If, during the continuance of this Lease, one or more of the following events (an "Event of Default") shall occur:

A. default shall be made in the payment of any amount provided for in Section 2, 5, 6, 8 or 12 hereof and such default shall continue for 10 days;

B. the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any

interest therein, or of the right to possession of the Units, or any thereof;

C. default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Participation Agreement and such default shall continue for 30 days after written notice from the Lessor or the Vendor to the Lessee (and the Lessor, if such notice is given by the Vendor) specifying the default and demanding that the same be remedied;

D. a petition for reorganization under Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease, the RCSA and the Consent shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed and otherwise in accordance with the provisions of 11 U.S.C. § 1168, or any successor provision, as the same may hereafter be amended; or

E. any other 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 or under the Participation Agreement, the RCSA, or the Consent, under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder or under the Participation Agreement, the RCSA, or the Consent), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise

rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease and under the Participation Agreement, the RCSA, and the Consent shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for the property of the Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such a trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced; or

F. an event of default set forth in Article 11 of the RCSA shall have occurred arising out of any default by the Lessee in performing any of its obligations hereunder or under the Participation Agreement, the RCSA, or the Consent and shall not have been cured as provided for therein; or

G. any of the Lessee's representations or warranties made herein, in the Participation Agreement, the RCSA or the Hulk Purchase Agreement or any statement or certificate at any time given in writing pursuant hereto or in connection herewith shall be breached or found to be false or misleading in any material respect;

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

(a) proceed by appropriate court action, 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 amounts sufficient to restore the Owner to the same after-tax rate of return and after-tax cash position (after considering the effect of the receipt of such damages and amounts on their United States Federal income tax and state and local taxes or franchise taxes based on net income) that the Owner would have realized or would have been in had such breach not occurred;

(b) by notice in writing to the Lessee terminate

this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit (as is, where is) during such period, such present value to be computed in each case on the basis of a 10% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated; or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit (as is, where is) at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and

(y) of this part (b) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the rental payment date on or next preceding the date of termination over the net proceeds of such sale.

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

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

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

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

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

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

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

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

The assembling, delivery, storage and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own cost and expense, insure, maintain and keep the Equipment in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any

prospective purchaser of any such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence.

The Lessee hereby waives any and all claims against the Vendor or the Lessor and their agents for damages of whatever nature in connection with any retaking of the Units in any reasonable manner.

All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which the greater of (i) .0352113% of the Purchase Price of such Unit or (ii) the per diem interchange rate for such Unit for each such day, exceeds the actual earnings received by the Lessor on such Unit for each such day. Nothing contemplated by this paragraph, including the payment by the Lessee of any amounts pursuant hereto shall be deemed to relieve the Lessee of its obligation to assemble, deliver and store the Units or affect the Lessor's rights and remedies with respect to such obligation.

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

SECTION 11. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. The rights of the Lessor hereunder (including the rights to receive the rentals payable under this Lease) shall inure to the benefit of the Vendor as assignee under the Assignment in the manner and to the extent therein provided.

So long as the Lessee shall not be in default under this Lease and no event of default exists under the RCSA, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease but, without the prior written consent of the Lessor and the Vendor, the Lessee shall not assign or transfer its leasehold interest under this Lease in any of the Units or sublease any of the Units, except to the extent permitted by the provisions of the next succeeding paragraph hereof; and any such assignment or transfer without said consent shall be void. The Lessee, at its own expense, will promptly discharge or cause to be duly discharged any and all sums claimed by any party which if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance which the Lessor or the Owner is obligated to discharge pursuant to Paragraphs 18A and 18B of the Participation Agreement), upon or with respect to any Unit or the interest of the Lessor, the Vendor or the Lessee therein, and will promptly discharge any such lien, charge, security interest or other encumbrance which arises. The Lessee shall not, without the prior written consent of the Lessor and the Vendor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the next succeeding paragraph hereof.

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

Nothing in this Section 11 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any corporation incorporated under the

laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the railroad properties of the Lessee as an entirety or substantially as an entirety; provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease.

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

SECTION 12. Renewal Option; Right of First Refusal. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may elect (which election shall be irrevocable), by written notice delivered to the Lessor not less than 180 days prior to the end of the original term of this Lease (or, in the event the Lessee extends the term of this Lease for an additional two-year term, not less than 180 days prior to the end of that extended term) to extend the term of this Lease in respect of all, but not fewer than all, the Units then covered by this Lease for one or two additional two-year periods commencing on the scheduled expiration of the original term or the first extended term of this Lease, as the case may be, at a semiannual rental payable in arrears in semiannual payments, in an amount equal to the "Fair Market Rental" of such Units as of the commencement of such extended term, such rental payments to be made on February 1, and August 1 in each year of the applicable extended term.

Fair Market Rental shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently

in possession) and an informed and willing lessor under no compulsion to lease and, in such determination, (i) it shall be assumed that the Units are in the condition and repair in which they are required to be maintained pursuant to this Lease and that they are free and clear of all liens, claims and encumbrances, (ii) the value of the additions, modifications and improvements as to which Lessee retains title pursuant to Section 8 shall not be included and (iii) costs of removal from the location of current use shall not be a deduction from such value. If, within two months following receipt of the notice required by the preceding paragraph, Lessor and Lessee are unable to agree upon a determination of the Fair Market Rental of the relevant Units, such rental shall be determined in accordance with the foregoing definition by a qualified independent Appraiser as hereinafter defined. The term "Appraiser" shall mean such independent Appraiser as Lessor may select with the approval of Lessee, or, failing such approved selection, a panel of three independent Appraisers, one of whom shall be selected by Lessor, the second by Lessee and the third designated by the first two so selected; and if the Appraisers selected by Lessor and Lessee are unable to agree upon such third Appraiser, either Lessor or Lessee may apply to any court of competent jurisdiction to select such third Appraiser. 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 Lessor and Lessee. The determination so made shall be conclusively binding upon both Lessor and Lessee. The expenses and fees of the Appraiser shall be paid by Lessee.

Unless this Lease has been terminated under Section 10 or there exists a Default or Event of Default hereunder, Lessor shall not, within 90 days after the end of the original or any renewal term of this Lease or pursuant to an offer received within such period, sell, transfer or otherwise dispose of any Unit unless:

(a) Lessor shall have received from a purchaser or purchasers a bona fide offer or offers in writing to purchase in the aggregate all, but not less than all, of the Units;

(b) Lessor shall have given Lessee notice (i) setting forth in detail the identity of such purchaser or purchasers, the proposed purchase price or prices, the proposed date of purchase and

all other material terms and conditions of such purchase, and (ii) offering to sell such Units to Lessee upon the same terms and conditions as those set forth in such notice; and

(c) Lessee shall not have notified Lessor, within 20 days following receipt of such notice, of its election to purchase such Units upon such terms and conditions.

If Lessee shall not have so elected to purchase such Units, Lessor may sell such Units to the purchaser or purchasers referred to in clause (a) above at a price and upon other terms and conditions no less favorable to Lessor than those specified in such notice. Lessor shall be free to sell any Unit pursuant to an offer received after 90 days of the end of the original or renewal term of this Lease.

Upon payment of the purchase price pursuant to the exercise by Lessee of its right of first refusal, Lessor shall, upon request of Lessee, execute and deliver to Lessee, or to Lessee's assignee or nominee, a bill of sale (without representations or warranties except that the Units so being sold are free and clear of all liens, charges, security interests and other encumbrances by or in favor of any person claiming by, through or under Lessor or the Owner and which the Lessor or the Owner are obligated to discharge pursuant to Paragraph 18 of the Participation Agreement) for such Units, and such other documents as may be required to release such Units from the terms and scope of this Lease and to transfer title thereto to Lessee, or such assignee or nominee, in such form as may reasonably be requested by Lessee, all at Lessee's expense.

SECTION 13. Return of Units upon Expiration of Term. After the expiration of the original or any extended term of this Lease, the Lessee will have 30 days to marshall the Units (without being required to make any payment to Lessor in respect of the Units) and the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Units to the Lessor upon such storage tracks of the Lessee as the Lessee may designate and permit the Lessor to store each group (as defined below) of such Units on such tracks for a period not exceeding 90 days, and transport the Units in each such group, on a one-time basis at any time within such 90-day period, to one or more connecting carriers for shipment, all as directed by the

Lessor, the movement and storage of each such group of Units to be at the expense and risk of the Lessee. A "group" of Units shall mean (i) the first 25% of the Units so delivered, (ii) the next 25% of the Units so delivered, (iii) the next 25% of the Units so delivered, (iv) the next 15% of the Units so delivered and, thereafter, each Unit so delivered will constitute a group. During any such storage period, the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this Section 13 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted, (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads, if applicable, and/or the applicable rules of any governmental agency or other organization with jurisdiction, and (iii) have removed therefrom by the Lessee without cost or expense to the Lessor all additions, modifications and improvements which the Lessee owns pursuant to Section 8 hereof. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and, upon application to any court having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units.

In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 30 days after the end of the term of this Lease, or any extended term, then the Lessee shall pay the Lessor for each day thereafter an amount equal to the greater of (i) .035211% of the Purchase Price of such Unit or (ii) the per diem rental received from the service of such Unit for each such day. In addition, for each Unit that is loaded by the Lessee within 30 days after the end of the Lease, or any extended term, for each day during which the equipment is loaded the Lessee shall pay the Lessor the greater of the amounts specified in clauses (i) and (ii) of the preceding sentence. Nothing contemplated by this paragraph, including payment by

the Lessee of the above specified amounts, shall be deemed to relieve the Lessee from its obligation to assemble, deliver and store the Units or affect the Lessor's rights and remedies with respect to such obligation.

SECTION 14. Recording; Expenses. The Lessee, at its own expense, will cause this Lease, the Transfer Agreement, the RCSA and any assignment hereof or thereof to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303. The Lessee will undertake the filing, recording and depositing and refiling, rerecording and redepositing required of the Lessor under the RSCA and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, reregister, rerecord or redeposit whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease or the assignment hereof to the Vendor, or the RCSA; and the Lessee will promptly furnish to the Vendor and the Lessor evidences of all such filing, registering, recording or depositing, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease, the Assignment, the Transfer Agreement and the RCSA shall be filed with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any unit.

SECTION 15. Interest on Overdue Obligations and Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations when due hereunder shall result in the obligation on the part of the Lessee promptly to pay also an amount equal to 1% over the Original Rate (as defined in the RCSA) per annum of the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

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

(a) if to the Lessor, at 79 South Main Street, Salt Lake City, Utah 84111, attention: Corporate Trust Department, with a copy to Owner;

(b) if to the Lessee, at 500 Water Street, Jacksonville, Florida 32202, attention: Director of Finance;

(c) if to the Vendor, at 79 South Main Street, Salt Lake City, Utah 84111, attention: Trust Division--Corporate Trust Department;

(d) if to the Owner, at 600 Summer Street, Stamford, Connecticut 06904, attention: Vice President-Special Financing;

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

SECTION 17. Effect and Modification of Lease. Except for the Participation Agreement, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized officers of the Lessor and the Lessee.

SECTION 18. Definitions. If and so long as this Lease is assigned to the Vendor (or any successor thereto) for collateral purposes, wherever the term "Lessor" is used in this Lease it shall also apply and refer to the Vendor and any successors thereto unless the context shall otherwise require and except that the Vendor shall not be subject to any liabilities or obligations under this Lease; and the fact that the Vendor is specifically named in certain provisions shall not be construed to mean that the Vendor (and any successors thereto) is not entitled to the benefits of other provisions where only the Lessor is named or where only the Vendor, as the case may be, is named.

SECTION 19. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart

delivered to the Vendor pursuant to the Lease Assignment shall be deemed to be the original counterpart and all other counterparts shall be deemed duplicates thereof. It is not necessary that the parties hereto all sign the same counterpart as long as each party shall sign a counterpart and such counterpart is delivered to the Vendor or its counsel, whereupon this Lease shall become effective. Although this Lease is dated as of the date first set forth above for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

SECTION 20. Law Governing; Severability. The terms of this Lease and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

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

SECTION 21. Immunities. Notwithstanding anything herein to the contrary, each and all of the representations, warranties, undertakings and agreements herein made on the part of the Lessor are made and intended not as personal representations, warranties, undertakings and agreements by The First Security State Bank or the Owner or for the purpose or with the intention of binding said bank or the Owner personally but are made and intended for the purpose of binding only the Trust Estate (as such term is used in the Trust Agreement); and this Lease is executed and delivered by said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank (except in the case of wilful misconduct or gross negligence by said bank) or the Owner hereunder, on account of this Lease or on account of any representation, warranty, undertaking or agreement of said bank hereunder, either expressed or implied, all such personal liability, if any, being

expressly waived and released by the Lessee and by all persons claiming by, through or under the Lessee.

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

FIRST SECURITY STATE BANK, not in its individual capacity but solely as Trustee,

by

_____
Authorized Officer

[Corporate Seal]

Attest:

_____
Authorized Officer

SEABOARD COAST LINE RAILROAD COMPANY,

by _____
Senior Vice President-Finance

[Corporate Seal]

Attest:

_____
Assistant Secretary

STATE OF UTAH,)
) ss.:
COUNTY OF SALT LAKE,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of FIRST SECURITY STATE BANK, that one of the seals affixed to the foregoing instrument is the corporate seal of said bank and that said instrument was signed and sealed on behalf of said bank 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 bank.

Notary Public

[Notarial Seal]

My Commission Expires

STATE OF FLORIDA,)
) ss.:
COUNTY OF DUVAL,)

On this 14th day of December 1981, before me personally appeared Alex J. Mandl, to me personally known, who, being by me duly sworn, says that he is Senior Vice President-Finance of SEABOARD COAST LINE RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that such instrument was this day signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Brenda S. Kelly
Notary Public

[Notarial Seal]

My Commission Expires

NOTARY PUBLIC, STATE OF FLORIDA
My commission expires Oct. 5, 1985
Bonded by American Fire & Casualty Company

Lease of Railroad Equipment

SCHEDULE A*

Quantity	AAR Mechanical Designation	Description	Lessee's Road Numbers (Inclusive)
12	GP-16	Diesel Electric Locomotives	SCL 4637-4639 SCL 4778-4786

* Units subject to this Lease will include only those delivered, accepted and settled for under the RCSA prior to January 31, 1983, and will bear Road Numbers included in the groups of Road Numbers listed above. Upon completion of all deliveries, this Schedule A will be appropriately amended to delete the Equipment listed above which has not become subject to this Lease.

Lease of Railroad Equipment

SCHEDULE B

Casualty Value Percentages Schedule

Table 1

Casualty Payment Date	Percentage
8/1/82	86.6431%
2/1/83	90.8362
8/1/83	98.0515
2/1/84	100.2986
8/1/84	102.4084
2/1/85	101.7141
8/1/85	103.4505
2/1/86	102.4276
8/1/86	102.8828
2/1/87	100.3965
8/1/87	99.1647
2/1/88	96.9137
8/1/88	95.0738
2/1/89	93.2990
8/1/89	91.2407
2/1/90	89.2921
8/1/90	85.7681
2/1/91	82.4327
8/1/91	78.0470
2/1/92	74.8299
8/1/92	70.4949
2/1/93	66.5757
8/1/93	61.8639
2/1/94	57.6255
8/1/94	52.4806
2/1/95	47.9185
8/1/95	42.3431
2/1/96	37.4578
8/1/96	31.5110
2/1/97	26.4615
8/1/97, and thereafter	25.0000

Table 2

The percentages set forth in Table 1 of this Schedule B have been computed without regard to recapture of any investment tax credit. Consequently, the Casualty Value of any Unit suffering a Casualty Occurrence on or before the third, fifth or seventh Anniversary of the date of delivery and acceptance of such Unit shall be increased by the applicable percentage of the Reconstruction Cost set forth below:

Anniversary of Delivery and Acceptance	Percentage of Reconstruction Cost
First	17.5962%
Second	14.0770
Third	10.5577
Fourth	7.0385
Fifth	3.5193

EXHIBIT C
to the
RECONSTRUCTION
AND CONDITIONAL
SALE AGREEMENT

[CS&M Ref. 2044-189]

ASSIGNMENT OF LEASE AND AGREEMENT

Dated as of October 25, 1981

between

FIRST SECURITY STATE BANK,
not individually but solely in its capacity
as Trustee

and

FIRST SECURITY BANK OF UTAH, N.A.,
not in its individual capacity but solely
as Agent.

RL

ASSIGNMENT OF LEASE AND AGREEMENT dated as of October 25, 1981, by and between FIRST SECURITY STATE BANK, a Utah banking corporation, not in its individual capacity but solely as trustee (the "Vendee") under a Trust Agreement, dated as of the date hereof (the "Trust Agreement") with LITTON EQUITY INVESTMENTS, ALPHA INC. (the "Owner"), and FIRST SECURITY BANK OF UTAH, N.A., not in its individual capacity but solely as Agent (the "Vendor") under a Participation Agreement dated as of the date hereof.

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

The Vendee and the Lessee have entered into a Lease of Railroad Equipment dated as of the date hereof (the "Lease") providing for the leasing by the Vendee to the Lessee of the Units.

In order to provide security for the obligations of the Vendee under the RCSA and for certain obligations of the Vendee and the Owner under the Participation Agreement and the Lessee under the Lease and as an inducement to the Vendor to invest in the CSA Indebtedness (as that term is defined in the RCSA), the Vendee has agreed to assign for security purposes its rights in, to and under the Lease to the Vendor.

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

1. The Vendee hereby assigns, transfers and sets over unto the Vendor, as collateral security for the payment and performance of (i) the obligations of the Vendee under the RCSA, (ii) the obligations of the Vendee and the Owner under the Participation Agreement and (iii)

those obligations of the Lessee under the Lease referred to in subparagraph (c) of the second paragraph of this Section 1, all the Vendee's right, title and interest, powers, privileges, and other benefits under the Lease (subject to Sections 10 and 11 hereof) including, without limitation, the immediate right to receive and collect all rentals, profits and other sums payable to or receivable by the Vendee from the Lessee under or pursuant to the provisions of the Lease whether as rent, casualty payment, indemnity, liquidated damages, or otherwise (such moneys, other than Excluded Payments (as hereinafter defined), being hereinafter called the "Payments"), and the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of an Event of Default specified in the Lease, and to do any and all other things whatsoever which the Vendee is or may become entitled to do under the Lease. Notwithstanding the foregoing, the Vendee does not assign to the Vendor, and the Vendor shall have no right or interest in or to, Excluded Payments. As used herein, the term "Excluded Payments" shall mean (i) payments by the Lessee to the Owner for its own account or to the Vendee for its own account pursuant to Sections 5 and 8 of the Lease and the fourth paragraph of Article 9 of the RCSA, and (ii) any proceeds payable under liability insurance policies to or for the benefit of the Owner or the Vendee for its own account. In furtherance of the foregoing assignment and subject to Sections 10 and 11 hereof, the Vendee hereby irrevocably authorizes and empowers the Vendor in its own name, or in the name of its nominee, or in the name of the Vendee or as its attorney, to ask, demand, sue for, collect and receive any and all sums to which the Vendee is or may become entitled under the Lease, and to enforce compliance by the Lessee with all the terms and provisions thereof.

The Vendor agrees to accept any Payments made by the Lessee for the account of the Vendee pursuant to the Lease. To the extent received the Vendor will apply such Payments as follows:

(a) to satisfy the obligations of the Vendee under the RCSA which are due and payable at the time such Payments are due and payable under the Lease or which become due and payable while such Payments are held as collateral security by the Vendor pursuant to the third and fourth paragraphs of this Section 1;

(b) to satisfy any obligations of the Owner and the Vendee under provisions of the Participation Agreement;

(c) if an Event of Default under the Lease (or an event which with notice or lapse of time, or both, could constitute such an Event of Default) shall have occurred and be continuing (unless such Event of Default shall have been cured by the Vendee as provided in Article 11(f) of the RCSA), (i) to satisfy any obligations of the Lessee under any provision of the Lease to the Vendor or any Investor and (ii) to satisfy any obligations of the Lessee, or to effect performance by the Lessee, under Sections 5, 6, 8, 9, 10 and 11 of the Lease; provided, however, that no Payment shall be applied as provided in clause (i) or (ii) (other than with respect to Section 9) until at least 30 days after the Vendor shall have demanded that the Lessee satisfy such obligation or effect such performance; and

(d) if no event of default under the RCSA or Event of Default under the Lease (or any event which with notice or lapse of time, or both, could constitute such an event of default or Event of Default) shall have occurred and be continuing, any balance shall be paid to the Vendee, or to such other person as the Vendee may direct in writing, in the type of funds received by the Vendor at such address as the Vendee may direct in writing.

All Payments received by the Vendor (and not applied pursuant to the second paragraph of this Section 1) which, but for the existance of an Event of Default under the Lease (or an event which with notice or lapse of time, or both, could constitute such an Event of Default) would be distributable, shall be held by the Vendor as part of the collateral security for the Vendee's obligations under the RCSA, the Owner's and the Vendee's obligations under the Participation Agreement and the Lessee's obligations and performance under the Lease (as described in subparagraph (c) of the second paragraph of this Section 1) until the earlier of

(i) application of such Payments pursuant to subparagraph (a), (b) or (c) of the second paragraph of this Section 1,

(ii) such time or such Event of Default or event shall cease to be continuing, or

(iii) 180 days after the Vendor's receipt of such Payment, unless prior to expiration of such 180-day period the Vendor either (A) shall have commenced using reasonable efforts (which under no circumstances shall be deemed to require termination of the Lease) to enforce the Lessee's compliance with its underlying obligation giving rise to such Event of Default or event or (B) shall have authorized the Vendee to seek compliance by the Lessee with such obligation (which authorization shall in no circumstances include the right to terminate the Lease),

at which time such Payments (if not previously applied pursuant to clause (i) above) shall be paid to the Vendee pursuant to subparagraph (d) of the second paragraph of this Section 1.

All Payments received by the Vendor (and not applied pursuant to the second paragraph of this Section 1) which, but for the existance of an event of default under the RCSA (or an event which with notice or lapse of time, or both, could constitute such an event of default) would be distributible, shall be held by the Vendor as part of collateral security for the Vendee's obligations under the RCSA, the Owner's and the Vendee's obligations under the Participation Agreement and the Lessee's obligations and performance under the Lease (as described in subparagraph (c) of the second paragraph of this Section 1) until such event of default or event shall cease to be continuing, at which time such Payments (if not previously applied pursuant to subparagraph (a), (b) or (c) of this Section 1), shall be paid to the Vendee pursuant to subparagraph (d) of the second paragraph of this Section 1.

Notwithstanding anything to the contrary contained herein, Excluded Payments are not part of the collateral security for the Vendor or the Investors and any Excluded Payment received by the Vendor or any Investor shall be immediately paid to the Vendee or the Owner, as the case may be.

If the Vendor shall not receive any payment under Sections 2, 5, 6, 8 or 12 of the Lease when due, the Vendor

shall, on the date due, notify the Vendee, the Owner and the Lessee, by telephone, confirmed in writing, at the respective addresses set forth in the Lease; provided, however, that the failure of the Vendor so to notify the Vendee, the Owner and the Lessee shall not affect the obligations of the Vendee hereunder or under the RCSA or the Lessee under the Lease or the Consent and Agreement attached hereto; provided further, however, that the Vendor shall not issue a Declaration of Default (as defined in the RCSA) or terminate the Lease under Article 11(a) or the last proviso to Article 11(f) of the RCSA until 10 days after such notice.

2. This Assignment is executed only as security and, therefore, the execution and delivery of this Assignment shall not subject the Vendor to, or transfer, or pass, or in any way affect or modify the liability of the Vendee under the Lease, it being understood and agreed that notwithstanding this Assignment or any subsequent assignment, all obligations of the Vendee to the Lessee shall be and remain enforceable by the Lessee, its successors and assigns, against, and only against, the Vendee or persons other than the Vendor.

3. To protect the security afforded by this Assignment the Vendee agrees subject to Paragraphs 10 and 11 hereof, that, without the written consent of the Vendor, the Vendee will not anticipate the rents under the Lease or waive, excuse, condone, forgive or in any manner release or discharge the Lessee thereunder of or from the obligations, covenants, conditions and agreements to be performed by the Lessee, including, without limitation, the obligation to pay the rents in the manner and at the time and place specified therein or enter into any agreement amending, modifying or terminating the Lease and the Vendee agrees that any amendment, modification or termination thereof without such consent shall be void.

4. Subject to Paragraphs 10 and 11 hereof, the Vendee does hereby constitute the Vendor the Vendee's true and lawful attorney, irrevocably, with full power (in the name of the Vendee, or otherwise), to ask, require, demand, and receive, any and all Payments due and to become due under or arising out of the Lease to which the Vendee is or may become entitled, to enforce compliance by the Lessee with all the terms and provisions of the Lease, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which the Vendor may deem to be necessary or advisable in the premises.

5. Upon the full discharge and satisfaction of all the Vendee's obligations under the RCSA and the Participation Agreement (without giving effect to any limitations on liability contained therein) and the Lessee's obligations to the Vendor and the Investor under any provisions of the Lease, this Assignment and all rights herein assigned to the Vendor shall terminate, and all estate, right, title and interest of the Vendor in and to the Lease shall revert to the Vendee.

6. The Vendee will, from time to time, do and perform any other act and will execute, acknowledge, deliver and file (and will refile) any and all further instruments required by law and reasonably requested by the Vendor in order to confirm or further assure, the interests of the Vendor hereunder.

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

8. The terms of this Assignment and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of the State of Utah, but the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

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

10. The Vendor hereby agrees with the Vendee that the Vendor will not, so long as neither an event of default under the RCSA nor an Event of Default under the Lease has occurred and is continuing, exercise or enforce, or seek to

exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits which are assigned and transferred by the Vendee to the Vendor by this Assignment without the prior written consent of the Vendee except the right to receive and apply the Payments as provided in Paragraph 1 hereof and to enforce any right, power, agreement or indemnity under the Lease, and that, subject to the terms of the Lease and the RCSA, the Vendee may, so long as neither an event of default under the RCSA nor an Event of Default under the Lease has occurred and is continuing, exercise or enforce, or seek to exercise or enforce or avail itself enforce or avail itself of, such rights, powers, privileges, authorizations or benefits; provided, however, that the Vendee shall not, and shall not have any authority to, take any action which would terminate the Lease without the prior written consent of the Vendor.

11. Notwithstanding anything herein to the contrary, (a) unless and until an event of default under the RCSA shall have occurred and is continuing, the Vendee shall have the right, without the concurrence of the Vendor, to adjust the rentals and Casualty Value percentages pursuant to Section 2 of the Lease and to exercise the rights of the Lessor under Sections 12 and 13 of the Lease; (b) at all times the Vendee may (without the concurrence of the Vendor) receive all notices, certificates, opinions of counsel and other documents and information to be furnished to the Lessor or the Vendee under the Lease; (c) at all times the Vendee shall have the right to proceed by appropriate court action or actions either at law or in equity to enforce performance by the Lessee of its obligations with respect to Excluded Payments or to recover damages for the breach thereof as provided in Section 9(a) of the Lease but may not declare an Event of Default under or terminate the Lease; and (d) at all times the Vendee may exercise the rights of the Vendee under the last paragraph of Section 6 of the Lease. The Vendor may not at any time, without the consent of the Owner, amend, modify or supplement, or give or accept any waiver or consent with respect to, the Lease so as to increase the liabilities or diminish the immunities of the Owner or reduce the amount or extend the time or payment of any Excluded Payment then due and payable or change any of the circumstances under which such Excluded Payments are payable.

Notwithstanding any other provision of this Assignment, it is expressly agreed by the parties hereto that each and all of the warranties, representations, undertakings and agreements herein made on the part of the Vendee are made and intended not as personal representa-

tions, warranties, undertakings and agreements by First Security State Bank or for the purpose or with the intention of binding said bank or the Owner personally but are made and intended for the purpose of binding only the Trust Estate (as such term is used in the Trust Agreement), and this Assignment is executed and delivered by said bank solely in the exercise of the powers expressly conferred upon said bank as trustee under the Trust Agreement, and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank (except for wilful misconduct or gross negligence on the part of said bank) or the Owner hereunder on account of any representation, warranty, undertaking or agreement of said bank hereunder, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived and released by the Vendor and by all persons claiming by, through or under the Vendor; provided, however, that the Vendor or any person claiming by, through or under it making claim hereunder may look to said Trust Estate for satisfaction of the same.

12. This Assignment may be executed in any number of counterparts, all of which together shall constitute a single instrument, but the counterpart delivered to the Vendor shall be deemed to be the original counterpart. It is not necessary that the parties hereto all sign the same counterpart as long as each party shall sign a counterpart and such counterpart is delivered to the Vendor or its counsel, whereupon this Agreement shall become effective.

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

FIRST SECURITY BANK OF UTAH, N.A., not in its individual capacity but solely as Agent,

[Seal]

by

Authorized Officer

Attest:

Authorized Officer

FIRST SECURITY STATE BANK, not in its individual capacity, but solely as Trustee,

by

_____

Authorized Officer

[Corporate Seal]

Attest:

_____

Authorized Officer

STATE OF UTAH,)
) ss.:
COUNTY OF SALT LAKE,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of FIRST SECURITY BANK OF UTAH, N.A., that one of the seals affixed to the foregoing instrument is the seal of said national banking association, that said instrument was signed and sealed on behalf of said national banking association by authority of its By-laws and he acknowledged that the execution of the foregoing instrument was the free act and deed of said national banking association.

Notary Public

[Notarial Seal]

My Commission Expires

STATE OF UTAH,)
) ss.:
COUNTY OF SALT LAKE,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of FIRST SECURITY STATE BANK, that one of the seals affixed to the foregoing instrument is the corporate seal of said bank, and that said instrument was signed and sealed on behalf of said bank 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 bank.

Notary Public

[Notarial Seal]

My Commission Expires

LESSEE'S CONSENT AND AGREEMENT

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

(1) it will pay all rentals, casualty payments, liquidated damages and other moneys (other than Excluded Payments, as defined in the Assignment) provided for in the Lease (which moneys are hereinafter called the "Payments") due and to become due under the Lease or otherwise in respect of the Units leased thereunder, directly to First Security Bank of Utah, N.A., not in its individual capacity but solely as Agent (the "Vendor"), the assignee named in the Assignment, to be applied as provided in the Assignment, in immediately available funds by 11 a.m. Utah time on the date of payment, to its address at 79 South Main Street, Salt Lake City, Utah 84111, attention of Trust Division, Corporate Trust Department (or to such other address as may be furnished in writing to the undersigned by the Agent);

(2) the Vendor shall be entitled to the benefits of, and to receive and enforce performance of, all the covenants to be performed by the undersigned under the Lease as though the Vendor were named therein as the Lessor and that it will not assert against the Vendor any claim or defense the Lessee may have against the Lessor under the Lease;

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

(4) the Lease shall not, without the prior written consent of the Vendor, be amended, terminated or modified (other than as provided in Paragraph 11 of the Assignment), nor shall any action be taken or omitted by the undersigned, the taking or omission of which might result in an alteration or impairment

of the Lease or this Consent and Agreement or of any of the rights created by any thereof.

This Consent and Agreement when accepted by the Vendor by signing the acceptance at the foot hereof, shall be deemed a contract under, and shall be construed in accordance with, the laws of the Commonwealth of Virginia. It is not necessary that the parties hereto all sign the same counterpart of this Agreement and Consent as long as each party shall sign a counterpart and such counterpart is delivered to the Vendor or its counsel, whereupon this Agreement and Consent shall become effective.

Dated as of October 25, 1981

SEABOARD COAST LINE RAILROAD COMPANY,

by _____
Senior Vice President-Finance

[Corporate Seal]

Attest:

_____
Assistant Secretary

The foregoing Consent and Agreement is hereby accepted, as of the 25th day of October 1981.

FIRST SECURITY BANK OF UTAH, N.A., not in its individual capacity but solely as Agent,

by

_____
Authorized Officer

[Seal]

Attest:

_____
Authorized Officer

STATE OF ~~NEW YORK~~ Florida,)
) ss.:
COUNTY OF ~~NEW YORK~~ Duval,)

On this 14th day of December 1981, before me personally appeared Alex J. Mandl, to me personally known, who, being by me duly sworn, says that he is Senior Vice President-Finance of SEABOARD COAST LINE RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Brenda L. Kelly
Notary Public

[Notarial Seal]

My Commission Expires

NOTARY PUBLIC, STATE OF FLORIDA
My commission expires Oct. 5, 1985
Bonded by American Fire & Casualty Company

STATE OF UTAH,)
) ss.:
COUNTY OF SALT LAKE,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of FIRST SECURITY BANK OF UTAH, N.A., that one of the seals affixed to the foregoing instrument is the seal of said national banking association, tht said instrument was signed and sealed on behalf of said national banking association by authority of its By-laws, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said national banking association.

Notary Public

[Notarial Seal]

My Commission Expires

Reconstruction Agreement) qualifies for the full 10% investment tax credit allowed under Section 38 and related Sections of the Code (the "Investment Credit"), such Investment Credit to be available to the Trust for its taxable year ended July 31, 1982;

(f) in computing its taxable net income, the Trust is entitled (i) with respect to the Reconstruction Cost, to a recovery deduction determined by using the percentages prescribed for 5-year property by Section 168(b)(1)(A) of the Code, and (ii) with respect to the Hulk Purchase Price (as defined in the Reconstruction Agreement), to depreciation (A) over an "asset depreciation range" of 12 years for an asset described in Asset Guideline Class No. 00.25 as described in Rev. Proc. 77-10; (B) employing the 150% declining balance method, with a change, not requiring the consent of the Commissioner of Internal Revenue, to the straight line method; (C) adopting the half-year convention described in Regulation Section 1.167(a)-11(c); and (D) taking into account an estimated salvage value of 10% of the Hulk Purchase Price which will be reduced by 10% of the Hulk Purchase Price as provided in Section 167(f) of the Code (the sum of such recovery deduction and deprecia-

tion being referred to hereinafter as the "Depreciation Deduction");

(g) all amounts includible in gross income by the Trust with respect to the Lease will be treated as income derived from or allocable to sources within the United States; and

(h) the fees and expenses borne by the Trustor and described in Section 11B of the Participation Agreement will be amortizable or depreciable at a rate no less rapid than straight line over the original term of the Lease.

Notwithstanding the foregoing, the parties agree that, except to the extent expressly provided in Section 2 hereof, the Lessee neither represents nor warrants that the Tax Benefits will be available to the Trustor.

SECTION 2. Income Tax Indemnificaton

The Lessee agrees that neither it nor any corporation controlled by it, in control of it or under common control with it, directly or indirectly, will at any time during the term of the Lease or any extended term thereof file any returns, certificates or other documents or take any other action or fail to take any action inconsistent with the the Tax Conclusions or with the Trustor's claiming

the Tax Benefits (except that the Lessee may take such action as may be deemed by the Lessee to be necessary in consequence of, and file returns in connection with, the de minimis use of the Units outside the United States), and that each of such corporations will file such returns, take such action and execute such documents, and keep and make available for inspection and copying by the Trustor such records (other than the Lessee's corporate income tax returns), as may be reasonable and necessary to facilitate accomplishment of the intent hereof.

The Lessee hereby represents and warrants that (i) no portion of the Units attributable to the Reconstruction Cost constitutes property, the construction, reconstruction or erection of which was begun before April 1, 1971; (ii) at the time of delivery of each reconstructed Unit to the Trust and at all times thereafter during the term of the Lease, (A) the portion of such Unit attributable to the Reconstruction Cost will qualify as "new Section 38 property" within the meaning of Section 48(b) of the Code and as "recovery property" within the meaning of Section 168 of the Code qualifying for cost recovery deductions based on the percentages prescribed for 5-year property by Section 168(b)(1)(A) of the Code and (B) the portion of such Unit attributable to the Hulk Purchase Price will qualify as "used

Section 38 property" within the meaning of Section 48(c) of the Code and will qualify for the method(s) of depreciation described in subsection (ii) of Section 1(f); (iii) at the time of delivery of each reconstructed Unit to the Trust, the portion of such Unit attributable to the Reconstruction Cost will not have been used by any person so as to preclude "the original use of such property" within the meaning of Section 48(b) of the Code from commencing with the Trustee; (iv) at the time of delivery of each reconstructed Unit to the Trust, no investment credit, cost recovery deductions or other tax benefits will have been claimed by any person with respect to the portion of such Unit attributable to the Reconstruction Cost; (v) at all times during the term of the Lease, the Units will constitute "Section 38 property" within the meaning of Section 48(a) of the Code as in effect on the date hereof; and (vi) the Lessee will not claim that it is the owner of the Units at any time prior to the exercise by the Lessee of any option granted to the Lessee under the Lease to purchase the Units.

If the Trustor shall lose, or shall not have, or shall lose the right to claim or shall suffer a disallowance of or shall be required to recapture all or any portion of the Tax Benefits with respect to all or part of

any Unit, or if the Trustor's after-tax return on and rate of recovery of investment and annual net cash flows shall be reduced due to (a) the sale or other disposition of such Unit or the interest of the Trustor therein after the occurrence of an Event of Default under the Lease, (b) an amendment, modification, repeal or other change, adopted on or prior to August 1, 1982, of or to a tax law, (c) an amendment, modification, repeal or other change of or to a tax law, which is adopted subsequent to August 1, 1982, if the effective date thereof shall be on or prior to August 1, 1982, (d) the incorrectness of any representation or warranty made by the Lessee (including, without limitation, those made in the preceding paragraph of this Section 2, other than one which results from a change in a tax law which becomes effective after August 1, 1982), or the breach by the Lessee of any of its agreements set forth in the first paragraph of this Section 2, (e) the incompleteness or inaccuracy of any information which was furnished by the Lessee or any affiliated company to the independent appraiser in connection with its preparation of the opinion, delivered to the Trustor as required by Section 7 of the Participation Agreement, including, without limitation, any misstatement or omission of information which is material and relevant to the preparation of such opinion, or (f) any other act, failure to act or

misrepresentation by the Lessee, then in any such case the Lessee shall pay to the Trustor on each of the dates provided in the Lease for payment of the installments of rental thereunder commencing with the first such date following the date on which the liability of the Lessee hereunder shall become fixed as hereinafter provided, such sums which (after deduction of all taxes required to be paid by the Trustor on the receipt of such sums under the laws of the United States, any political subdivision thereof or any foreign government or governmental subdivision thereof), when taken together with the portion of the rental installments due on such dates under the Lease which are to be distributed to the Trustor, will, in the reasonable opinion of the Trustor, maintain the Trustor's after-tax return on and rate of recovery of investment and the annual net cash flows (computed on the same assumptions as utilized by the Trustor in originally evaluating this transaction) in respect of such Unit hereunder and under the Lease at a level that is not less than the level that would have been available if the Trustor had been entitled to utilization of all of such Tax Benefits. In the event that the Lease is terminated as to any Unit prior to the time the Lessee is obligated to make payments to the Trustor with respect to such Unit as set forth in the preceding sentence (either because no such payment obli-

gation had become fixed under such sentence prior to such termination or because the due date of such payment or payments shall occur following such termination), then the Lessee shall pay to the Trustor, in lieu of such payment or payments, on or before 30 days after the liability of the Lessee in respect of such Unit shall become fixed as hereinafter provided, such lump sum which (after deduction of all taxes required to be paid by the Trust or on the receipt of such lump sum under the laws of the United States, any political subdivision thereof or any foreign government or governmental subdivision thereof) shall be necessary in the reasonable opinion of the Trustor to maintain the Trustor's after-tax return on and rate of recovery of investment and the annual net cash flows (computed on the same assumptions as utilized by the Trustor in originally evaluating this transaction) in respect to such Unit hereunder and under the Lease at a level that is not less than the level that would have been available if the Trustor had been entitled to utilization of all such Tax Benefits.

If any income or deduction with respect to the Units shall not be treated as derived from, or allocated to, sources within the United States for a given year, and the Trustor's foreign tax credits are reduced for such year as a result of the Lessee's use of the Units outside the

United States, then the Lessee shall pay to the Trustor, within 30 days after receipt of notice from the Trustor of that event, a sum which (after deduction of all taxes required to be paid by the Trustor on the receipt of such sum under the laws of the United States, any political subdivision thereof or any foreign government or governmental subdivision thereof) will, in the reasonable opinion of the Trustor, maintain the Trustor's after-tax return on and rate of recovery of investment and the annual net cash flows (computed on the same assumptions as utilized by the Trustor in originally evaluating this transaction) in respect of such Units hereunder and under the Lease at a level that is not less than the level that would have been available if the Trustor's foreign tax credits had not been reduced.

If, due to the act, failure to act or the misrepresentation of the Lessee, or due to the fluctuation in the interest rate of the CSA Indebtedness, or due to the purchase, from the Original Investor, of the CSA Indebtedness, the Trustor is required to include in its gross income any part of the Fixed Rental Amount or Variable Rental Amount, as such terms are defined in the Lease, in any taxable year or portion thereof prior to the taxable year in which such Fixed Rental Amount or Variable Rental Amount would otherwise be accruable in accordance with the Trustor's method of account-

ing, then the Lessee shall pay to the Trustor, within 30 days after receipt of notice from the Trustor of that event, such lump sum which (after deduction of all taxes required to be paid by the Trustor on the receipt of such lump sum under the laws of the United States, any political subdivision thereof or any foreign government or governmental subdivision thereof) shall be necessary in the reasonable opinion of the Trustor to maintain the Trustor's after-tax return on and rate of recovery of investment and the annual net cash flows (computed on the same assumptions as utilized by the Trustor in originally evaluating this transaction) at a level that is not less than the level that would have been available if such event had not occurred.

The Lessee acknowledges that the Casualty Value Percentages Schedule attached as Schedule B to the Lease has been computed on the assumption that the Trustor shall be entitled to the Tax Benefits. Accordingly, in the event the Lessee becomes obligated under the provisions of this Agreement to pay additional sums to the Trustor, the said Casualty Value Percentages Schedule shall be revised as may be necessary in the reasonable opinion of the Trustor so that the amount payable by the Lessee in connection with any Casualty Occurrence (as defined in the Lease) shall be sufficient to maintain the Trustor's after-tax return on

and rate of recovery of investment and the annual net cash flows (computed on the same assumptions as utilized by the Trustor in originally evaluating this transaction) at the same level that would have been available to the Trustor upon payment of Casualty Value had the Tax Benefits been allowed in full. The revised Casualty Value Percentages Schedule shall be applied to any payment of Casualty Value paid after the liability of the Lessee hereunder shall become fixed as hereinafter provided regardless of the date of the Casualty Occurrence. Furthermore, with respect to any previous payment of Casualty Value under the Lease by the Lessee after a Casualty Occurrence but prior to the aforementioned revision of the Casualty Value with respect to such Unit, the Lessee shall pay to the Trustor, in a lump sum, the additional amount in excess of the Casualty Value actually paid, that Lessee would have been required to pay had the liability of the Lessee hereunder become fixed prior to the date of the original payment, and the Casualty Value Percentages Schedule had, accordingly, been revised as above provided.

Any amounts payable by the Lessee to the Trustor pursuant to the preceding four paragraphs shall be determined by the Trustor, which determination shall be made in accordance with the assumptions used by the Trustor in originally

evaluating the transaction.

Anything in the foregoing paragraphs of this Section 2 to the contrary notwithstanding, the Lessee shall not be required to make any payment to the Trustor provided for herein if the Trustor shall have lost the right to claim, or shall have suffered a disallowance of, or shall have been required to recapture all or a portion of any Tax Benefit with respect to all or part of such Unit solely as a direct result of the occurrence of any of the following events (hereinafter called Excluded Events):

(i) a Casualty Occurrence with respect to such Unit, if the Lessee shall have paid to the Trust the amounts stipulated under Section 6 of the Lease, as the same may be revised pursuant to the preceding paragraph;

(ii) a voluntary transfer or other voluntary disposition by either the Trust or the Trustor of any interest in such Unit or the voluntary reduction by the Trust or the Trustor of its interest in the rentals from such Unit under the Lease (except pursuant to any assignment thereof to the Vendor as security) or any transfer or disposition by the Trust or the Trustor resulting from bankruptcy or other proceedings for the relief of debtors in which the Trust or the Trustor is

the debtor (whether voluntary or involuntary) of any interest in such Unit or in the rentals therefor under the Lease unless, in each case, an Event of Default under the Lease shall have occurred and be continuing;

(iii) the failure of the Trustor to claim its portion of the Investment Credit, the Interest Deduction or the Depreciation Deduction, as applicable, in its Federal income tax return for the appropriate year, or the failure of the Trustor to follow proper procedure in claiming the Tax Benefits; or

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

In the event that the Internal Revenue Service asserts that the Trustor is not entitled to all or any portion of the Tax Benefits with respect to all or part of any Unit, the Trustor shall promptly notify the Lessee in writing of such assertion and shall not make any payment to the Internal Revenue Service with respect to such asserted loss of Tax Benefits for at least thirty (30) days after giving such notice, unless such period shall be beyond the term (including any extension of time available to Trustor)

within which payment must be made without jeopardy of the Trustor's appeal or other rights. In addition, the Trustor shall give to the Lessee any information relating to such assertion which the Trustor reasonably believes to be relevant and may be particularly within the knowledge of the Trustor.

The Trustor agrees that if an Opinion of Counsel (defined below) is received by the Trustor, within 30 days after the Trustor's giving notice as required by the preceding paragraph, pertaining to all or a portion of the Tax Benefits in respect of which the Lessee would otherwise be required to make payments to the Trustor pursuant hereto, the Trustor shall, upon request and at the expense of the Lessee, contest such matter in such forum as the Trustor, in its sole judgment, shall select; provided, however, that the Trustor shall not be obligated to take any such legal or otherwise appropriate action unless the Lessee shall first have indemnified the Trustor, in such form and with such security as may be reasonably acceptable to Trustor, for all liabilities and expenses which may be entailed therein; and provided further that the Trustor shall not be required to take any such legal or otherwise appropriate action if (i) the claim to which such action relates would result in an indemnity of less than $50,000 to the Trustor in

any one taxable year or (ii) the proposed adjustment by the Internal Revenue Service relates solely to the taxable year in which any credit or deduction is properly allowable if it is recognized that the credit or deduction is allowable for a prior taxable year that is still open and that the appropriate tax returns will be amended to claim such credit or deduction and that the total interest, penalties and additions to tax with respect to such adjustment payable by the Trustor for which the Lessee is required to indemnify hereunder do not exceed $50,000. An Opinion of Counsel and an indemnity shall also be furnished to the Trustor prior to each stage of any appeal on such matter within 30 days after notice to the Lessee by the Trustor of an adverse result of the preceding stage, provided that such notice shall include a request by the Trustor for an Opinion of Counsel, and provided further that no more than three (3) Opinions of Counsel shall be requested. For purposes hereof, an Opinion of Counsel shall mean an opinion of independent tax counsel for the Trustor or the Lessee who is acceptable to the Trustor, referring to the matter described in the foregoing sentences, and stating such counsel's opinion that a bona fide claim exists with respect to such matter and that there is a reasonable basis for contesting the same. The Trustor may, at

its option, take such action prior to making payment of any tax and interest and/or penalty attributable to the disallowance or recapture with respect to the Trustor of all or any portion of the Tax Benefits with respect to any Unit (a "Tax Payment") or may make such Tax Payment and then sue for a refund. If the Trustor takes such action prior to making such Tax Payment, such sums payable hereunder need not be paid by the Lessee while such action is pending. In such case, if the Final Determination (as defined in the next succeeding paragraph of this Section 2) shall be adverse to the Trustor, the sums payable hereunder shall be computed by the Trustor as of the date of such Final Determination and the Lessee shall commence payment thereof on the rental payment date under the Lease next succeeding such Final Determination (or such payment shall be made in full within 30 days after Final Determination if the Lease has been terminated) and, on or before such rental payment date (or such alternate date) the Lessee shall pay to the Trustor as an additional payment hereunder an amount which, after deduction for all taxes based upon the receipt thereof, will be equal to all interest and penalty paid by the Trustor in respect to such Final Determination, reduced by any tax benefits obtained by the Trustor by reason of making such interest payment, together with interest thereon from the

date such payment of interest and penalty is made by the Trustor to the date the Lessee reimburses the Trustor thereof at the Prime Rate (i.e., the prime rate in effect at Chase Manhattan Bank, N.A., of New York, from time to time during the period for which interest is payable) plus 2% per annum. If the Trustor makes such Tax Payment prior to contesting the matter, the sums payable hereunder shall commence to be payable by the Lessee on the first rental payment date under the Lease after such Tax Payment is made (or such payment shall be made in full within 30 days after the making of such Tax Payment if the Lease has been terminated) and, on or before such rental payment date (or such alternate date), the Lessee shall pay to the Trustor, within 30 days after the Trustor's giving notice as required by the preceding paragraph, as an additional payment hereunder an amount which, after deduction for all taxes based upon the receipt thereof, reduced by any tax benefits obtained by the Trustor by reason of making such interest payment, will be equal to all interest and penalty paid by the Trustor included in such Tax Payment. If the Trustor sues for a refund after making such Tax Payment and if the Final Determination shall be in favor of the Trustor, no future payments shall be due hereunder in respect of such matter (or an appropriate reduction in such payments shall be made if the Final Determination is

partly in favor of and partly adverse to the Trustor). In addition, the Lessee and the Trustor shall adjust their accounts so that (i) the Trustor pays to the Lessee within 30 days after the Trustor's receipt of the tax refund (x) an amount equal to the sums theretofore paid by the Lessee to the Trustor (or a proportionate part thereof if the Final Determination is partly in favor of and partly adverse to the Trustor) together with interest thereon at the Government Rate (i.e., the rate of interest payable by the U.S. Government on income tax refunds at the time a tax refund is received by the Trustor) for the period from the date such sums were paid to the Trustor by the Lessee to the date the Trustor pays to the Lessee an amount equal to such sums, and (y) the amount of any interest paid to the Trustor by the government on such refund, promptly upon receipt thereof, together with interest on the amount thereof at the Prime Rate plus 2% per annum for the period from the date such sums were paid to the Trustor by the government to the date the Trustor pays to the Lessee an amount equal to such sums, and (ii) the Lessee pays to the Trustor within 30 days after the Trustor's receipt of the tax refund an amount equal to interest at the Prime Rate plus 2% per annum on the amount of the tax refund made in respect of the Tax Payment for the period from the date of the original payment of the Tax

Payment by the Trustor to the date such tax refund is received by the Trustor.

"Final Determination", for the purposes of this Section 2, means a final decision of the Internal Revenue Service (in the event that no contest of such decision by the Internal Revenue Service is required pursuant to the preceding paragraph) or a court of competent jurisdiction after all appeals, including those which have been requested by the Lessee pursuant to the preceding paragraph, have been exhausted by either party to the action. Unless the required Opinion of Counsel has not been furnished to the Trustor in a timely manner as contemplated by the preceding paragraph, neither concession by the Trustor of any of the aforementioned Tax Benefits in the overall settlement of a controversy with the Internal Revenue Service (either at the administrative level or at the court level), nor the failure to recover a refund in whole or in part with respect to the disallowance of such Tax Benefits, which in either case is the result of the setoff against the claim for refund based upon the loss of such Tax Benefits where the matters set off do not relate to such Tax Benefits, will constitute an adverse "Final Determination" causing the aforementioned additional payment to accrue to the Trustor. If the Trustor agrees to the disallowance of a claim for refund based upon

the loss of Tax Benefits because of the assertion against it of offsets involving other issues not related to the Tax Benefits, the Trustor shall advise the Lessee of this decision within thirty (30) days of its making and such decision will be treated as the receipt of a refund by the Trustor for the purposes of the above provisions.

SECTION 3. Payment Adjustment for Lessee's Capital Expenditure

In the event that the Lessee shall make any improvement, replacement and/or addition (the "Alterations") to a Unit, which Alterations are not readily removable without material damage to the Units, and the Trustor is required to include the value thereof as income to the Trustor for Federal income tax purposes, the Lessee hereby agrees that it will pay to the Trustor on each of the dates provided in the Lease for payment of the installments of rental thereunder in respect of such Unit commencing with the first such date following the date on which the Lessee is required to furnish written notice of such inclusion to the Trustor pursuant to the last paragraph of this Section 3, such sums which (after deduction of all taxes required to be paid by the Trustor with respect to the receipt thereof under the laws of the United States or any political subdivision thereof), when taken together with the rental installments

due on such dates under the Lease in respect of such Unit, will, in the reasonable opinion of the Trustor, maintain the Trustor's after-tax return on and rate of recovery of investment and the annual net cash flows (computed on the same assumptions as utilized by the Trustor in originally evaluating this transaction) in respect of such Unit hereunder and under the Lease at the same level that would have been available if the cost of such Alterations had not been treated as income to the Trustor. Any amount payable by the Lessee to the Trustor pursuant to the preceding sentence shall be determined by the Trustor, which determination shall be made in accordance with the assumptions used by the Trustor in originally evaluating the transaction.

The Lessee agrees that, within 30 days after the close of any calendar year (or in the event the Trustor gives the Lessee written notice that the Trustor's taxable year closes on a date specified therein other than December 31, within 30 days after said date) in which the Lessee has made Alterations which are required to be treated as income to the Trust or for Federal income tax purposes, the Lessee will give written notice thereof to the Trustor describing, in reasonable detail, such Alterations which are required to be included in the gross income of the Trustor for Federal income tax purposes, and specifying the cost thereof with

respect to each Unit.

SECTION 4. Consolidated Tax Return

For purposes of this Agreement, the term "Trustor" shall include any affiliated group, within the meaning of Section 1504 of the Code, of which the Trustor is a member if consolidated returns are filed for such affiliated group for Federal income tax purposes.

SECTION 5. Duration

The obligations and liabilities of the Lessee arising under this Agreement shall continue in full force and effect, notwithstanding the expiration of the Lease, until all such obligations have been met and such liabilities have been paid in full. All of the covenants, indemnities, representations, warranties and agreements of the Lessee set forth in this Agreement shall survive the expiration or early termination of the Lease.

SECTION 6. Payment

All payments provided to be made to the Trustor by the Lessee pursuant to this Agreement shall be made by wire transfer of immediately available funds as follows:

State National Bank of Connecticut
One Atlantic Street
Stamford, Connecticut
For credit to account No. 1-37976-1 of
Litton Equity Investments, Alpha Inc.

SECTION 7. Governing Law

The Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

SECTION 8. Counterparts

This Agreement may be simultaneously executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Lessee and the Trustor have caused this instrument to be duly executed, all as of the day and year first above written.

SEABOARD COAST LINE RAILROAD COMPANY,

by _____

Title: Assistant Vice President

LITTON EQUITY INVESTMENTS, ALPHA INC.,

by _____

Title: Vice President

EXHIBIT D
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

[CS&M Ref: 2044-189]

HULK PURCHASE AGREEMENT

Dated as of October 25, 1981

Between

FIRST SECURITY STATE BANK,
not individually but solely in
its capacity as Trustee

and

SEABOARD COAST LINE RAILROAD COMPANY

HULK PURCHASE AGREEMENT

Seaboard Coast Line Railroad Company

As of October 25, 1981

First Security State Bank,
not individually but
solely in its capacity
as Trustee
79 South Main Street
Salt Lake City, Utah 84111

Attention of Corporation Trust Department

Gentlemen:

Seaboard Coast Line Railroad Company, a corporation organized under the laws of the Commonwealth of Virginia (the "Seller"), owns the railroad equipment described in Exhibit A hereto (the "Hulks"). The Seller desires to sell the Hulks and First Security State Bank, a Utah banking corporation, not in its individual capacity but solely as trustee (the "Buyer") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with Litton Equity Investments Alpha, Inc. (the "Owner") desires to purchase the Hulks for the Purchase Price set forth in Exhibit A (the "Purchase Price").

The Seller will, from time to time, prior to delivery of such Hulks to Seaboard Coast Line Railroad Company, in its capacity as builder (the "Builder"), for reconstruction, as provided in the Reconstruction and Conditional Sale Agreement (the "RCSA") dated as of the date hereof among the Buyer, First Security Bank of Utah, N.A., not in its individual capacity but solely as Agent (the "Agent") under a Participation Agreement (the "Participation Agreement") dated as of the date hereof, and the Builder, deliver to the Buyer a bill or bills of sale (a "Bill of Sale") transferring title to a group or groups of Hulks and warranting that at the date of such Bill of Sale the Seller had legal title to such Hulks and good and lawful right to sell the same and that title to such Hulks transferred to the Buyer by such Bill of Sale was free of all claims, liens, security interests, security title and other encumbrances of any nature whatsoever. On or after the date of such Bill of Sale, the Seller will deliver the

Hulks in such group or groups to an authorized representative of the Buyer at such point or points within the United States of America as shall be specified by the Seller. The Buyer hereby appoints the Seller (and any employee thereof designated by the Seller) as its agent for acceptance of the Hulks; provided, however, that the Seller is not authorized to accept delivery of any Hulk (i) that is not economically fit for reconstruction in accordance with the specifications provided in the RCSA; (ii) after written notice from the Buyer that such authority has been terminated; (iii) if the Purchase Price of such Hulk when added to the sum of the estimated Reconstruction Cost (as defined in the RCSA) thereof and the aggregate Purchase Price and Reconstruction Cost of those Hulks previously accepted would exceed the Maximum Purchase Price specified in Article 3 of the RCSA or (iv) after July 31, 1982. The sale and delivery of the Hulks pursuant to this Agreement shall commence as soon as practicable and shall be completed on or before such date as shall permit the completion of reconstruction of each Hulk by July 31, 1982.

If and to the extent that any Hulk is not reconstructed and accepted pursuant to the RCSA on or before January 31, 1983 (a "Noncompleted Hulk"), all rights and interests of the Seller in and to such Hulk, including the reconstructed portions thereof, if any, shall immediately, without further action, be released and transferred to the Buyer, and the Seller shall promptly deliver such Noncompleted Hulk to the Buyer, at such place as shall be specified by the Buyer, free and clear of all liens, claims and encumbrances of the Seller or any other person, and thereafter the Buyer, the Owner or any agent shall either (a) sell such Noncompleted Hulk in a commercially reasonable manner or (b) retain such Noncompleted Hulk for its own use or for further reconstruction, lease, future sale or other disposition. If such Noncompleted Hulk shall be sold pursuant to clause (a) above, the net proceeds of such sale shall be applied first, to the payment of all costs and expenses, including legal fees, of the Buyer, the Owner and their agents incurred in connection with such repossession and sale, second, to reimburse the Buyer for the Purchase Price of such Noncompleted Hulk, third, to reimburse the Seller for its reasonable reconstruction expenses incurred in connection with such Noncompleted Hulk (excluding any profit or overhead) and fourth, the balance, if any, to the Buyer. If such Noncompleted Hulk shall be retained pursuant to clause (b) above, the Buyer shall determine the fair market value of such

Noncompleted Hulk (determined on an "as is, where is" basis), deduct from such Value the amount of the Purchase Price of such Noncompleted Hulk and all costs and expenses of the Buyer, the Owner and their agents in connection with such repossession and determination and, to the extent that any amount of such Value remains, pay to the Seller the amount set forth in clause third above.

Notwithstanding anything to the contrary contained herein, the Buyer shall have no obligation to accept any Hulk which is delivered hereunder after (i) any event of default as defined in Article 14 of the RCSA or any event (including the commencement of any proceeding or the filing of any petition of the nature specified in subparagraphs (c) and (d) of Article 14 thereof) which, with lapse of time, failure to take affirmative action and/or demand, could constitute an event of default thereunder shall have occurred, (ii) the Buyer shall have delivered written notice to the Seller that any of the conditions contained in Paragraph 7 of the Participation Agreement have not been met or waived, or (iii) there shall have been a material adverse change in the financial condition, business or operations of the Lessee from that which existed on December 31, 1980.

The Buyer at the times hereafter specified will pay to the Seller the Purchase Price of each Hulk in each group subject to all the terms and conditions of this Agreement, including without limitation the receipt by the Buyer, on or prior to the date of delivery of such Hulk hereunder of (a) the Bill of Sale with respect thereto specified in the second and sixth paragraphs hereof, (b) a certificate or certificates of acceptance (a "Certificate of Acceptance") signed by the Buyer's authorized representative stating that the Hulks in such group have been delivered to and accepted on behalf of the Buyer, (c) an invoice or invoices with respect to such Hulks and (d) a written opinion of counsel for the Seller dated the date of such Bill of Sale, addressed to the Buyer, and stating that such Bill of Sale is valid and effective to transfer the Seller's title to such Hulks to the Buyer and that on such date title to such Hulks was free of all claims, liens, security interests and other encumbrances and that no filings, recordings, registration or other action is necessary to establish, perfect and protect such title of the Buyer.

Each such Bill of Sale shall contain the following information with respect to each type of Hulk included in the group of Hulks covered thereby: quantity, description, the Seller's identifying numbers and place of delivery. Subject only to the conditions set forth in this Agreement and in Paragraph 7 of the Participation Agreement, the Buyer will pay the Purchase Price of each Hulk delivered and accepted as aforesaid to the Seller either on (i) the Closing Date relating to such Hulk fixed as provided in the RCSA or (ii) January 31, 1983, whichever is earlier.

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

Notwithstanding the delivery of any Bill of Sale hereunder, the Seller agrees that all responsibility with respect to any Hulk covered by such Bill of Sale, its use and operation and risk of loss thereof, shall remain with the Seller until such Hulk is delivered to and accepted by the authorized representative of the Buyer, as provided above, and the Seller agrees to indemnify and hold the Buyer harmless from any claim made against the Buyer solely by reason of the transfer of title to the Hulks or with respect to the validity of such title, free from all claims, liens, security interests, security title or encumbrances of any nature other than those of the Buyer at the time of such delivery and acceptance. Upon such delivery and acceptance, all responsibility and risk of loss with respect to such Hulk shall pass to the Buyer. As of the date of such delivery and acceptance, the Buyer shall be unconditionally obligated to purchase such Hulk, without any right to a reduction in or setoff against the price thereof by reason of any past, present of future claims against the Seller under this agreement, the RCSA, the Participation Agreement, the Lease (as defined in the Participation Agreement) or otherwise.

In the event that any Hulk is not so delivered to the Buyer after the date of any Bill of Sale with

respect thereto the Buyer will assign to the Seller, without warranty of any kind, whatever right, title and interest the Buyer may then have in such Hulk and such Hulk shall thereafter be excluded from the provisions of this Agreement.

The Seller hereby represents and warrants to the Buyer, its successors and assigns, that this Agreement was duly authorized by it and lawfully executed and delivered for a valid consideration.

Notwithstanding anything herein to the contrary, the representations, warranties, undertakings and agreements herein made on the part of the Buyer are made and intended not as personal representations, warranties, undertakings and agreements by First Security State Bank or for the purpose or with the intention of binding said bank personally but are made and intended for the purpose of binding only the Trust Estate (as such term is used in the Trust Agreement), and this Agreement is executed and delivered by said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank (except in the case of wilful misconduct or gross negligence by said bank hereunder) on account of this Agreement or the Trust Agreement or on account of any representation, warranty, undertaking or agreement of said bank hereunder, either expressed or implied, all such personal liability, if any, being expressly waived and released by the Seller and by all persons claiming by, through or under the Seller.

The terms of this Agreement and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same contract, which shall be sufficiently evidenced by any such original counterpart. It shall not be necessary that the parties hereto all sign

the same counterpart as long as each party shall sign a counterpart and such counterpart is delivered to the Agent or its counsel, whereupon this Agreement shall become effective.

Very truly yours,

SEABOARD COAST LINE RAILROAD COMPANY,

[Corporate Seal]

by _____
Senior Vice President-Finance

Attest:

_____
Assistant Secretary

Accepted as of the date first set forth above:

FIRST SECURITY STATE BANK, not individually but solely in its capacity as Trustee,

by

_____
Authorized Officer

[Corporate Seal]

Attest:

_____
Authorized Officer

STATE OF FLORIDA,)
) ss.:
COUNTY OF DUVAL,)

On this 14th day of Dec. 1981, before me personally appeared Alex J. Mandl, to me personally known, who, being by me duly sworn, says that he is Senior Vice President-Finance of SEABOARD COAST LINE RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that such instrument was this day signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Brenda S. Kelly
Notary Public

[Notarial Seal]

My Commission Expires

NOTARY PUBLIC, STATE OF FLORIDA
My commission expires Oct. 5, 1985
Bonded by American Fire & Casualty Company

STATE OF UTAH,)
) ss.:
COUNTY OF SALT LAKE,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of FIRST SECURITY STATE BANK, that one of the seals affixed to the foregoing instrument is the corporate seal of said bank and that said instrument was signed and sealed on behalf of said bank 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 bank.

Notary Public

[Notarial Seal]

My Commission Expires

HULK PURCHASE AGREEMENT*

EXHIBIT A

Quantity	Description	To be selected from Series Bearing Road Numbers	Hulk Purchase Price	Total Purchase Price
12	Diesel Electric Locomotives	SCL 700-1002 SCL 1003-1054 SCL 1056-1065	$40,000	$480,000
				$480,000

* It is agreed that, notwithstanding anything to the contrary contained in this Exhibit A or in the Hulk Purchase Agreement to which this Exhibit A is annexed ("this Agreement"), this Agreement will only cover Hulks delivered by the Seller and accepted by the Buyer on or after the First Delivery Date (as defined in the Participation Agreement), and on or before July 31, 1982, having an aggregate Purchase Price (as defined in the RCSA) when reconstructed not in excess of the Maximum Purchase Price (as defined in the RCSA). After delivery of all the Hulks covered by this Agreement, this Exhibit A will be appropriately amended to describe only those Hulks covered by this Agreement and will designate the particular road numbers thereof.

Annex B
to
Conditional Sale Agreement

Type	Builder's Specifications	Builder's Plant	Quantity	Estimated Unit Base Price	Estimated Total Base Price	Road Numbers (Inclusive)	Estimated Time and Place of Delivery
50'6" 70-ton General Purpose Boxcars with 10' sliding doors and nailable steel flooring	C-80-0506-1 5/6/80	Renovo, Pennsylvania	83	$42,200	$3,502,600	BAR 4500-4582	December 1981 at Renovo, Pennsylvania

for it any other liability in connection with the construction and delivery of the Equipment, except as aforesaid.

The Builder further agrees that neither the inspection as provided in Article 3 of this Agreement, nor any examination or acceptance of any units of the Equipment as provided in said Article 3, shall be deemed a waiver or modification of any of the rights of the Lessee, the Assignee or the Vendee under this Item 3.

(b) The Builder agrees to indemnify, protect and hold harmless the Lessee, the Assignee and the Vendee, from and against any and all liability, losses, claims, demands, costs, charges and expenses, including royalty payments and reasonable attorneys' fees, in any manner imposed upon or accruing against the Lessee, the Assignee or the Vendee because of the use in or about the construction or operation of the Equipment, or any unit thereof, of any design, process, combination, article or material infringing or claimed to infringe on any patent or other right.

Item 4: The Maximum Purchase Price referred to in Article 4 of this Agreement is $3,502,600.

Item 5: The Maximum CSA Indebtedness is $2,391,934.

Annex A
to
Conditional Sale Agreement

Item 1: Whittaker Corporation, Berwick Forge and Fabricating Division, P. O. Box 188, West Ninth Street, Berwick, Pennsylvania 18603.

Item 2: The Equipment shall be settled for in one Group on December 22, 1981, unless the parties to this Agreement shall otherwise agree.

Item 3: (a) The Builder warrants that the units of the Equipment will be built in accordance with the Specifications and with the other requirements, specifications and standards set forth or referred to in Article 2 of this Agreement and warrants that the Equipment will be free under normal use and service from (i) all defects in material and workmanship and (ii) all defects in design; the Builder's only obligation under this paragraph and under Article 2 of this Agreement being limited to repairing or replacing any part or parts of any of the units which shall within one (1) year after delivery of any such units be returned to the Builder's manufacturing plant or delivered to such other repair facilities as the Builder may designate with transportation charges prepaid and which part or parts the Builder shall be reasonably satisfied, upon the Builder's examination, are defective or were not in conformity with the applicable specifications when shipped; provided that the Lessee notifies the Builder in writing promptly, after discovery of such defect, and before such return of such units.

EXCEPT FOR ITS OBLIGATIONS UNDER ARTICLES 2, 3, 4 AND 20 OF THIS AGREEMENT, THIS WARRANTY IS EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, EXPRESSED OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND THE BUILDER SHALL NOT BE LIABLE FOR INDIRECT OR CONSEQUENTIAL DAMAGES RESULTING FROM ANY FAILURE TO MEET THE AFOREMENTIONED WARRANTY. The Builder neither assumes nor authorizes any person to assume

Installment No.		Debt Service	Interest Payment	Principal Recovery	Ending Principal
33	(1/4/90)	$ 34,556.69	$ 13,574.32	$ 20,982.37	$ 582,320.93
34	(4/4/90)	34,556.69	13,102.22	21,454.47	560,866.46
35	(7/4/90)	34,556.69	12,619.50	21,937.19	538,929.27
36	(10/4/90)	34,556.69	12,125.91	22,430.78	516,498.49
37	(1/4/91)	34,556.69	11,621.22	22,935.47	493,563.02
38	(4/4/91)	34,556.69	11,105.17	23,451.52	470,111.50
39	(7/4/91)	34,556.69	10,577.51	23,979.18	446,132.32
40	(10/4/91)	34,556.69	10,037.98	24,518.71	421,613.61
41	(1/4/92)	34,556.69	9,486.31	25,070.38	396,543.23
42	(4/4/92)	34,556.69	8,922.22	25,634.47	370,908.76
43	(7/4/92)	34,556.69	8,345.45	26,211.24	344,697.52
44	(10/4/92)	34,556.69	7,755.69	26,801.00	317,896.52
45	(1/4/93)	34,556.69	7,152.67	27,404.02	290,492.50
46	(4/4/93)	34,556.69	6,536.08	28,020.61	262,471.89
47	(7/4/93)	34,556.69	5,905.62	28,651.07	233,820.82
48	(10/4/93)	27,794.28	5,260.97	22,533.31	211,287.51
49	(1/4/94)	21,535.50	4,753.97	16,781.53	194,505.98
50	(4/4/94)	21,160.51	4,376.38	16,784.13	177,721.85
51	(7/4/94)	20,785.51	3,998.74	16,786.77	160,935.08
52	(10/4/94)	20,410.50	3,621.04	16,789.46	144,145.62
53	(1/4/95)	20,797.06	3,243.28	17,553.78	126,591.84
54	(4/4/95)	20,422.06	2,848.32	17,573.74	109,018.10
55	(7/4/95)	20,047.06	2,452.91	17,594.15	91,423.95
56	(10/4/95)	19,672.07	2,057.04	17,615.03	73,808.92
57	(1/4/96)	20,054.44	1,660.70	18,393.74	55,415.18
58	(4/4/96)	19,679.43	1,246.84	18,432.59	36,982.59
59	(7/4/96)	19,304.43	832.11	18,472.32	18,510.27
60	(10/4/96)	18,926.75	416.48	18,510.27	0.00
		$1,773,343.83	$773,343.83	$1,000,000.00	

SCHEDULE I

Allocation Schedule of Each $1,000,000 of 9% CSA Indebtedness Payable in (i) One Payment of Interest Only Payable January 4, 1982, (ii) 60 Quarterly Installments of Principal Commencing January 4, 1982 and (iii) 59 Quarterly Installments of Interest Commencing April 4, 1982

Installment No.		Debt Service	Interest Payment	Principal Recovery	Ending Principal
	(1/4/82)	$ *	$ *	$ -0-	$1,000,000.00
1	(1/4/82)	28,273.68	-0-	28,273.68	971,726.32
2	(4/4/82)	28,273.68	21,863.84	6,409.84	965,316.48
3	(7/4/82)	28,273.68	21,719.62	6,554.06	958,762.42
4	(10/4/82)	28,273.68	21,572.15	6,701.53	952,060.89
5	(1/4/83)	28,273.68	21,421.37	6,852.31	945,208.58
6	(4/4/83)	28,273.68	21,267.19	7,006.49	938,202.09
7	(7/4/83)	28,273.68	21,109.55	7,164.13	931,037.96
8	(10/4/83)	28,273.68	20,948.35	7,325.33	923,712.63
9	(1/4/84)	28,273.68	20,783.53	7,490.15	916,222.48
10	(4/4/84)	28,273.68	20,615.01	7,658.67	908,563.81
11	(7/4/84)	28,273.68	20,442.69	7,830.99	900,732.82
12	(10/4/84)	28,273.68	20,266.49	8,007.19	892,725.63
13	(1/4/85)	28,273.68	20,086.33	8,187.35	884,538.28
14	(4/4/85)	28,273.68	19,902.11	8,371.57	876,166.71
15	(7/4/85)	28,273.68	19,713.75	8,559.93	867,606.78
16	(10/4/85)	28,273.68	19,521.15	8,752.53	858,854.25
17	(1/4/86)	28,273.68	19,324.22	8,949.46	849,904.79
18	(4/4/86)	28,273.68	19,122.86	9,150.82	840,753.97
19	(7/4/86)	28,273.68	18,916.96	9,356.72	831,397.25
20	(10/4/86)	28,273.68	18,706.44	9,567.24	821,830.01
21	(1/4/87)	34,556.69	18,491.18	16,065.51	805,764.50
22	(4/4/87)	34,556.69	18,129.70	16,426.99	789,337.51
23	(7/4/87)	34,556.69	17,760.09	16,796.60	772,540.91
24	(10/4/87)	34,556.69	17,382.17	17,174.52	755,366.39
25	(1/4/88)	34,556.69	16,995.74	17,560.95	737,805.44
26	(4/4/88)	34,556.69	16,600.62	17,956.07	719,849.37
27	(7/4/88)	34,556.69	16,196.61	18,360.08	701,489.29
28	(10/4/88)	34,556.69	15,783.51	18,773.18	682,716.11
29	(1/4/89)	34,556.69	15,361.11	19,195.58	663,520.53
30	(4/4/89)	34,556.69	14,929.21	19,627.48	643,893.05
31	(7/4/89)	34,556.69	14,487.59	20,069.10	623,823.95
32	(10/4/89)	34,556.69	14,036.04	20,520.65	603,303.30

* Interest on the CSA Indebtedness shall be paid on this date calculated to January 4, 1982.

STATE OF TEXAS,)
) ss.:
COUNTY OF DALLAS,)

On this day of December 1981, before me personally appeared D.R. MacLean, to me personally known, who, being by me duly sworn, says that he is Vice President of ARMCO INDUSTRIAL CREDIT CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Shirley Carey
Notary Public

[Notarial Seal]

My Commission expires

9/5/84

COMMONWEALTH OF PENNSYLVANIA,)
) ss.:
COUNTY OF COLUMBIA,)

On this day of December 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Signatory of WHITTAKER CORPORATION, BERWICK FORGE AND FABRICATING DIVISION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission expires

cuted or caused this instrument to be executed all as of the date first above written.

ARMCO INDUSTRIAL CREDIT CORPORATION,

[Seal]

by _____
Vice President

Attest: _____
Assistant Secretary

WHITTAKER CORPORATION, BERWICK FORGE AND FABRICATING DIVISION,

[Corporate Seal]

by _____
Authorized Signatory

Attest:

_____
Authorized Signatory

the Lease shall be effective unless joined in by the Vendor; provided, however, that the Vendor shall consent to any agreement in writing between the Lessee and the Vendee increasing or decreasing the rentals or casualty values payable pursuant to §§ 3 and 7 of the Lease so long as the amounts payable thereunder are not reduced below those necessary to satisfy the obligations of the Vendee hereunder, such consent to be given by the Vendor within 30 days of delivery of a copy of any such agreement to the Vendor.

ARTICLE 24. LAW GOVERNING

This Agreement and all rights and obligations hereunder shall be governed by the laws of the State of Texas; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303, such additional rights, if any, arising out of the filing, recording or deposit hereof and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited or in which any unit of Equipment shall be located, and such rights, if any, arising out of the marking of Equipment.

ARTICLE 25. EXECUTION

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

IN WITNESS WHEREOF, the parties hereto have exe-

one or more of the following events of default shall occur and be continuing, to wit:

(a) the Vendee shall fail to pay or cause to be paid in full any sum payable by the Vendee when payment thereof shall be due hereunder (irrespective of the provisions of Article 4 or 23 hereof or any other provision of this Agreement limiting the liability of the Vendee) and such default shall continue for 20 days after the date such payment is due and payable; or

(b) the Vendee or the Lessee shall, for more than 30 days after the Vendor shall have demanded in writing performance thereof, fail or refuse to comply with any other provision of this Agreement (irrespective of the provisions of Article 4 or 23 hereof or any other provision of this Agreement limiting the liability of the Vendee), the Lease Assignment or any provision of the Participation Agreement made expressly for the benefit of the Vendor, on its part to be kept and performed or to make provision satisfactory to the Vendor for such compliance; or

(c) a petition for reorganization under Title 11 of the United States Code (as now or hereafter constituted) shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under the Lease shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed and otherwise in accordance with the provisions of 11 U.S.C. § 1168, or any successor provision, as the same may hereafter be amended; or

(d) any proceeding other than referred to in (c) shall be commenced by or against the Vendee or the Lessee for any relief which includes, or might result in, any modification of the obligations of the Vendee hereunder or the Lessee under the Lease under any

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

(e) an Event of Default under the Lease shall occur and be continuing; provided, however, that if the Vendee cures any event of default hereunder corresponding to an Event of Default under Section 13.1(A) of the Lease, such Event of Default under the Lease shall not be deemed to be an event of default hereunder.

then at any time after the occurrence of such an event of default the Vendor may, upon written notice to the Vendee and the Lessee and upon compliance with any legal requirements then in force and applicable to such action by the Vendor, (i) cause the term of the Lease immediately upon such notice to terminate; provided, however, that such termination shall not be in derogation of or impair the rights of the Vendee or the Vendor (under the assignment thereof), as the case may be, to enforce compliance by the Lessee with any of its covenants and agreements under the Lease or to enforce any of its rights and remedies under § 13 of the Lease (subject to the Vendor's rights to repossess and sell the Equipment as provided in this Agreement), including the rights of the Vendee or the Vendor (under the assignment thereof), as the case may be, to sue for and recover damages provided for in § 13 of the Lease upon the occurrence of an Event of Default under the Lease, and/or (ii) declare (hereinafter called a "Declaration of Default") the entire unpaid

CSA Indebtedness, together with the interest thereon then accrued and unpaid, immediately due and payable, without further demand, and thereafter the aggregate of the unpaid balance of the CSA Indebtedness and interest shall bear interest from the date of such Declaration of Default at the Penalty Rate to the extent legally enforceable. Upon a Declaration of Default, subject to Article 4 hereof, the Vendor shall be entitled to recover judgment for the entire unpaid balance of the CSA Indebtedness so payable, with interest as aforesaid, and to collect such judgment out of any property of the Vendee, subject to the provisions of Articles 4 and 23 hereof, wherever situated.

16.2. Waiver of Defaults. The Vendor may, at its election, waive any such event of default and its consequences and rescind and annul any Declaration of Default or notice of termination of the Lease by notice to the Vendee and the Lessee in writing to that effect, and thereupon the respective rights of the parties shall be as they would have been if no such event of default had occurred and no Declaration of Default or notice of termination of the Lease had been made or given. It is agreed that time is of the essence of this Agreement and no such waiver, rescission or annulment shall extend to or affect any other or subsequent default or impair any rights or remedies consequent thereon.

ARTICLE 17. REMEDIES

17.1. Vendor May Take Possession of Equipment. At any time during the continuance of a Declaration of Default, the Vendor may, and upon such further notice, if any, as may be required for compliance with any mandatory legal requirements then in force and applicable to the action to be taken by the Vendor, take or cause to be taken, by its agent or agents, immediate possession of the Equipment, or one or more of the units thereof, without liability to return to the Vendee any sums theretofore paid and free from all claims whatsoever, except as hereinafter in this Article 17 expressly provided, and may remove the same from possession and use of the Vendee, the Lessee or any other person and for such purpose may enter upon the premises of the Vendee or the Lessee or any other premises where the Equipment may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities or means of the Vendee or the Lessee, subject to all mandatory requirements of due process of law.

17.2. Assembling of Equipment for Vendor. In case the Vendor shall demand possession of the Equipment pursuant to this Agreement and shall designate a reasonable point or points for the delivery of the Equipment to the Vendor, the Vendee shall, subject to the provisions of Article 4 and Article 23 hereof, at its own expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any unit or units have been interchanged or which may have possession thereof to return the unit or units) place such units upon such storage tracks as the Vendor reasonably may designate;

(b) cause such units to be stored on such tracks without charge for insurance, rent or storage until all such units of Equipment have been sold, leased or otherwise disposed of by the Vendor; and

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

During any storage period, the Lessee has agreed pursuant to § 14.1 of the Lease, at its own cost and expense, to maintain and keep each such unit in good order and repair and to permit the inspection of the Equipment by the Vendor, the Vendor's representatives and prospective purchasers, lessees, and users. This agreement to deliver the Equipment and furnish facilities as hereinbefore provided is of the essence to the agreement between the parties, and the Vendee acknowledges that upon application to any court of equity having jurisdiction in the premises, the Vendor shall be entitled under the Lease as assignee of the rights of the Vendee thereunder to a decree against the Lessee requiring specific performance hereof. The Vendee hereby waives any and all claims against the Vendor and its agent or agents for damages of whatever nature in connection with any retaking of any unit of the Equipment in any reasonable manner.

17.3. Vendor May Dispose of or Retain Equipment. At any time during the continuance of a Declaration of Default, the Vendor (after retaking possession of the Equipment as hereinbefore provided) may, at its election, retain

the Equipment in satisfaction of the entire CSA Indebtedness and make such disposition thereof as the Vendor shall deem fit. Written notice of the Vendor's election to retain the Equipment shall be given to the Vendee and the Lessee by telegram or registered mail, addressed as provided in Article 22 hereof, and to any other persons to whom the law may require notice, within 30 days after such Declaration of Default. In the event that the Vendor should elect to retain the Equipment and no objection is made thereto within the 30-day period described in the second proviso below, all the Vendee's rights in the Equipment shall thereupon terminate and all payments made by the Vendee may be retained by the Vendor as compensation for the use of the Equipment; provided, however, that if the Vendee, before the expiration of the 30-day period described in the proviso below, should pay or cause to be paid to the Vendor the total unpaid balance of the CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement as well as expenses of removing and retaking possession of the Equipment, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee; provided further that if the Vendee, the Lessee or any other persons notified under the terms of this paragraph object in writing to the Vendor within 30 days from the receipt of notice of the Vendor's election to retain the Equipment, then the Vendor may not so retain the Equipment, but shall sell, lease or otherwise dispose of it or continue to hold it pending sale, lease or other disposition as hereinafter provided or as may otherwise be permitted by law. If the Vendor shall not have given notice to retain as hereinabove provided or notice of intention to dispose of the Equipment in any other manner, it shall be deemed to have elected to sell the Equipment in accordance with the provisions of this Article 17.

17.4. Vendor May Sell Equipment; Vendee's Right of Redemption. At any time during the continuance of a Declaration of Default, the Vendor, with or without retaking possession thereof, at its election and upon reasonable notice to the Vendee, the Lessee and any other persons to whom the law may require notice of the time and place, may sell the Equipment, or one or more of the units thereof, free from any and all claims of the Vendee, the Lessee or any other party claiming from, through or under the Vendee or the Lessee, at law or in equity, at public or private sale and with or without advertisement as the Vendor may determine; provided, however, that if, prior to such sale

and prior to the making of a contract for such sale, the Vendee should tender full payment of the total unpaid balance of the CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement as well as expenses of the Vendor in retaking possession of, removing, storing, holding and preparing the Equipment for, and otherwise arranging for, the sale and the Vendor's reasonable attorneys' fees, then upon receipt of such payment, expenses and fees by the Vendor, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee. The proceeds of such sale or other disposition, less any reasonable attorneys' fees and any other expenses incurred by the Vendor in retaking possession of, removing, storing, holding, preparing for sale and selling or otherwise disposing of the Equipment, shall be credited on the amount due to the Vendor under the provisions of this Agreement.

17.5. Sale of Equipment by Vendor. Any sale hereunder may be held or conducted at New York, New York, at such time or times as the Vendor may specify (unless the Vendor shall specify a different place or places, in which case the sale shall be held at such place or places as the Vendor may specify), in one lot and as an entirety or in separate lots and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner as the Vendor may determine, so long as such sale shall be in a commercially reasonable manner. The Vendor, the Vendee or the Lessee may bid for and become the purchaser of the Equipment, or any unit thereof, so offered for sale. The Vendee and the Lessee shall be given written notice of such sale not less than ten days prior thereto, by telegram or registered mail addressed as provided in Article 22 hereof. In addition, if such sale shall be a private sale (which shall be deemed to mean only a sale where an advertisement for bids has not been published in a newspaper of general circulation or a sale where less than 40 offerees have been solicited in writing to submit bids), it shall be subject to the rights of the Lessee and the Vendee to purchase or provide a purchaser, within ten days after notice of the proposed sale price, at the same price offered by the intending purchaser or a better price. In the event that the Vendor shall be the purchaser of the Equipment, it shall not be accountable to the Vendee (except to the extent of surplus money received as hereinafter provided in this Article 17), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all or any part of sums due to the Vendor hereunder.

17.6. Effect of Remedies and Powers and Exercise Thereof. Each and every power and remedy hereby specifically given to the Vendor shall be in addition to every other power and remedy hereby specifically given or now or hereafter existing at law or in equity not inconsistent herewith, and each and every power and remedy may be exercised from time to time and simultaneously and as often and in such order as may be deemed expedient by the Vendor. All such powers and remedies shall be cumulative, and the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Vendor in the exercise of any such power or remedy and no renewal or extension of any payments due hereunder shall impair any such power or remedy or shall be construed to be a waiver of any default or an acquiescence therein. Any extension of time for payment hereunder or other indulgence duly granted to the Vendee shall not otherwise alter or affect the Vendor's rights or the Vendee's obligations hereunder. The Vendor's acceptance of any payment after it shall have become due hereunder shall not be deemed to alter or affect the Vendee's obligations or the Vendor's rights hereunder with respect to any subsequent payments or default therein.

17.7. Deficiencies. If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall remain any amount due to it under the provisions of this Agreement, the Vendee shall, subject to the limitations of paragraph 4.8 and Article 23 hereof, pay the amount of such deficiency to the Vendor upon demand, together with interest thereon from the date of such demand to the date of payment at the Penalty Rate, and, if the Vendee shall fail to pay such deficiency, the Vendor may bring suit therefor and shall, subject to the limitations of paragraph 4.8 and Article 23 hereof, be entitled to recover a judgment therefor against the Vendee. If, after applying as aforesaid all sums realized by the Vendor, there shall remain a surplus in the possession of the Vendor, such surplus shall be paid to the Vendee.

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

such judgment. The foregoing provisions of this paragraph shall be subject to the limitations set forth in paragraph 4.8 and Article 23 hereof.

17.9. Remedies Subject to Legal Requirements. The foregoing provisions of this Article 17 are subject in all respects to all mandatory legal requirements at the time in force and applicable thereto.

ARTICLE 18. APPLICABLE STATE LAWS

18.1. Conflicts with State Laws. Any provision of this Agreement prohibited by any applicable law of any jurisdiction shall as to such jurisdiction be ineffective, without modifying the remaining provisions of this Agreement. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby waived by the Vendee to the full extent permitted by law, it being the intention of the parties hereto that this Agreement shall be deemed to be a conditional sale and enforced as such.

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

ARTICLE 19. RECORDING

Subject to the provisions of Article 23 hereof, the Vendee will cause this Agreement, any assignments hereof and any amendments or supplements hereto or thereto to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303(a) and deposited with the Registrar General of Canada (notice of such deposit to be forthwith given in The Canada Gazette) pursuant to Section 86 of the Railway Act of Canada; and the Vendee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record any and all further instruments required by law or reasonably requested by the Vendor for the purpose of proper protection, to the

satisfaction of counsel for the Vendor, of its title to the Equipment and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Vendee will promptly furnish to the Vendor certificates or other evidence of such filing, registering, depositing and recording satisfactory to the Vendor.

ARTICLE 20. BUILDER'S REPRESENTATIONS AND WARRANTIES

The Builder hereby represents and warrants to the Vendee, its successors and assigns, that this Agreement is duly authorized by it and lawfully executed and delivered by it for a valid consideration, that, assuming due authorization, execution and delivery by the Vendee, this Agreement is, insofar as the Builder is concerned, a legal, valid and binding agreement enforceable against the Builder in accordance with its terms.

ARTICLE 21. HEADINGS; EFFECT AND MODIFICATION OF AGREEMENT

21.1. Article and Paragraph Headings for Convenience Only. All article and paragraph headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

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

ARTICLE 22. NOTICE

Any notice hereunder to any of the parties designated below shall be deemed to be properly served if deliv-

ered or mailed to it by first-class mail, postage prepaid, at its chief place of business at the following specified addresses:

(a) to the Vendee, Suite 700, Two Hillcrest Green, 12720 Hillcrest Road, Dallas, Texas 75230, Attention of Assistant Vice President-Contracts Administration,

(b) to the Builder, at the address specified in Item 1 of Annex A hereto,

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

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

ARTICLE 23. IMMUNITIES; SATISFACTION OF UNDERTAKINGS

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

23.2. Satisfaction of Certain Covenants. The obligations of the Vendee under paragraphs 7.1, 7.2 (other than to the extent requiring delivery of certificates), 17.2, 17.7 and 17.8 and under Articles 6, 9, 10, 11, 14 and 19 hereof and any and all obligations at any time arising thereunder shall be deemed satisfied in full in all respects by the Lessee's execution and delivery of the Lease. The Vendee shall not have any responsibility for the Lessee's failure to perform such obligations; but if the same shall not be performed, they shall constitute the basis for an event of default hereunder pursuant to Article 16 hereof. No waiver or amendment of the Lessee's undertakings under

Article 14 hereof, or relieve the Vendee of its obligations to the Builder contained in Articles 2, 3, 4, 6 and 14 hereof, Annex A hereto and this Article 15, or any other obligation which, according to its terms or context, is intended to survive an assignment.

15.3. Notice of Assignment by Vendor. Upon any such assignment, either the assignor or the assignee shall give written notice to the Vendee, together with a copy of such assignment, stating the identity and post office address of the assignee, and such assignee shall, by virtue of such assignment, acquire all the assignor's right, title and interest in and to the Equipment and this Agreement, or in and to a portion thereof, as the case may be, subject only to such reservations as may be contained in such assignment. From and after the receipt by the Vendee of the notification of any such assignment, all payments thereafter to be made by the Vendee under this Agreement shall, to the extent so assigned, be made to the assignee in such manner as it may direct.

15.4. No Setoff Against Indebtedness. The Vendee expressly represents, for the purpose of assurance to any person, firm or corporation considering the acquisition of this Agreement or of all or any of the rights of the Vendor hereunder, and for the purpose of inducing such acquisition, that the rights of the assignee to the entire unpaid Purchase Price of the Equipment or such part thereof as may be assigned together with interest thereon, as well as any other rights hereunder which may be so assigned, shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever by the Vendee arising out of any breach of any obligation of the Builder with respect to the Equipment or the manufacture, construction, delivery or warranty thereof, or with respect to any indemnity herein contained, nor subject to any defense, setoff, counterclaim or recoupment whatsoever arising by reason of any other indebtedness or liability at any time owing to the Vendee by the Builder. Any and all such obligations, howsoever arising, shall be and remain enforceable by the Vendee against and only against the Builder.

ARTICLE 16. DEFAULTS

16.1. Events of Default; Termination of Lease; Declaration of Default; Acceleration. In the event that any

the agreement of the parties relating to patent indemnification are set forth in Item 3 of Annex A hereto. The Builder represents and warrants that, at the time of delivery and acceptance of each unit of the Equipment under this Agreement, the Builder will have good and marketable title to such unit, free and clear of all claims, liens, security interests and other encumbrances of any nature excepting only the rights created by this Agreement, the CSA Assignment and the Lease.

ARTICLE 15. ASSIGNMENTS

15.1. Assignment by Vendee. The Vendee will not (a) except as provided in Article 12 hereof, transfer the right to possession of any unit of the Equipment or (b) sell, assign, transfer or otherwise dispose of its rights under this Agreement except that all, but not less than all, of the Vendee's right, title and interest in and to the Equipment together with its rights under this Agreement and the Lease, may be assigned, conveyed or transferred by the Vendee to (a) any bank, savings institution, trust company or other company having a combined capital and surplus of at least $50,000,000 or (b) any corporation owning at the time substantially all of the capital stock of the Vendee or any corporation or other entity (but not an individual) controlled by or under common control with the Vendee; provided, however, that such assignment, conveyance or transfer shall be made subject in all respects to the rights and remedies of the Vendor (including, without limitation, rights and remedies against the Vendee and the Lessee) and that such transferee shall assume in writing all of the obligations of the Vendee in such manner as shall be satisfactory to the Vendor and the Investors; and provided further, however, that in the event such assignment, conveyance or transfer occurs pursuant to (b) above, the Vendee shall remain secondarily liable for the transferee's obligations hereunder.

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

the laws of the United States or of any political subdivision thereof (after giving credit for any savings in respect of any such taxes by reason of deductions, credits or allowances in respect of the payment of the expense indemnified against, and of any other such taxes as determined in the sole discretion of the Indemnified Person), shall be equal to the amount of such payment. The Vendor and the Vendee agree to give each other promptly upon obtaining knowledge thereof written notice of any claim or liability hereby indemnified against. Upon the payment in full of any indemnities as contained in this Article 14 by the Vendee, and provided that no event of default set forth in paragraph 16.1 hereof (or other event which with lapse of time or notice or both would constitute such an event of default) shall have occurred and be continuing, it shall be subrogated to any right of such Indemnified Person in respect of the matter against which indemnity has been given. Any payments received by such Indemnified Person from any person (other than the Vendee) as a result of any matter with respect to which such Indemnified Person has been indemnified by the Lessee pursuant to the Lease shall be paid over to the Vendee to the extent necessary to reimburse the Vendee for indemnification payments previously made in respect of such matter.

14.2. Survival; No Subrogation. The indemnities contained in this Article 14 shall survive the expiration or termination of this Agreement with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination and are expressly made for the benefit of, and shall be enforceable by, any Indemnified Person. None of the indemnities in this Article 14 shall be deemed to create any rights of subrogation in any insurer or third party against the Vendee therefor, from or under any Indemnified Person, whether because of any claim paid or defense provided for the benefit thereof or otherwise.

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

14.4. Warranties of Builder; Patent Indemnities; Subject to Article 23. The agreement of the parties relating to the Builder's warranties of material and workmanship and

Any amounts paid by the Vendor in discharge of liens, charges or security interests upon the Equipment shall be secured by and under this Agreement.

13.2. No Breach for Certain Liens. This covenant will not be deemed breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent.

ARTICLE 14. INDEMNITIES AND WARRANTIES

14.1. Indemnification. The Vendee shall pay, and shall protect, indemnify and hold the Vendor and any assignee hereof, and their respective successors, assigns, agents and servants ("Indemnified Persons"), harmless from and against any and all Indemnified Matters (as defined in § 12 of the Lease); except that the Vendee shall not be liable to the Builder in respect of any of the foregoing matters to the extent liability in respect thereof arises from an act or omission of the Builder or is covered by the Builder's patent indemnification referred to in paragraph 14.4 hereof. The Vendee shall be obligated under this Article 14, irrespective of whether any Indemnified Person shall also be indemnified with respect to the same matter under any other agreement by any other person, and the Indemnified Person seeking to enforce the indemnification may proceed directly against the Vendee under this Article 14 without first resorting to any such other rights of indemnification. In case any action, suit or proceeding is brought against any Indemnified Person in connection with any Indemnified Matter, the Vendee may and, upon such Indemnified Person's request, will at the Vendee's expense resist and defend such action, suit or proceeding, or cause the same to be resisted or defended by counsel selected by the Vendee and approved by such Indemnified Person and, in the event of any failure by the Vendee to do so, the Vendee shall pay all costs and expenses (including, without limitation, attorneys' fees and expenses) incurred by such Indemnified Person in connection with such action, suit or proceeding. In the event the Vendee is required to make any payment under this Article 14, the Vendee shall pay such Indemnified Person an amount which, after deduction of all taxes required to be paid by such Indemnified Person in respect of the receipt thereof under

each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same contract, which shall be sufficiently evidenced by any such original counterpart.

9. The terms of this Agreement and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

If the foregoing is in accordance with your understanding, please sign each of the enclosed counterparts of this letter. It is not necessary that the parties hereto all sign the same counterpart as long as each party shall sign a counterpart and such counterpart is delivered to you or your counsel, whereupon this Agreement shall become effective.

Very truly yours,

FIRST SECURITY STATE BANK, not in its individual capacity but solely as Trustee,

[CORPORATE SEAL]

Attest:

by _____
Authorized Officer

by _____
Authorized Officer

ACCEPTED:

[Seal]

FIRST SECURITY BANK OF UTAH, N.A., not in its individual capacity but solely as Agent,

Attest:

by _____
Authorized Officer

by _____
Authorized Officer

STATE OF UTAH,)
) ss.:
COUNTY OF SALT LAKE,)

On this 14th day of Dec. 1981, before me personally appeared Beverly Larson, to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of FIRST SECURITY STATE BANK, that one of the seals affixed to the foregoing instrument is the corporate seal of said bank and that said instrument was signed and sealed on behalf of said bank 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 bank.

Randy R Mannart
Notary Public

[Notarial Seal]

My Commission Expires: 2-8-82

STATE OF UTAH,)
) ss.:
COUNTY OF SALT LAKE,)

On this 14th day of Dec. 1981, before me personally appeared Fuchia B Eichers, to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of FIRST SECURITY BANK OF UTAH, N.A., that the seal affixed to the foregoing instrument is the seal of said national banking association and that said instrument was signed and sealed on behalf of said national banking association by authority of its By-laws, and he acknowledged that the execution of the foregoing instrument was a free act and deed of said national banking association.

Randy R Mannart
Notary Public

[Notarial Seal]

My Commission Expires: 2-8-82

TRANSFER AGREEMENT

ANNEX I*

Quantity	Description	To Be Selected from Series Bearing Road Numbers
12	Diesel Electric Locomotives	SCL 700-1002 SCL 1003-1054 SCL 1056-1065

* Notwithstanding anything herein to the contrary, this Annex I and the Transfer Agreement to which this Annex I is annexed ("this Argeement") will only cover Hulks delivered by the Builder pursuant to and accepted under the terms of the Hulk Purchase Agreement. After delivery of all Hulks covered by this Agreement, this Annex I will be amended to describe only those Hulks covered by this Agreement and to designate the particular Railroad Road Numbers thereof.

ANNEX C
to Conditional
Sale Agreement

[CS&M Ref. 5735-002]

LEASE OF RAILROAD EQUIPMENT

Dated as of December 1, 1981

Between

BANGOR AND AROOSTOOK RAILROAD COMPANY,

as Lessee,

and

ARMCO INDUSTRIAL CREDIT CORPORATION,

as Lessor.

The rights and interests of the Lessor under this Lease are subject to a security interest in favor of Mercantile-Safe Deposit and Trust Company, as Agent for a certain investor. The original of this Lease is held by said Agent.

LEASE OF RAILROAD EQUIPMENT

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

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LEASE OF RAILROAD EQUIPMENT dated as of December 1, 1981, between BANGOR AND AROOSTOOK RAILROAD COMPANY, a Maine corporation ("Lessee"), and ARMCO INDUSTRIAL CREDIT CORPORATION, a Delaware corporation ("Lessor").

WHEREAS the Lessor is entering into a Conditional Sale Agreement dated as of the date hereof ("CSA") with WHITTAKER CORPORATION, BERWICK FORGE AND FABRICATING DIVISION, a California corporation ("Builder"), wherein the Builder has agreed to manufacture, sell and deliver to the Lessor the units of railroad equipment described in Appendix A hereto;

WHEREAS the Builder is assigning its interests in the CSA pursuant to an Agreement and Assignment dated the date hereof ("CSA Assignment") to MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, acting as agent for a certain investor ("Original Investor" and, together with its successors and assigns, "Investors") under a Participation Agreement dated as of the date hereof ("Participation Agreement") among said agent, the Lessee, the Lessor and the Original Investor (said agent as so acting, together with the Investors for whom it is acting being hereinafter, together with its successors and assigns, called "Vendor");

WHEREAS the Lessee desires to lease such number of units of the railroad equipment as are delivered and accepted under the CSA ("Units") at the rentals and for the terms and upon the conditions hereinafter provided;

WHEREAS the Lessor will assign this Lease for security to the Vendor pursuant to an Assignment of Lease and Agreement ("Lease Assignment") dated as of the date hereof;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

§ 1. NET LEASE

This Lease is a net lease. The Lessee's obligation to pay all rentals and other amounts hereunder shall be absolute and unconditional and, except as herein specifically provided, the Lessee shall not be entitled to any abatement of rent or such other amounts, reduction thereof or setoff against rent or such other amounts, including, but not limited to, abatements, reductions or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or the CSA including the Lessee's rights by subrogation thereunder to the Builder or the Vendor or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final, and the Lessee shall not seek to recover all or any part of such payment from the Lessor or the Vendor for any reason whatsoever.

§ 2. DELIVERY AND ACCEPTANCE OF UNITS

The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to

the CSA. Each delivery of a Unit to the Lessor under the CSA shall be deemed to be a delivery hereunder to the Lessee at the point or points within the United States of America at which such Unit is so delivered to the Lessor. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same, and if such Unit is found to be acceptable, to accept delivery of such Unit on behalf of the Lessor under the CSA and on behalf of itself hereunder and execute and deliver to the Lessor a certificate of acceptance ("Certificate of Acceptance") in accordance with the provisions of Article 3 of the CSA, stating that such Unit has been inspected and accepted on behalf of the Lessee and the Lessor on the date of such Certificate of Acceptance and is marked in accordance with § 5.1 hereof, whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

§ 3. RENTALS

3.1. Amount and Date of Payment. The Lessee will pay to the Lessor, as rental for each Unit subject to this Lease, one interim rental payment payable January 4, 1982, and 60 consecutive quarterly payments payable, in advance, on January 4, April 4, July 4 and October 4 in each year, commencing January 4, 1982, to and including October 4, 1996. In respect of each Unit subject to this Lease, (a) the interim rental payment shall be in an amount equal to the product of the Purchase Price for each such Unit subject to this Lease multiplied by 0.016839% for each day elapsed from and including the Closing Date (as defined in the CSA) for such Unit to, but not including, January 4, 1982, and (b) the first 20 quarterly rental payments shall each be in an amount equal to 1.930816% multiplied by the Purchase Price of each such Unit and the last 40 quarterly rental payments shall each be in an amount equal to 2.359884% multiplied by the Purchase Price of each such Unit; it being understood, however, that the rentals payable pursuant to this § 3.1 on each interim and quarterly rental payment date shall be in no event less than the principal and/or interest payment due on each such date pursuant to paragraphs 4.3(b) and 4.4 of the CSA.

3.2. Payments on Nonbusiness Days. If any of the rental payment dates referred to in § 3.1 is not a business day the rental payment otherwise payable on such date shall

be payable on the next business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Bangor, Maine, Dallas, Texas, Baltimore, Maryland, or New York, New York, are authorized or obligated to remain closed.

3.3. Instructions To Pay Vendor and Lessor. Upon execution and delivery of the Lease Assignment and until the Vendor shall have advised the Lessee in writing that all sums due from the Lessor under the CSA have been fully satisfied and discharged, the Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease, but excluding all payments not assigned to the Vendor pursuant to the Lease Assignment, to the Vendor, for the account of the Lessor, in care of the Vendor, with instructions to the Vendor (a) first, to apply such payments to satisfy the obligations of the Lessor under the CSA known to the Vendor to be due and payable on the date such payments are due and payable hereunder and (b) second, so long as no event of default under the CSA shall have occurred and be continuing, to pay any balance promptly to the Lessor or to the order of the Lessor at such place as the Lessor shall specify in writing. If the Lease Assignment is not executed and delivered, or if the Lessee shall have been advised by the Vendor in writing that all sums due from the Lessor under the CSA have been fully discharged and satisfied, the installments of rental due hereunder and any Casualty Payments thereafter due pursuant to § 7 hereof shall be made to the Lessor in the manner provided in § 3.4 hereof.

3.4. Payment in Immediately Available Funds. The Lessee agrees to make each payment provided for herein as contemplated by § 3.1 in immediately available funds at or prior to 11:00 a.m. in the city where such payment is to be made.

§ 4. TERM OF LEASE

4.1. Beginning and Termination; Survival. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit under the CSA and, subject to the provisions of §§ 7, 13 and 16 hereof, shall terminate on January 4, 1997. The obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 6, 7, 10, 11, 12 and 17 hereof) shall survive the expiration of the term of this Lease.

4.2. Rights and Obligations of Lessee Subject to CSA. Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the CSA. If an event of default should occur under the CSA, the Vendor may terminate this Lease (or rescind its termination) without affecting the indemnities which by the provisions of this Lease survive the termination of its term, all as provided herein.

§ 5. IDENTIFICATION MARKS

5.1. Identifying Numbers; Legend; Changes. The Lessee will cause each Unit to be kept numbered with the identification number set forth in Appendix A hereto, or in the case of any Unit not there listed such identification number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION", or other appropriate words designated by the Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's and Vendor's title to and property in such Unit and the rights of the Lessor under this Lease and of the rights of the Vendor under the CSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked on both sides thereof and will replace promptly any such words which may be removed, defaced, obliterated or destroyed. The Lessee will not change the identification number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and filed, recorded and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to the effect that such statement has been so filed, recorded and deposited, such filing, recordation and deposit will protect the Vendor's and the Lessor's interests in such Units and no filing, recording, deposit or giving of notice with or to any other Federal, state or local government or agency thereof is necessary to protect the interests of the Vendor and the

Lessor in such Units.

5.2. Insignia of Lessee. The Units may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates, but the Lessee will not allow the name of any other person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership.

§ 6. GENERAL TAX INDEMNIFICATION

The Lessee assumes responsibility for and agrees to pay, and agrees to protect, save, keep harmless and indemnify on an after-tax basis the Lessor and the Vendor and their successors and assigns ("Indemnified Persons") against all taxes, assessments, fees, withholdings and other governmental charges of any nature whatsoever, including without limitation penalties and interest imposed on, incurred by or asserted against any Indemnified Person or any Unit in whole or in part on account of, or with respect to, this Lease or the CSA or any document referred to herein or therein or any of the transactions contemplated hereby or thereby or the manufacture, purchase, acceptance or rejection of the Units or any portion thereof or the ownership, delivery, nondelivery, leasing, re-leasing, subleasing, possession, use, operation, maintenance, repair, condition, sale, return, or other disposition of the Units or any portion thereof or any indebtedness with respect thereto or the rentals, receipts, earnings or gains arising therefrom; provided, however, that there shall be no indemnification hereunder for:

(1) any tax for which the Lessor is indemnified pursuant to the Indemnity Agreement ("Indemnity Agreement") dated as of the date hereof between the Lessor and the Lessee and any tax determined or measured in whole or in part by the gross, adjusted gross, or net receipts or income, or the excess profits, of any person or entity (including, without limitation, the Lessor and the Vendor), other than gross receipts taxes in the nature of sales or use taxes, and other than taxes arising out of or imposed in respect of the receipt of indemnification payments pursuant to this Lease;

(2) any tax resulting from a determination that the Vendor or its assigns in performing its obligations under the CSA and assignment thereof, Participation Agreement, this Lease and any other related document, is a taxable entity separate and apart from the Investors or their assigns;

(3) any tax imposed on the Lessor or Vendor and arising from any failure by the Lessor or the Vendor to fully perform their obligations under the Participation Agreement, the CSA and the assignment thereof, this Lease and any other related document; and

(4) any payroll or similar tax and any property, sales, use, occupancy or similar taxes with respect to property other than the Units.

All such taxes, fees, assessments, withholdings, governmental charges, penalties and interests for which indemnification may be had hereunder being hereinafter called "Taxes".

The Lessee shall pay all Taxes for which it assumes liability hereunder when such Taxes are due and will indemnify each Indemnified Person to the extent required by this § 6 within 10 days after receipt of a written request by such Indemnified Person for indemnification specifying the amount to be paid, the basis on which such amount was determined and the nature of the Taxes in question; provided, however, that if any Taxes are being contested in accordance with the seventh paragraph of this § 6, any payment shall be made at the time therein provided.

In the event that the Lessor shall become obligated to make any payment to the Builder or the Vendor or otherwise pursuant to any corresponding provision of the CSA not covered by the foregoing paragraphs of this § 6, the Lessee shall pay such additional amounts (which shall also be deemed Taxes hereunder) to the Lessor as will enable the Lessor to fulfill completely its obligations pursuant to said provision.

In the event any returns, statements or reports with respect to Taxes are required to be made, the Lessee will make such returns, statements and reports in such manner as to show the interest of the Lessor and the Vendor in such Units; provided, however, that the Lessor shall, with respect to any state or political subdivision thereof of

the United States of America, file such returns, statements, and reports relating to sales or use taxes, and taxes, fees, and charges on or measured by the Lessor's earnings or gross receipts arising from the Units, or the value added by the Lessor thereto, as the Lessee shall determine are required to be filed, and as shall be prepared by the Lessee, and shall remit the amount thereof upon payment by the Lessee to the Lessor (such payment to be made promptly upon demand by the Lessor therefor) of such taxes, fees and charges except as provided above. To the extent that the Lessor has information necessary to the preparation of such returns, statements and reports, it will furnish such information to the Lessee.

To the extent that the Lessee may be prohibited by law from performing in its own name the duties required by this § 6, the Lessor hereby authorizes the Lessee to act in the name of the Lessor and on its behalf; provided, however, that the Lessee shall indemnify and hold the Lessor harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action by the Lessee pursuant to this authorization.

The Lessee shall, whenever reasonably requested by the Lessor, submit to the Lessor copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to the Lessor of the Lessee's performance of its duties under this § 6. The Lessee shall also furnish promptly upon request such data as the Lessor reasonably may require to permit its compliance with the requirements of taxing jurisdictions.

If any taxing authority shall assert liability for any Taxes or propose an increase in the liability of any Indemnified Person for any such Taxes (such assertion or such proposed increase being hereinafter called a "Claim"), indemnification for which would be required under this § 6, the Indemnified Person will notify the Lessee within a reasonable time of such Claim in writing. If the Lessee delivers to such Indemnified Person written notice of its desire to contest such Claim within 30 days after receipt of notice from such Indemnified Person, such Claim will be contested in accordance with this paragraph, except to the

extent such Claim represents amounts payable to the Vendor under Article 6 of the CSA. The Lessor will permit the Lessee to contest such Claims under Article 6 of the CSA in accordance with the rights of the Lessor thereunder. The Indemnified Person shall have the exclusive right to conduct the contest unless such is waived in writing, in which event the contest and all preparations therefor shall be the sole responsibility of the Lessee and, in either case, shall be conducted entirely at its expense. Such Indemnified Person will cooperate with any reasonable request made by the Lessee in connection therewith; provided, however, that such Indemnified Person may in its sole discretion determine in what court or other forum such contest will be conducted and whether such contest will proceed by payment of the Taxes in contemplation of a suit for refund, and such Indemnified Person shall not be required to take any action pursuant to this paragraph unless and until the Lessee shall have agreed to pay such Indemnified Person on demand all costs and expenses which such Indemnified Person may incur in connection with contesting such Claim (including fees and disbursements of counsel). If in any such contest the decision is made to pay the Taxes and sue for a refund, the Lessee will advance to such Indemnified Person on an interest-free basis sufficient funds to pay the Taxes which are to be contested. Upon receipt by any Indemnified Person of a refund of any Taxes paid by the Lessee pursuant to this paragraph, the amount of such refund and any interest paid to such Indemnified Person with respect thereto shall be paid to the Lessee forthwith upon receipt by such Indemnified Person.

The Lessee agrees to pay all amounts due under this § 6 free of any Taxes and to indemnify each Indemnified Person against any Taxes imposed by reason of any payment made by the Lessee so that the Indemnified Person to whom or for whose benefit the payment is made shall receive an amount which, net of any Taxes or other charges required to be paid by such Indemnified Person in respect thereof, shall be equal to the amount of payment otherwise required hereunder.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any Taxes pursuant to this § 6, such liability shall continue, notwithstanding the expiration of this Lease, until all such taxes are paid or reimbursed by the Lessee.

The Lessee has agreed under the Indemnity Agreement to indemnify the Lessor in a manner similar to that above and in addition in certain other respects as therein provided.

§ 7. PAYMENT FOR CASUALTY OCCURRENCES; INSURANCE

7.1. Definitions of Casualty Occurrence; Payments. In the event that any Unit of Equipment shall be or become worn out, lost, stolen, destroyed, or, in the reasonable opinion of the Lessee, irreparably damaged, from any cause whatsoever during the term of this Lease or any renewal term hereof or until such Unit is returned pursuant to §§ 14 or 17 hereof, or the Purchase Price of any Unit shall have been refunded by the Builder of such Unit pursuant to the terms of its patent indemnity therefor or any Unit shall be taken or requisitioned by condemnation or otherwise by the United States Government for a stated period which shall exceed the then remaining term of this Lease or by any other governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days during the term of this Lease or during any renewal term hereof (any such occurrences being hereinafter called a "Casualty Occurrence"), the Lessee shall promptly and fully notify the Lessor and the Vendor with respect thereto. On the rental payment date next succeeding such notice (each such date being hereinafter called a "Casualty Payment Date"), the Lessee shall pay to the Lessor a sum equal to the Casualty Value (as defined in § 7.5 hereof) of any such Unit as of such Casualty Payment Date; provided, however, that in the event of a Casualty Occurrence after the last rental payment date or during the period any Unit is being returned pursuant to §§ 14 and 17 hereof, the Lessee shall make such payment to the Lessor on a date 30 days after such Casualty Occurrence. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, complete destruction or return to the Builder of such Unit) the Lessor shall be entitled to recover possession of such Unit. In the event that a Casualty Occurrence occurs prior to January 4, 1982, the interim rental payments set forth in paragraph 3.1 hereof shall be payable notwithstanding such Casualty Occurrence with respect to the Units suffering such Casualty Occurrence.

In addition to the occurrences constituting a Casualty Occurrence under the preceding paragraph, if any Unit shall have been taken or requisitioned by the United States Government or any other governmental entity and such taking or requisition shall not theretofore constitute a Casualty Occurrence as aforesaid, such taking or requisition shall be deemed a Casualty Occurrence if the same shall be continuing at the end of the initial term of this Lease, in which event the Lessee shall promptly and fully notify the Lessor with respect thereto and pay the Lessor, as the Casualty Value therefor, an amount equal to 26.9277% of the Purchase Price of such Unit. Following such payment, the Lessee shall be entitled to receive condemnation payments in respect of such Unit up to an amount equal to such Casualty Value and any balance of such payments shall be the property of the Lessor. In the event such Unit shall be returned by the governmental entity prior to the time the Lessee shall have been reimbursed by such application of condemnation payments in an amount equal to such Casualty Value, then the Lessee shall dispose of such Unit as agent for the Lessor, and shall retain the proceeds of such disposition to the extent that the aggregate of the amounts so retained and the condemnation payments theretofore received by the Lessee shall equal such Casualty Value, and any balance of such proceeds shall be promptly paid to the Lessor. In the event such Unit shall be returned by the governmental entity following the time the Lessee shall have been reimbursed by such application of condemnation payments in an amount equal to such Casualty Value, such Unit shall be returned by the Lessee to the Lessor in the manner provided in § 17 hereof.

7.2. Requisition by United States Government. In the event of the requisition for use by the United States Government of any Unit for a period which does not exceed the term of this Lease or for an indefinite period (except where deemed a Casualty Occurrence pursuant to the last paragraph of § 7.1 hereof), all of the Lessee's obligations under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred. All payments received by the Lessor or the Lessee from the United States Government for the use of such Unit during the term of this Lease shall be paid over to, or retained by, the Lessee provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing.

7.3. Lessee Agent for Disposal. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof before and after expiration of the Lease, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor (i) the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor and (ii) the Lessee shall be entitled to credit against the Casualty Value payable in respect of any Unit returned to the Builder pursuant to the patent indemnity provisions of the CSA an amount equal to any payment made by the Builder to the Lessor in respect thereof under the CSA.

7.4. Payments After Expiration of Lease. If the Casualty Payment Date shall be after the last rental payment date or any renewal term thereof in respect of such Unit has expired, no rental for such Unit shall accrue after the end of such date or term, as the case may be.

7.5. Amount of Casualty Value. The Casualty Value of each Unit as of the Casualty Payment Date on which payment is to be made as aforesaid shall be an amount equal to that percentage of the Purchase Price of such Unit as is set forth in Annex B hereto opposite the rental payment date corresponding to such Casualty Payment Date, or if there is no such rental payment date, the last rental payment date; but in no event shall such amount be less than the Casualty Value (as defined in the CSA) as of such rental payment date. In view of the fact that rentals are payable in advance, no rental shall be paid on the Casualty Payment Date in respect of any Unit in respect of which the Casualty Value is paid.

7.6. No Release. Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

7.7. Insurance. So long as the Lessee self-insures its entire fleet of rolling stock, both owned and leased, the Lessee may self-insure the Units. If at any time the Lessee ceases to self-insure its entire fleet of rolling stock, the Lessee will provide the same insurance coverage on the Units

that it carries on its other rolling stock, including property insurance and public liability insurance with respect to third party personal and property damage. Any policies of insurance carried in accordance with this paragraph shall (i) require 30 days' prior notice of cancelation or material change in coverage to the Lessor and the Vendor, (ii) name the Lessor and the Vendor as additional named insureds as their respective interests may appear, and (iii) waive any right to claim premiums or commissions against the Lessor and the Vendor and, in the event such policies shall contain breach of warranty provisions, such policies shall provide that in respect of the interests of the Lessor and the Vendor in such policies the insurance shall not be invalidated by any action or inaction of the Lessee or any other person (other than the Lessor and the Vendor, respectively) and shall insure the Lessor and the Vendor regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Lessee or by any other person (other than the Lessor or the Vendor, respectively). The Lessee shall deliver to the Lessor upon the Lessor's request duplicate originals of all policies, if any (or in the case of blanket policies, certificates thereof issued by the issuers thereunder, if any) for the insurance obtained pursuant to this § 7.

7.8. Insurance Proceeds and Condemnation Payments. If the Lessor shall receive (directly or from the Vendor) any insurance proceeds or condemnation payments in respect of such Units suffering a Casualty Occurrence, the Lessor shall pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to any Unit theretofore paid by the Lessee and any balance of such proceeds or condemnation payments shall remain the property of the Lessor; provided, however, that no Event of Default shall have occurred and be continuing and the Lessee shall have made payment of the Casualty Value thereof, and accrued rentals in respect of such Units, to the Lessor.

§ 8. REPORTS

On or before March 31 in each year, commencing

with the calendar year 1983, the Lessee will furnish to the Lessor and the Vendor an accurate statement (a) setting forth as at the preceding December 31 the total number, description and identification numbers of all Units then leased hereunder and covered by the CSA, the total number, description and identification numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year (or since the date of this Lease in the case of the first such statement) or are then undergoing repairs (other than running repairs) or then withdrawn from use pending repair (other than running repairs) and setting forth such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request, (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5.1 hereof and by the CSA have been preserved or replaced and (c) further stating that the Lessee is in compliance under the Lease and has performed or has caused to be performed the required maintenance of the Units and that no event has occurred which with the lapse of time or notice or both would constitute an Event of Default. The Lessor and the Vendor shall each have the right by its agents to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Vendor or the Lessor may request during the continuance of this Lease.

§ 9. DISCLAIMER OF WARRANTIES

THE LESSOR DOES NOT MAKE, HAS NOT MADE AND SHALL NOT BE DEEMED TO MAKE OR HAVE MADE ANY WARRANTY OR REPRESENTATION, EITHER EXPRESSED OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR DOES NOT MAKE ANY WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE NOR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, NOR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESSED OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time,

in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder under the provisions of Item 3 of Annex A of the CSA; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor or the Vendor based on any of the foregoing matters.

§ 10. LAWS AND RULES

10.1. Compliance. The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all respects (including without limitation with respect to the use, maintenance and operation of each Unit) with all laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units, all such laws and rules to such extent being hereinafter called ("Applicable Laws"), and in the event that such Applicable Laws require any alteration, replacement or addition of or to any part on any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith,

contest the validity or application of any Applicable Laws in any reasonable manner which does not, in the opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or the Vendor under the CSA.

10.2. Reports by Lessor. The Lessee agrees to prepare and deliver to the Lessor and the Vendor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor and the Vendor) any and all reports (other than income tax returns) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units or the leasing thereof to the Lessee.

§ 11. MAINTENANCE

11.1. Units in Good Operating Order. The Lessee will, at its own cost and expense, maintain and keep each Unit including any parts installed on or replacements made to any Unit which is subject to this Lease in good operating order, repair and condition, ordinary wear and tear excepted, in accordance with the Interchange Rules of the Association of American Railroads, and in no event shall the Units be maintained at a standard less than the other similar equipment owned or leased by the Lessee.

11.2. Additions and Accessions. (1) Except as set forth in §§ 10.1 and 11.1 hereof, the Lessee, at its own cost and expense, may from time to time make such other additions, modifications and improvements to the Units during the term of this Lease as are readily removable without causing material damage to the Units and do not adversely and materially affect the value of the Units. The additions, modifications and improvements made by the Lessee under the preceding sentence shall be owned by the Lessee, except to the extent such additions, modifications or improvements are made in order to comply with the second paragraph hereof.

(2) Any and all parts installed on and additions and replacements made to any Unit (i) which are not readily removable without causing material damage to such Unit and were installed or were added to such Unit in contravention of the Lessee's agreements contained in § 11.2(1) hereof, (ii) the cost of which is included in the Purchase Price of such Unit, (iii) in the course of ordinary maintenance of the

Units or (iv) which are required for the operation or use of such Unit by the regulations of the Interstate Commerce Commission, the Department of Transportation or any other applicable regulatory body, shall constitute accessions to such Unit and full ownership thereof free from any lien, charge, security interest or encumbrance (except for those created by the CSA) shall immediately be vested in the Lessor and the Vendor as their respective interests may appear in the Unit itself.

§ 12. INDEMNIFICATION

12.1. Indemnified Persons. The Lessee shall pay, and shall protect, indemnify and hold the Lessor, the Vendor and any assignee thereof, and their respective successors, assigns, agents and servants (hereinafter called "Indemnified Persons"), harmless from and against any and all causes of action, suits, penalties, claims, demands or judgments of any nature whatsoever which may be imposed on, incurred by or asserted against any Indemnified Person (including any or all liabilities, obligations, damages, costs, disbursements, expenses, including without limitation attorneys' fees) in any way relating to or arising, or alleged to arise out of this Lease, the CSA or the Units, including without limitation those in any way relating to or arising or alleged to arise out of (i) the manufacture, construction, purchase, acceptance, rejection, ownership, delivery, nondelivery, lease, possession, use, operation, condition, sale, return or other disposition of any Unit or portion thereof, (ii) any latent and other defects whether or not discoverable by the Lessor, the Vendor or the Lessee, (iii) any claim for patent, trademark or copyright infringement, (iv) any claims based on strict liability in tort, (v) any injury to or the death of any person or any damage to or loss of property on or near the Units or in any manner growing out of or concerned with, or alleged to grow out of or be connected with, the ownership, use, replacement, adaptation or maintenance of the Units or of any other equipment in connection with the Units (whether owned or under the control of the Lessor, the Lessee or any other person) or resulting or alleged to result from the condition of any thereof; (vi) any violation, or alleged violation, of any provision of this Lease or of any agreement, law, rule, regulation, ordinance or restriction, affecting or applicable to the Units or the leasing,

ownership, use, replacement, adaptation or maintenance thereof, except to the extent any such violation arises from the gross negligence or wilful misconduct of the Lessor; or (vii) any claim arising out of any of the Lessor's obligations under the Lease Assignment or the Vendor's retention of a security interest under the CSA or the Lease Assignment or the Participation Agreement, except to the extent such claim arises from the gross negligence or wilful misconduct of the Lessor (all of which matters hereinabove set forth in this § 12 being hereinafter called "Indemnified Matters"). The Lessee shall be obligated under this § 12.1, irrespective of whether any Indemnified Person shall also be indemnified with respect to the same matter under any other agreement by any other person, and the Indemnified Person seeking to enforce the indemnification may proceed directly against the Lessee under this § 12.1 without first resorting to any such other rights of indemnification. In case any action, suit or proceeding is brought against any Indemnified Person in connection with any Indemnified Matters, the Lessee may and, upon such Indemnified Person's request, will at the Lessee's expense resist and defend such action, suit or proceeding, or cause the same to be resisted or defended by counsel selected by the Lessee and approved by such Indemnified Person and, in the event of any failure by the Lessee to do so, the Lessee shall pay all costs and expenses (including without limitation attorneys' fees and expenses) incurred by such Indemnified Person in connection with such action, suit or proceeding. In the event the Lessee is required to make any indemnification payment under this § 12, the Lessee shall pay such Indemnified Person an amount which, after deduction of all taxes required to be paid by such Indemnified Person in respect of the receipt thereof under the laws of the United States or of any political subdivision thereof (after giving credit for any savings in respect of any such taxes by reason of deductions, credits or allowances in respect of the payment of the expense indemnified against, and of any other such taxes as determined in the sole discretion of the Indemnified Person), shall be equal to the amount of such payment. The Lessee and the Lessor each agrees to give each other promptly upon obtaining knowledge thereof written notice of any claim or liability hereby indemnified against. Upon the payment in full of any indemnities as contained in this § 12 by the Lessee, and provided that no Event of Default (or other event which with lapse of time or notice or both would constitute an Event of Default) shall have occurred and be continuing, the Lessee shall be subrogated to any right of such Indemni-

fied Person (except against another Indemnified Person) in respect of Indemnified Matters against which indemnity has been given. Any payments received by such Indemnified Person from any person (except the Lessee) as a result of any Indemnified Matters with respect to which such Indemnified Person has been indemnified by the Lessee pursuant to this § 12.1 shall be paid over to the Lessee to the extent necessary to reimburse the Lessee for indemnification payments previously made. Nothing in this § 12.1 shall constitute a guarantee by the Lessee of the CSA Indebtedness of the Lessor under the CSA or a guarantee of the residual value of any Unit.

The Lessee has agreed under the Indemnity Agreement to indemnify the Lessor in a manner similar to the above and in addition in certain other respects.

12.2. Survival. The indemnities contained in this § 12 shall survive the expiration or termination of this Lease with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination and are made for the benefit of, and shall be enforceable by, any Indemnified Person. None of the indemnities in this § 12 shall be deemed to create any rights of subrogation in any insurer or third party against the Lessee therefor, from or under any Indemnified Person, whether because of any claim paid or defense provided for the benefit thereof or otherwise.

§ 13. DEFAULT

13.1. Events of Default; Remedies. If, during the continuance of this Lease or any extension or renewal thereof, one or more of the following events (each such event being herein sometimes called an "Event of Default") shall occur:

(A) default shall be made in payment of any amount provided for in §§ 3, 6, 7, 12 or 16 hereof, and such default shall continue for 10 days;

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

(C) default shall be made in the observance or per-

formance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein, in the Participation Agreement or the Indemnity Agreement and such default shall continue for 30 days after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

(D) any representation or warranty made by the Lessee herein, in the Participation Agreement, the Indemnity Agreement or in any certificate or statement furnished to the Vendor or the Lessor pursuant to or in connection with any such agreements proves untrue in any material respect as of the date of issuance or making thereof;

(E) a petition for reorganization under Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease and the Indemnity Agreement shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed and otherwise in accordance with the provisions of 11 U.S.C. § 1168, or any successor provision, as the same may hereinafter be amended; or

(F) any other proceeding 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 and the Indemnity Agreement shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the 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 expenses of administration and obligations incurred by such a trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced;

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

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

(b) by notice in writing to the Lessee to terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises, insofar as the Lessee may be lawfully authorized to so permit, where any of the Units may be located, without judicial process if this can be done without breach of the peace and in accordance with due process of law, and take possession of all or any of such Units and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the

Lessee as damages for loss of a bargain and not as a penalty whichever of the following amounts that the Lessor, in its sole discretion shall specify, (i) a sum, with respect to each Unit, which represents (x) the excess of the present value, at the time of such termination, of the entire unpaid balance of all rentals for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit, such present value to be computed on the basis of a 4% per annum discount, compounded quarterly from the respective dates upon which rental would have been payable hereunder had this Lease not been terminated over the then present value of the rental which the Lessor reasonably estimates to be obtainable for each Unit during such period, such present value to be computed on the basis of a 4% per annum discount, compounded quarterly from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated or, if such Unit is sold, the net proceeds of the sale plus (y) any damages and expenses, including reasonable attorneys' fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant, representation or warranty of this Lease other than for the payment of rental or (ii) an amount equal to the excess, if any, of the Casualty Value as of the Casualty Payment Date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event the Lessor shall have sold any unit, the Lessor, in lieu of collecting any amounts payable by the Lessee pursuant to the preceding clause (ii) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit as of the Casualty Payment Date on or next preceding the date of termination over the net proceeds of such sale.

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

remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

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

13.3. Failure To Exercise Rights Is Not Waiver. The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

§ 14. RETURN OF UNITS UPON DEFAULT

14.1. Return of Units. If this Lease shall terminate pursuant to § 13 hereof or Article 16 of the CSA, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, shall be eligible for interchange under the Interchange Rules of the Association of American Railroads and shall have attached or affixed thereto any special device considered an accession thereto as provided in § 11 and shall have removed therefrom at the Lessee's expense any addition, modification or improvement which, as provided in § 11, is owned by the Lessee. For the purpose of delivering possession of any Unit or Units as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Rail-

roads and all railroads to which any Unit or Units have been interchanged or which may have possession thereof to return the Unit or Units) and at the usual speed place such Units upon such storage tracks of the Lessee as the Lessor reasonably may designate;

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

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

The assembling, delivery, storage and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own cost and expense, maintain and keep the Equipment in good order and repair, and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee, or user of any such Unit, to inspect the same. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor.

14.2. Lessor Appointed Agent of Lessee. Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 14, 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 Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whosoever shall be in possession of such Unit at the time.

§ 15. ASSIGNMENT, POSSESSION AND USE

15.1. Assignment; Consent. This Lease shall be

assignable in whole or in part by the Lessor upon prior written consent of the Lessee, which consent shall not be unreasonably withheld. The Lessee hereby consents to the assignment of this Lease pursuant to the Lease Assignment.

15.2. Lessee's Rights To Use the Units, To Permit Use Thereof by Others and To Sublease the Units. (1) So long as no Event of Default exists hereunder and no event of default exists under the CSA, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease. Without the prior written consent of the Lessor and the Vendor, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them except as provided in paragraph (2) below of this § 15.2; and the Lessee shall not, without the prior written consent of the Lessor and the Vendor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of paragraph (2) of this § 15.2. The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor or the Vendor or resulting from claims against the Lessor or the Vendor not related to the ownership of the Units or any encumbrance on the leasehold estate of the Lessee which is subject and subordinate to the interests of the Lessor and the Vendor) upon or with respect to any Unit, including any accession thereto, or the interest of the Lessor, the Vendor or the Lessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises.

(2) So long as no Event of Default exists hereunder and no event of default exists under the CSA, the Lessee shall be entitled to the possession and use of the Units by it or any affiliate upon lines of railroad owned or operated by it or any such affiliate or upon lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is regularly operated and shall be entitled to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements or to sublease the Units, but only upon and subject to all the terms and

conditions of this Lease and the CSA; provided, however, that the Lessee shall not assign, sublease or permit the assignment, sublease or use of any Unit predominantly outside the United States of America within the meaning of Section 48(a) of the Internal Revenue Code of 1954, as amended to the date hereof, nor shall the Lessee assign or sublease to, or permit the sublease or use of the Units by, any person in whose hands such Units would not qualify as "section 38 property" within the meaning of said Code. The Lessee may receive and retain compensation (including incentive per diem payments) for the use of any of the Units from railroads or other entities so using such Units. Any sublease permitted by this paragraph may provide that the sublessee, so long as it shall not be in default under such sublease, shall be entitled to the possession of the Units included in such sublease and the use thereof; provided, however, that every such sublease (i) shall be subject and subordinate to the rights and remedies of the Vendor under the CSA and the Lessor under this Lease in respect of the Units covered by such sublease upon the occurrence of an Event of Default thereunder or hereunder and (ii) the Vendor's and the Lessor's written consent must be obtained in order to sublease any Unit for a period of more than six consecutive months to any sublessee.

15.3. Transfers by Lessee Through Merger, Acquisition or Consolidation. Nothing in this § 15 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety, provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease, shall be a "railroad" within the meaning of 11 U.S.C. § 101(33) and shall have assumed all the obligations of the Lessee under this Lease, the Consent, the Participation Agreement and the Indemnity Agreement.

§ 16. RENEWAL OPTION AND RIGHT OF FIRST REFUSAL

16.1. Renewal for One Period. Provided that this

Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than 180 days prior to the end of the original term of this Lease in respect of the Units still subject to this Lease, elect to extend such original term of this Lease in respect of all but not less than all the Units then covered by this Lease for a period of up to three years commencing on the scheduled expiration of such original term of this Lease, at a "Fair Market Rental" payable, in advance, in quarterly payments on the month and day such rentals were payable for the Units in each year of the original term.

16.2. Determination of Fair Market Rental. (1) Fair Market Rental shall be determined for the extended term of this Lease on the basis of, and shall be equal in amount to, the rental 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 and, in such determination, costs of removal from the location of current use shall not be a deduction from such rental.

(2) If, after 50 days from the giving of notice by the Lessee of the Lessee's election to extend the original term of this Lease, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental of the Units, such rental shall be determined by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of such value by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 days after such notice is given, each party shall appoint an independent appraiser within 25 days after such notice is given, and the two appraisers so appointed shall within 35 days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 35 days after such notice is given, either party may apply, to make such appointment, to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Rental of the Units subject to the proposed extended term within 90 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall

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

16.3. Option to Purchase. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than 180 days prior to the end of the original term of this Lease or of the renewal term as provided for in § 16.1, as the case may be, with respect to all the Units still subject to this Lease, elect to purchase all such Units for the cash sales price equal to the then "Fair Market Value", payable upon the last day of such original term or such renewal term.

16.4. Determination of Fair Market Value. (1) Fair Market Value shall be determined on the basis of, and shall be equal in amount to, the cash sales price which would be obtained in an arm's-length transaction between an informed and willing purchaser (other than a lessee currently in possession or a dealer in used equipment) and an informed and willing seller under no compulsion to sell and, in such determination, cost of removal from the location of current use shall not be a deduction from such amount.

(2) If, after 50 days from the giving of notice by the Lessee of the Lessee's election to purchase the Units still subject to this Lease, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Value of the Units, such amount shall be determined by the following procedure: If either party to such determination shall have given written notice to the other requesting the

determination of such value by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 days after such notice is given, each party shall appoint an independent appraiser within 25 days after such notice is given, and the two appraisers so appointed shall within 35 days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 35 days after such notice is given, either party may apply, to make such appointment, to the American Arbitration Association, and both parties shall be bound by any apointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Value of the Units subject to the proposed sale within 90 days after his or their appointment. If the parties have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of the Fair Market Value of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the apraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding upon the parties hereto as the Fair Market Value. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Value and shall be in lieu of any judicial or other procedures. The expenses of the appraisal procedure shall be borne by the Lessee.

§ 17. RETURN OF UNITS UPON EXPIRATION OF TERM OR TERMINATION

As soon as practicable on or after the expiration of the original or any extended term of this Lease with respect to any Unit, and in any event not later than 90 days thereafter, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon such storage tracks of the Lessee as the Lessee may reasonably designate, and permit the Lessor to store such Unit on such tracks for a period not exceeding 180 days and transport the same upon disposition of

the Units, at any time within such 180-day period, to any interchange point on the Lessee's lines, all as directed by the Lessor, the movement and storage of such Units to be at the expense and risk of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, lessee or user, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this § 17 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, (ii) meet the standards then in effect at the expiration of the original or extended term of this Lease, as the case may be, under the applicable rules of any governmental agency or other organization with jurisdiction (including, but not limited to, the Interchange Rules of the Association of American Railroads) and (iii) have attached or affixed thereto any special device considered an accession thereto as provided in § 11 hereof and have removed therefrom any such device not so considered an accession. During any such storage period the Lessee shall maintain the Units in accordance with the provisions of § 11.1 hereof. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units.

§ 18. RECORDING

The Lessee, at its own expense, will cause this Lease, the CSA, the CSA Assignment and the Lease Assignment to be filed with the Interstate Commerce Commission and deposited with the Registrar General of Canada (notice of such deposit to be forthwith given in The Canada Gazette) pursuant to Section 86 of the Railway Act of Canada. The Lessee will undertake the filing, registering, deposit, and recording required of the Lessor under the CSA. The Lessee in addition will from time to time do and perform

any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the CSA, the CSA Assignment and the Lease Assignment; and the Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease, the CSA, the CSA Assignment and the Lease Assignment shall be filed with the Interstate Commerce Commission and deposited with the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada and provision will have been made for publication of notice of such deposit in The Canada Gazette prior to the delivery and acceptance hereunder of any Unit.

§ 19. INTEREST ON OVERDUE RENTALS

Any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount equal to interest at 16% per annum on the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

§ 20. LESSOR'S RIGHT TO PERFORM FOR THE LESSEE

If the Lessee fails to perform or comply with any of its agreements contained herein, the Lessor may upon notice to the Lessee and the Vendor, perform or comply with such agreement, and the amount of the reasonable cost and expenses of the Lessor incurred in connection with such performance or compliance, together with interest, to the extent legally enforceable, on such amount at 16% per annum, shall be payable by the Lessee upon demand except as otherwise provided in this Lease. No such performance or compliance by the Lessor shall be deemed a waiver of the rights and remedies of the Lessor or any assignee of the Lessor against the Lessee hereunder.

§ 21. NOTICES

Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when mailed, first-class, postage prepaid, addressed as follows:

(a) if to the Lessor, at Suite 700, Two Hillcrest Green, 12720 Hillcrest Road, Dallas, Texas 75230, Attention of Assistant Vice President-Contracts Administration; and

(b) if to the Lessee, at Northern Main Junction Park, R.R. 2, Bangor, Maine 04401, Attention of Vice President-Finance,

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

§ 22. SEVERABILITY

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

§ 23. EFFECT AND MODIFICATION OF LEASE

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

§ 24. THIRD PARTY BENEFICIARIES

Nothing in this Lease shall be deemed to create any right in any person not a party hereto (other than the

Vendor, the Builder and the permitted successors and assigns of a party) and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of a third party except as aforesaid.

§ 25. EXECUTION

This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor pursuant to the Lease Assignment shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

§ 26. LAW GOVERNING

The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Maine; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

§ 27. IMMUNITIES; NO RECOURSE

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

§ 28. TERM LESSOR

Whenever the term Lessor is used in this Lease it shall apply and refer to the Lessor and any assignee of the Lessor (including, so long as any indebtedness under the CSA

or interest thereon shall remain unpaid or any other obligation thereunder be continuing, the Vendor).

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

BANGOR AND AROOSTOOK RAILROAD COMPANY,

by

_____
President

[Corporate Seal]

Attest:

_____
Assistant Clerk

ARMCO INDUSTRIAL CREDIT CORPORATION,

by

_____
Vice President

[Seal]

Attest:

_____
Assistant Secretary

STATE OF MAINE,)
) ss.:
COUNTY OF PENOBSCOT,)

On this day of December 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is the President of BANGOR AND AROOSTOOK RAILROAD COOPANY, 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 corproation by authority of its Board of Directors, and he acknowledged that the exectuion of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission expires

STATE OF TEXAS,)
) ss.:
COUNTY OF DALLAS,)

On this day of December 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a Vice President of ARMCO INDUSTRIAL CREDIT CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission expires

APPENDIX A TO LEASE

Type	Builder's Specifications	Builder's Plant	Quantity	Lessee's Identification Numbers (Both Inclusive)	Estimated Unit Base Price	Estimated Total Base Price	Estimated Time and Place of Delivery
50'6" 75-ton General Purpose Boxcars with 10' sliding doors and nailable steel flooring	C-80-0506-1 5/6/80	Renovo, Pennsylvania	83	BAR 4500-4582	$42,200	$3,502,600	December, 1981 at Renovo, Pennsylvania

APPENDIX B TO LEASE

Casualty Values

Casualty Payment Dates	Percentage of Purchase Price*
January 4, 1982	105.5370
April 4, 1982	107.2106
July 4, 1982	108.3389
October 4, 1982	108.9822
January 4, 1983	109.5575
April 4, 1983	106.3572
July 4, 1983	106.6771
October 4, 1983	106.8187
January 4, 1984	106.8678
April 4, 1984	103.1230
July 4, 1984	102.9070
October 4, 1984	105.7455
January 4, 1985	108.6159
April 4, 1985	106.3840
July 4, 1985	113.7710
October 4, 1985	116.6112
January 4, 1986	119.4169
April 4, 1986	117.1376
July 4, 1986	117.2480
October 4, 1986	116.4418
January 4, 1987	115.5996
April 4, 1987	111.0417
July 4, 1987	108.0632
October 4, 1987	106.4201
January 4, 1988	104.7182
April 4, 1988	103.6652
July 4, 1988	100.3428
October 4, 1988	98.5479
January 4, 1989	96.6911
April 4, 1989	95.5203
July 4, 1989	91.9215
October 4, 1989	89.9619
January 4, 1990	87.9369
April 4, 1990	86.6384
July 4, 1990	82.7388
October 4, 1990	80.6004

* As defined in the CSA.

Casualty Payment Dates	Percentage of Purchase Price*
January 4, 1991	78.3930
April 4, 1991	76.9564
July 4, 1991	72.7294
October 4, 1991	70.3971
January 4, 1992	67.9919
April 4, 1992	66.4058
July 4, 1992	61.8227
October 4, 1992	59.2802
January 4, 1993	56.6603
April 4, 1993	54.9128
July 4, 1993	49.9422
October 4, 1993	47.1718
January 4, 1994	45.1901
April 4, 1994	44.9473
July 4, 1994	41.3560
October 4, 1994	40.1283
January 4, 1995	38.9718
April 4, 1995	38.7458
July 4, 1995	35.0294
October 4, 1995	33.7758
January 4, 1996	32.6046
April 4, 1996	32.4025
July 4, 1996	28.5613
October 4, 1996	26.9277

* As defined in the CSA.

[CS&M Ref. 5735-002]

ANNEX D
to Conditional
Sale Agreement

ASSIGNMENT OF LEASE AND AGREEMENT dated as of December 1, 1981 ("Assignment"), by and between ARMCO INDUSTRIAL CREDIT CORPORATION ("Lessor"), and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent ("Vendor") under a Participation Agreement dated as of the date hereof.

The Lessor is entering into a Conditional Sale Agreement dated as of the date hereof ("CSA") with WHITTAKER CORPORATION, BERWICK FORGE AND FABRICATING DIVISION ("Builder"), providing for the sale to the Lessor of such units of railroad equipment ("Units") described in the Annex B thereto as are delivered to and accepted by the Lessor thereunder;

The Lessor and BANGOR AND AROOSTOOK RAILROAD COMPANY ("Lessee") have entered into a Lease of Railroad Equipment dated as of the date hereof ("Lease"), providing for the leasing of the Units by the Lessor to the Lessee;

In order to provide security for the obligations of the Lessor under the CSA and as an inducement to the Vendor to invest in the CSA Indebtedness (as defined in paragraph 4.3(b) of the CSA), the Lessor agrees to assign for security purposes certain of its rights in, to and under the Lease to the Vendor;

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

1. The Lessor hereby assigns, transfers and sets over unto the Vendor, as collateral security for the payment and performance of the obligations of the Lessor under the CSA, all the Lessor's right, title and interest, powers, privileges, and other benefits under the Lease (other than the Lessor's rights under §§ 6, 12 and 20 of the Lease), including, without limitation, the immediate right to receive and collect all rentals, profits and other sums payable to or receivable by the Lessor from the Lessee pursuant to the

provisions of the Lease whether as rent, casualty payment, indemnity, liquidated damages, or otherwise (such moneys being hereinafter called "Payments"), and the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of an Event of Default specified in the Lease, and to do any and all other things whatsoever which the Lessor is or may become entitled to do under the Lease. In furtherance of the foregoing assignment, the Lessor hereby irrevocably authorizes and empowers the Vendor in its own name, or in the name of its nominee, or in the name of the Lessor or as its attorney, to ask, demand, sue for, collect and receive any and all Payments to which the Lessor is or may become entitled under the Lease and to enforce compliance by the Lessee with all the terms and provisions thereof. Notwithstanding the foregoing, the Payments shall not be deemed to include payments by the Lessee to the Lessor pursuant to §§ 6, 12 and 20 of the Lease (except to the extent and in the event any of such payments discharges a corresponding obligation of the Lessor to the Vendor under the CSA); provided, however, that the Lessor shall have no right to exercise any of the remedies under the Lease (other than § 13(a) thereof) to enforce payment of such excluded amounts after an Event of Default shall have occurred and while it shall be continuing, and no payments otherwise excluded from this Assignment pursuant to this sentence may be made to or retained by the Lessor out of the proceeds of the sale or other disposition of the Units unless and until full payment of principal of and interest on the CSA Indebtedness shall have been made.

The Vendor agrees to accept any Payments made by the Lessee for the account of the Lessor pursuant to the Lease, subject to the provisions of the Lessee's Consent and Agreement attached hereto ("Consent") permitting certain payments to be made directly to the Lessor. To the extent received, the Vendor will apply such Payments to satisfy the obligations of the Lessor under the CSA, and, so long as no event of default or event which with the lapse of time and/or demand provided for in the CSA could constitute an event of default thereunder, shall have occurred and be continuing, any balance shall be paid to the Lessor on the same date such Payment is applied to satisfy such obligations of the Lessor, by check mailed to the Lessor on such date or, upon written request of the Lessor, by bank wire to the Lessor at such address as may be specified to the Vendor in writing,

and such balance shall be retained by the Lessor. If the Vendor shall not receive any rental payment under § 3.1 of the Lease when due and payable to it as provided in the Consent, the Vendor shall notify the Lessor at the address set forth in the Lease; provided, however, that the failure of the Vendor so to notify the Lessor shall not affect the obligations of the Lessor hereunder or under the CSA. The Lessor will furnish to the Vendor and the Lessee a schedule, with such changes as may be appropriate from time to time, setting forth the amounts due the Vendor under the CSA and the Lessor under the Lease on each date for the payment thereof.

2. This Assignment is executed only as security and, therefore, this Assignment shall not subject the Vendor to, or transfer, or pass, or in any way affect or modify the liability of the Lessor under the Lease, it being agreed that notwithstanding this Assignment or any subsequent assignment, all obligations of the Lessor to the Lessee shall be and remain enforceable by the Lessee, its successors and assigns, against, and only against, the Lessor or persons other than the Vendor.

3. The Lessor will faithfully abide by, perform and discharge each and every obligation and agreement which the Lease provides is to be performed by the Lessor; without the written consent of the Vendor, the Lessor will not anticipate the rents under the Lease or waive, excuse, forgive or in any manner release or discharge the Lessee thereunder of or from the obligations, conditions and agreements to be performed by the Lessee, including, without limitation, the obligation to pay the rents in the manner and at the time and place specified therein or enter into any agreement amending, modifying or terminating the Lease (except as provided in Section 7 of the Indemnity Agreement) and the Lessor agrees that any amendment, modification or termination thereof without such consent shall be void.

4. The Lessor does hereby constitute the Vendor the Lessor's true and lawful attorney, irrevocably, with full power (in the name of the Lessor, or otherwise), to ask, require, demand, receive and give acquittance for any and all Payments due and to become due under or arising out of the Lease to which the Lessor is or may become entitled, to enforce compliance by the Lessee with all the terms and provisions of the Lease, to endorse any checks or other

instruments in connection therewith and to file any claims or take any action or institute any proceedings which to the Vendor may deem to be necessary or advisable in the premises.

5. Upon the full discharge and satisfaction of all sums due from the Lessor under the CSA, this Assignment and all rights herein assigned to the Vendor shall terminate, and all estate, right, title and interest of the Vendor in and to the Lease shall revert to the Lessor. Promptly following such full discharge and satisfaction, the Vendor agrees to advise the Lessee in writing thereof and instruct the Lessee that no further payments under the Lease are to be made to the Vendor.

6. The Lessor will, from time to time, execute, acknowledge and deliver any and all further instruments required by law or reasonably requested by the Vendor in order to confirm or further assure, the interest of the Vendor hereunder.

7. The Vendor may assign all or any of the rights assigned to it hereby or arising under the Lease, including, without limitation, the right to receive any Payments due or to become due. In the event of any such assignment, any such subsequent or successive assignee shall, to the extent of such assignment, enjoy all the rights and privileges and be subject to all the obligations of the Vendor hereunder.

8. This Assignment shall be governed by the laws of the State of Texas, but the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

9. The Lessor shall cause copies of all notices received in connection with the Lease and all payments hereunder to be promptly delivered or made to the Vendor, unless the Lessor shall have determined that the Vendor has already received such notices.

10. Except as provided in Paragraph 1 hereof, the Vendor hereby agrees with the Lessor that the Vendor will not, so long as no event of default under the CSA has occurred and is continuing, exercise or enforce, or seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits which are assigned and transferred by the Lessor to the Vendor by

this Assignment and which are solely for the benefit of and are enforceable by the Lessor without the prior consent of the Lessor, and the Vendor hereby acknowledges notice of, and confirms the Lessor's right under § 20 of the Lease to perform for the Lessee.

11. This Assignment may be executed in any number of counterparts, but the counterpart delivered to the Vendor shall be deemed to be the original counterpart. Although for convenience this Assignment is dated as of the date first above written, the actual dates of execution hereof by the parties hereto are the dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

ARMCO INDUSTRIAL CREDIT CORPORATION,

by

_____
Vice President

[Seal]

Attest:

_____
Assistant Secretary

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent,

by

_____
Assistant Vice President

[Corporate Seal]

Attest:

_____
Assistant Corporate Trust Officer

STATE OF TEXAS,)
) ss.:
COUNTY OF DALLAS,)

On this day of December 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a Vice President of ARMCO INDUSTRIAL CREDIT CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal]

Notary Public

My Commission expires

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

On this day of December 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the seal of said Corporation and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal]

Notary Public

My Commission expires

CONSENT AND AGREEMENT

BANGOR AND AROOSTOOK RAILROAD COMPANY ("Lessee"), the lessee named in the Lease ("Lease") referred to in the foregoing Assignment of Lease and Agreement ("Lease Assignment"), hereby (a) acknowledges receipt of a copy of the Lease Assignment and (b) consents to all the terms and conditions of the Lease Assignment and agrees that:

(1) it will pay all Payments (as defined in Paragraph 1 of the Lease Assignment) due and to become due under the Lease directly to Mercantile-Safe Deposit and Trust Company, as Agent ("Vendor"), the assignee named in the Lease Assignment, by bank wire transfer of immediately available funds to Mercantile-Safe Deposit and Trust Company, Baltimore, Maryland, for credit to its Corporate Trust Department's Account No. 08246-5 with advice that the funds are "Re: B&A 12/1/81" (or at such other address as may be furnished in writing to the Lessee by the Vendor); provided, however, that unless and until the Vendor in its sole discretion shall otherwise direct the undersigned in writing, so long as no event of default under the Lease, or any event which with notice or lapse of time or both would constitute such an event of default, shall have occurred and be continuing, the undersigned shall make only that portion of the Payments necessary to satisfy the obligations of the Lessor (as defined in the Lease) under the CSA (as defined in the Lease) directly to the Vendor and any balance shall be paid by the undersigned directly to the Lessor or to its order;

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

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

(4) the Lease shall not, without the prior written consent of the Vendor, be terminated or modified, nor shall any action be taken or omitted by the Lessee, the

taking or omission of which might result in an alteration or impairment of the Lease or the Lease Assignment or this Consent and Agreement or of any of the rights created by any thereof.

This Consent and Agreement, when accepted by the Vendor by signing the acceptance at the foot hereof, shall be deemed to be a contract under the laws of the State of Maine and, for all purposes, shall be construed in accordance with the laws of said State.

BANGOR AND AROOSTOOK RAILROAD COMPANY,

[Corporate Seal]

by

_____
President

Attest:

_____
Assistant Clerk

The foregoing Consent and Agreement is hereby accepted as of the first day of December 1981.

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent,

by

_____
Assistant Vice President

[CS&M Ref. 5735-002]

CONDITIONAL SALE AGREEMENT

Dated as of December 1, 1981,

Between

ARMCO INDUSTRIAL CREDIT CORPORATION, Vendee,

and

WHITTAKER CORPORATION, BERWICK FORGE AND FABRICATING DIVISION, Builder

CONDITIONAL SALE AGREEMENT

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CONDITIONAL SALE AGREEMENT dated as of December 1, 1981, between WHITTAKER CORPORATION, BERWICK FORGE AND FABRICATING DIVISION, a California corporation ("Builder" or "Vendor" as the context may require, all as more particularly set forth in Article 1 hereof), and ARMCO INDUSTRIAL CREDIT CORPORATION ("Vendee").

WHEREAS the Builder has agreed to construct, sell and deliver to the Vendee, and the Vendee agrees to purchase, subject to the terms and conditions hereof, the equipment described in Annex B hereto ("Equipment");

WHEREAS the Vendee is entering into a lease with BANGOR AND AROOSTOOK RAILROAD COMPANY, a Maine corporation ("Lessee"), in substantially the form annexed hereto as Annex C ("Lease"); and

WHEREAS MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY ("Assignee"), is acting as agent for a certain investor pursuant to a Participation Agreement dated as of the date hereof ("Participation Agreement") among the Lessee, the Assignee, the Vendee and the investor named therein ("Original Investor", and, together with its successors and assigns, "Investors");

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

ARTICLE 1. ASSIGNMENT; DEFINITIONS

1.1. Contemplated Sources of Purchase Price; Assignment. The parties hereto contemplate that the Vendee will furnish 31.70977% of the Purchase Price (as defined in paragraph 4.1 hereof) of the Equipment and that an amount equal to the balance of such Purchase Price shall be settled with the Builder by the Assignee pursuant to an Agreement and Assignment dated as of the date hereof ("CSA Assignment") between the Builder and the Assignee.

1.2. Lease Assignment. The Vendee will assign to the Vendor, as security for the payment and performance of all the Vendee's obligations hereunder, certain of its right, title and interest in and to the Lease, pursuant to

an Assignment of Lease and Agreement in substantially the form of Annex D hereto ("Lease Assignment") and the Lessee will consent thereto pursuant to the Consent and Agreement annexed thereto ("Consent").

1.3. Meaning of "Builder" and "Vendor". The term "Builder", whenever used in this Agreement, means, both before and after any assignment of its rights hereunder, the party hereto which has manufactured the Equipment to be constructed and sold hereunder and any successor or successors for the time being to its manufacturing properties and business. The term "Vendor", whenever used in this Agreement, means, before any such assignment, the Builder, and, after any such assignment, both any assignee or assignees for the time being of such particular assigned rights, as regards such rights, and also any assignor as regards any rights hereunder that are retained or excluded from any assignment. Any reference herein to this Agreement or any other agreement shall mean said agreement and all amendments and supplements hereto or thereto then in effect.

ARTICLE 2. CONSTRUCTION AND SALE

Pursuant to this Agreement, the Builder shall construct the Equipment at its plant described in Annex B hereto, and will sell and deliver the Equipment to the Vendee, and the Vendee will purchase from the Builder and accept delivery of and pay for the Equipment, each unit of which shall be constructed in accordance with the specifications referred to in Annex B hereto and in accordance with such modifications thereof as may be agreed upon in writing between the Builder, the Vendee and the Lessee (which specifications and modifications, if any, are hereinafter called the "Specifications"). The Builder represents and warrants that (i) the design, quality and component parts of each unit of the Equipment to be delivered by the Builder under this Agreement shall conform, on the date of delivery and acceptance thereof, to all Department of Transportation and Interstate Commerce Commission requirements and specifications and to all standards, if any, recommended by the Association of American Railroads reasonably interpreted as being applicable to railroad equipment of the character of such unit, (ii) each such unit will be new railroad equipment, (iii) none of such component parts will be used components (except to the extent referred to in any footnote to Annex B hereto) and (iv) none of such units will have been used so as to preclude first use in the Vendee or the Lessee.

ARTICLE 3. INSPECTION AND DELIVERY

3.1. Place of Delivery. The Builder will deliver the Equipment to the Vendee at the place or places specified in Annex B hereto (or if Annex B does not specify a place or places, at the place or places designated from time to time by the Vendee), freight charges and storage charges, if any, prepaid, in accordance with the delivery schedule set forth in Annex B hereto; provided, however, that delivery of any unit of the Equipment shall not be made until this Agreement and the Lease have been filed pursuant to 49 U.S.C. § 11303 and deposited with the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada and for publication of notice of such deposit in The Canada Gazette; and provided further that the Builder shall have no obligation to deliver any unit of Equipment hereunder (i) subsequent to the commencement of any proceedings specified in clause (c) or (d) of paragraph 16.1 hereof or the occurrence of any event of default (as defined in paragraph 16.1 hereof), or event which, with the lapse of time and/or demand, could constitute such an event of default or (ii) unless the Builder shall have been notified by the Assignee that the conditions contained in Paragraph 6 of the Participation Agreement have been met and the Builder shall have been notified by the Vendee that the conditions contained in Paragraph 7 of the Participation Agreement have been met or waived. The Builder agrees not to deliver any unit of Equipment hereunder if the Builder shall have actual knowledge or following receipt of written notice from the Vendee or the Assignee (a) of the commencement of any such proceedings or the occurrence of any such event, as aforesaid or (b) that any of the conditions contained in Paragraph 6 or 7 of the Participation Agreement have not been met or waived until such time as such written notice may be canceled by a further written notice or the Vendee and Assignee consent to the resumption of deliveries.

3.2. Force Majeure. The Builder's obligation as to time of delivery is subject, however, to delays resulting from causes beyond the Builder's reasonable control, including, without limitation, acts of God, acts of government such as embargoes, priorities and allocations, war or war conditions, riot or civil commotion, sabotage, strikes, differences with workmen, accidents, fire, flood, explosion, damage to plant, equipment or facilities, delays in receiving necessary materials or delays of carriers or subcontractors.

3.3. Exclusion of Equipment. Any Equipment not delivered pursuant to paragraph 3.1 hereof and any

Equipment not delivered and accepted hereunder on or before December 31, 1981, shall be excluded from this Agreement, and the Vendee shall be relieved of its obligation to purchase and pay for such Equipment; provided, however, that the Vendee may elect by written notice to the Builder and Lessee to purchase and pay for any such Equipment not so delivered and accepted hereunder on or before December 31, 1981. If any Equipment shall be excluded herefrom pursuant to the preceding sentence, the parties hereto shall execute an agreement supplemental hereto limiting this Agreement to the Equipment not so excluded herefrom. In the event of any such exclusion of any unit of Equipment herefrom pursuant to the foregoing provisions of this paragraph 3.3 or pursuant to paragraph 4.1 hereof, or in the event the Vendee is relieved of its obligation hereunder to accept or pay for any or all units of Equipment in accordance with the terms and conditions hereof for any reason whatsoever, the Lessee will be obligated pursuant to Paragraph 1 of the Participation Agreement to accept all such units completed and delivered by the Builder and to pay the full purchase price therefor when due, all in accordance with the terms of its prior contractual arrangements with the Builder relating to the Equipment (the "Purchase Order"), and the Vendee will reassign, transfer and set over to the Builder all the right, title and interest of the Vendee in and to the units so excluded.

3.4. Inspection. During construction, the Equipment shall be subject to inspection and approval by the authorized inspectors of the Vendee (who may be employees of the Lessee), and the Builder shall grant to such authorized inspectors reasonable access to its plant. The Builder agrees to inspect the materials used in the construction of the Equipment in accordance with the standard quality control practices of the Builder. Upon or after completion of each unit or of a number of units of the Equipment, such unit or units shall be presented to an inspector of the Vendee for inspection at the place specified for delivery of such unit or units, and if each such unit conforms to the Specifications and requirements and standards applicable thereto, such inspector or an authorized representative of the Vendee (who may be an employee of the Lessee) shall execute and deliver to the Builder a certificate of acceptance ("Certificate of Acceptance") stating that such unit or units have been inspected and accepted on behalf of the Vendee and are marked in accordance with paragraph 10.1 hereof; provided, however, that the Builder shall not thereby be relieved of its warranty referred to in paragraph 14.4 hereof. By § 2

of the Lease, the Vendee is appointing the Lessee its agent to inspect and accept delivery of the Equipment. Acceptance of any unit of Equipment by the Lessee (or its employees or agents, as aforesaid) pursuant to § 2 of the Lease shall be deemed to be acceptance of such unit by the Vendee.

3.5. Builder's Responsibilities After Delivery. On delivery by the Builder hereunder of units of Equipment and acceptance of each such unit hereunder at the place specified for delivery, the Builder shall have no further responsibility for, nor bear any risk of, any damage to or the destruction or loss of such units; provided, however, that the Builder shall not thereby be relieved of its warranty referred to in paragaph 14.4 hereof.

ARTICLE 4. PURCHASE PRICE AND PAYMENT

4.1. Meaning of "Purchase Price"; Exclusion of Units. The base price or prices per unit of the Equipment are set forth in Annex B hereto. Such base price or prices are subject to such increase or decrease as otherwise may be agreed to by the Builder, the Vendee and the Lessee. The term "Purchase Price" as used herein shall mean the base price or prices as so increased or decreased as set forth in the invoice of the Builder delivered to the Vendee and, if the Purchase Price is other than the base price or prices set forth in said Annex B, the invoice or invoices shall be accompanied by, or have endorsed thereon, the agreement or approval of the Lessee and the Vendee (such invoice or invoices being hereinafter called "Invoices"). If on any Closing Date the aggregate Purchase Price of Equipment for which settlement has theretofore been and is then being made would, but for the provisions of this sentence, exceed the Maximum Purchase Price specified in Item 4 of Annex A hereto, the Builder (and any assignee of the Builder) will enter into an agreement excluding from this Agreement such unit or units of Equipment then proposed to be settled for and specified by the Vendee and the Lessee, as will, after giving effect to such exclusion, reduce such aggregate Purchase Price to not more than said Maximum Purchase Price and the Vendee shall have no further obligation or liability in respect of the units so excluded.

4.2. Designation of Equipment; Settlement and Closing Dates. The Equipment shall be settled for in such number of Groups of Equipment as is provided for in Item 2 of

Annex A hereto. The term "Closing Date" with respect to any Group shall be such date as is specified in Item 2 of Annex A hereto or as is specified by the Lessee by six business days' written notice thereof with the concurrence of the Vendee, the Assignee and the Builder, but in no event shall such date be later than December 31, 1981 ("Cut Off Date"). Such notice shall specify the aggregate Purchase Price of such Group and a copy thereof shall be sent by the Lessee to the Builder, the Assignee and the Vendee. The term "Group", as used herein, shall mean the group of units of Equipment being settled for on any Closing Date. The place of each closing shall be determined by mutual agreement among the parties hereto. At least five business days prior to the Closing Date with respect to a Group of Equipment, the Builder shall present to the Vendee, the Assignee and the Lessee the Invoices for the Equipment to be settled for. The term "business days" as used herein means calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in Bangor, Maine, Dallas, Texas, Baltimore, Maryland, or New York, New York, are authorized or obligated to remain closed.

4.3. Indebtedness of Vendee to Vendor. Subject to the terms of this Agreement, the Vendee hereby acknowledges itself to be indebted to the Vendor in the amount of, and hereby promises to pay in immediately available funds to the Vendor at such place as the Vendor may designate, the Purchase Price of the Equipment, as follows:

(a) on the Closing Date with respect to each Group an amount equal to 31.70977% of the aggregate Purchase Price of the units of Equipment in such Group; and

(b) in 60 quarterly installments, as hereinafter provided, an amount equal to the aggregate Purchase Price of the units of Equipment for which settlement is then being made, less the aggregate amount paid or payable with respect thereto pursuant to subparagraph (a) of this paragraph (the portion of the Purchase Price payable under this subparagraph (b) is hereinafter called "CSA Indebtedness").

4.4. CSA Indebtedness; Payment Dates; Interest. (1) The installments of the CSA Indebtedness shall be payable quarterly on January 4, April 4, July 4 and October 4 in each year, commencing January 4, 1982, to and including October 4, 1996, each such date being hereinafter called a "Payment Date". The unpaid balance of the CSA Indebtedness

shall bear interest from the Closing Date in respect of which such Indebtedness was incurred at the rate of 9% per annum. Interest on the unpaid balance of the CSA Indebtedness shall be payable in arrears on January 4, 1982, and quarterly on each Payment Date thereafter. The amounts of CSA Indebtedness payable on each Payment Date shall be calculated so that the amount and allocation of principal and interest payable on each Payment Date shall be substantially in proportion to the amount and allocation of principal and interest on such Payment Date set forth in Schedule I hereto (subject to the provisions of Article 7 hereof) and the aggregate of such installments of principal shall completely amortize the CSA Indebtedness at maturity. The Vendee will furnish to the Vendor and the Lessee promptly after the last Closing Date a schedule, in such number of counterparts as shall be requested by the Vendor, showing the respective amounts of principal and interest payable on each Payment Date.

(2) If any of the dates for payment of principal or interest is not a business day, such payment shall be payable on the next business day.

4.5. Calculation of Interest. Interest under this Agreement shall be calculated on the basis of a 360-day year of twelve 30-day months except that interest payable on January 4, 1982, shall be computed on an actual elapsed day, 365-day year, basis.

4.6. Penalty Interest. The Vendee will pay interest, to the extent legally enforceable, at the rate of 16% per annum ("Penalty Rate") upon all amounts remaining unpaid after the same shall have become due and payable pursuant to the terms hereof or such lesser amount as shall be legally enforceable, anything herein to the contrary notwithstanding.

4.7. Currency of Payment; Limitation on Prepayment. All payments provided for in this Agreement shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Except as provided in Article 7 hereof, the Vendee shall not have the privilege of prepaying any portion of the CSA Indebtedness prior to the date it becomes due.

4.8. Liability of Vendee Limited to "Income and Proceeds from Equipment". Notwithstanding any other

provision of this Agreement (including, but not limited to, any provision of Articles 16 and 17 hereof, except as set forth in this paragraph 4.8), but not limiting the effect of Article 23 hereof, the liability of the Vendee or any assignee of the Vendee for all payments to be made by it under this Agreement, with the exception only of the payments to be made pursuant to paragraph 4.3(a) hereof and paragraph 13.1 hereof, shall not exceed an amount equal to, and shall be payable only out of, the "income and proceeds from the Equipment", and such payments shall be made by the Vendee only to the extent that the Vendee or any assignee of the Vendee shall have actually received sufficient "income and proceeds from the Equipment" to make such payments. Except as provided in the preceding sentence, neither the Vendee nor any assignee of the Vendee shall have any liability to make any payments under this Agreement whatsoever except from the "income and proceeds from the Equipment" to the extent actually received by the Vendee or any assignee of the Vendee. As used herein the term "income and proceeds from the Equipment" shall mean

(i) if one of the events of default specified in paragraph 16.1 hereof shall have occurred and while it shall be continuing, so much of the following amounts as are indefeasibly received by the Vendee or any assignee of the Vendee at any time after any such event and during the continuance thereof: (a) all amounts of rental and amounts in respect of Casualty Occurrences (as defined in paragraph 7.2 hereof) paid for or with respect to the Equipment pursuant to the Lease and any and all other payments received under § 13 or any other provision of the Lease and (b) any and all payments or proceeds received for or with respect to the Equipment as the result of the sale, lease or other disposition thereof, after deducting all costs and expenses of such sale, lease or other disposition, and

(ii) at any other time only that portion of the amounts referred to in the foregoing clauses (a) and (b) (not including amounts paid by the Lessee to the Vendee as reimbursement of sums paid by the Vendee on account of prior defaults under § 13.1(A) of the Lease) as are indefeasibly received by the Vendee or any assignee of the Vendee and as shall equal the portion of the CSA Indebtedness (including prepayments thereof required in

respect of Casualty Occurrences) and/or interest thereon due and payable on the date such amounts were required to be paid pursuant to the Lease or as shall equal any other payments then due and payable under this Agreement;

it being understood that "income and proceeds from the Equipment" shall in no event include (x) amounts referred to in the foregoing clauses (a) and (b) which were received by the Vendee or any assignee of the Vendee prior to the existence of such an event of default which exceeded the amounts required to discharge that portion of the CSA Indebtedness (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon due and payable on the date on which amounts with respect thereto received by the Vendee or any assignee of the Vendee were required to be paid to it pursuant to the Lease or which exceeded any other payments due and payable under this Agreement at the time such amounts were payable under the Lease or (y) payments by the Lessee to the Vendee pursuant to §§ 6, 12 and 20 of the Lease (except to the extent that and in the event any such payment discharges a corresponding obligation of the Vendee to the Vendor under this Agreement). Nothing contained herein limiting the liability of the Vendee shall derogate from the right of the Vendor to proceed against the Equipment as provided for herein for the full unpaid Purchase Price of the Equipment and interest thereon and all other payments and obligations hereunder. Notwithstanding anything to the contrary contained in Article 16 or 17 hereof, the Vendor agrees that in the event it shall obtain a judgment against the Vendee for an amount in excess of the amounts payable by the Vendee pursuant to the limitations set forth in this paragraph, it will, accordingly, limit its execution of such judgment to amounts payable pursuant to the limitations set forth in this paragraph.

ARTICLE 5. SECURITY INTEREST IN THE EQUIPMENT

5.1. Vendor To Retain Security Interest; Accessions Are Part of Equipment. The Vendor shall and hereby does retain a security interest in the Equipment until the Vendee shall have made all its payments under this Agreement and shall have kept and performed all its agreements herein contained, notwithstanding any provision of this Agreement limiting the liability of the Vendee and notwithstanding the delivery of the Equipment to and the possession and use thereof by the Vendee and the Lessee as provided in this

Agreement and the Lease. Such retention of security interest is solely to secure performance by the Vendee of its obligations under this Agreement (without regard to any provision of this Agreement limiting the liability of the Vendee), and, subject thereto, ownership of the Equipment shall be and remain in the Vendee subject to such performance. Any and all parts installed on and additions and replacements made to any unit of the Equipment (i) which are not readily removable without causing material damage to such unit, (ii) the cost of which is included in the Purchase Price of such unit or (iii) which are required for the operation or use of such unit by the Association of American Railroads and/or the Interstate Commerce Commission, the United States Department of Transportation or any other applicable regulatory body, shall constitute accessions to the Equipment and shall be subject to all the terms and conditions of this Agreement and included in the term "Equipment" as used in this Agreement.

5.2. Obligations upon Payment of CSA Indebtedness. Except as otherwise specifically provided in Article 7 hereof, when and only when the Vendor shall have been paid the full indebtedness in respect of the Purchase Price of the Equipment, together with interest and all other payments as herein provided, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee without further transfer or action on the part of the Vendor or the Vendee. However, the Vendor, if so requested by the Vendee at that time, will (a) execute an instrument releasing its security interest in the Equipment and transferring such interest to the Vendee or upon its order, free of all liens, security interests and other encumbrances created or retained hereby and deliver such instrument to the Vendee at its address referred to in Article 22 hereof, (b) execute and deliver at the same place, for filing, recording or depositing in all necessary public offices, such instrument or instruments in writing as may be necessary or appropriate in order then to make clear upon the public records the title of the Vendee to the Equipment and (c) pay to the Vendee any money paid to the Vendor pursuant to Article 7 hereof and not theretofore applied as therein provided. The Vendee hereby waives and releases any and all rights, existing or that may be acquired, in or to the payment of any penalty, forfeit or damages for failure to execute and deliver such instrument or instruments or to file any certificate of payment in compliance with any law or statute requiring the filing of the same, except for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file such certificate within a reasonable time after written demand by the Vendee.

ARTICLE 6. TAXES

6.1. General Tax Indemnification. Whether or not any of the transactions contemplated hereby are consummated, the Vendee agrees to pay, and to indemnify and hold the Vendor harmless on an after-tax basis from, all taxes, assessments, fees and governmental charges of any nature whatsoever, together with any penalties, fines, additions to tax or interest thereon, howsoever imposed, whether levied or imposed upon the Vendee, the Vendor, the Lessee 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 unit of the Equipment or any part thereof; the purchase, ownership, delivery, leasing, possession, use, operation, transfer of title, return or other disposition thereof; the rentals, receipts or earnings arising therefrom; or this Agreement, the CSA Assignment, the Lease, the Lease Assignment, 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 any state or political subdivision thereof and (if and to the extent that any person indemnified hereunder is entitled to a credit therefor against its United States Federal income taxes) of any foreign country or subdivision thereof, imposed on or measured solely by the gross, adjusted gross, or net receipts, or income or excess profits of the Vendor, or franchise taxes to the extent measured by gross, adjusted gross, or net receipts, or income or excess profits of the Vendor, or gross or net receipts taxes other than gross or net receipts taxes in the nature of sales or use taxes, and other than Taxes arising out of or imposed in respect of the receipt of indemnification payments pursuant to this Agreement; provided that such Taxes of any foreign country or subdivision thereof incurred as a result of the indemnified party being taxed by such foreign country or subdivision on its world-wide income without regard to the transactions contemplated by this Agreement shall be excluded whether or not the indemnified party is entitled to a credit against its United States Federal income taxes; (ii) any Taxes imposed on or measured by any fees or compensation received by the Vendor; (iii) Taxes which are imposed on or measured solely by the net income of the Vendor if and to the extent that such Taxes are in substitution for or reduce the Taxes

payable by any other person which the Vendee has not agreed to pay or indemnify against pursuant to this Article 6; and (iv) any payroll or similar tax and any property, sales, use, occupancy or similar taxes with respect to property other than the Units; provided, however, that the Vendee shall not be required to pay any Taxes during the period it may be contesting the same in the manner provided in paragraph 6.2 hereof.

6.2. Claims; Contests; Refunds. If claim is made against the Vendor for any Taxes indemnified against under this Article 6, the Vendor shall promptly notify the Vendee. If reasonably requested by the Vendee in writing, the Vendor shall, upon receipt of any indemnity satisfactory to it for all costs, expenses, losses, legal and accountants' fees and disbursements, penalties, fines, additions to tax and interest, and at the expense of the Vendee, contest in good faith the validity, applicability or amount of such Taxes by (a) resisting payment thereof if possible, (b) not paying the same except under protest, if protest is necessary and proper, and (c) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative or judicial proceedings, or both. The Vendee may also contest, at its own expense, the validity, applicability or amount of such Taxes in the name of the Vendor; provided that, no proceeding or actions relating to such contest shall be commenced (nor shall any pleading, motion, brief or other paper be submitted or filed in the name of the Vendor in any such proceeding or action) without the prior written consent of the Vendor. If the Vendor shall obtain a refund of all or any part of such Taxes previously reimbursed by the Vendee in connection with any such contest or an amount representing interest thereon, the Vendor shall pay the Vendee the amount of such refund or interest net of expenses; provided, however, that no event of default set forth in paragraph 16.1 hereof and no event which with notice or lapse of time or both would constitute such an event of default shall have occurred and be continuing.

6.3. Reports or Returns. In case any report or return is required to be made with respect to any obligation of the Vendee under or arising out of this Article 6, the Vendee shall either make such report or return in such manner as will show the interests of the Vendor in the Equipment or shall promptly notify the Vendor of such requirement and shall make such report or return in such manner as shall be satisfactory to the Vendor. All costs and expenses

(including legal and accountants' fees) of preparing any such return or report shall be borne by the Vendee.

6.4. Survival. All of the obligations of the Vendee under this Article 6 shall survive and continue, notwithstanding payment in full of all amounts due under this Agreement.

ARTICLE 7. MAINTENANCE AND CASUALTY OCCURRENCES

7.1. Maintenance. Subject to the limitations contained in Article 23 hereof, the Vendee shall, at its own cost and expense, maintain and keep each unit of the Equipment in good operating order, repair and condition, ordinary wear and tear excepted, in accordance with the Interchange Rules of the American Association of Railroads.

7.2. Casualty Occurrences. In the event that any unit of Equipment shall suffer a Casualty Occurrence (as defined in § 7 of the Lease), the Vendee shall, promptly after it shall have received notice from the Lessee or has otherwise been informed that such unit has suffered a Casualty Occurrence, cause the Vendor to be fully informed in regard thereto. On the Casualty Payment Date (as defined in § 7.1 of the Lease), the Vendee shall, subject to the limitations contained in paragraph 4.8 hereof, pay to the Vendor a sum equal to the Casualty Value (as defined in paragraph 7.3 hereof) of such unit suffering a Casualty Occurrence as of such Casualty Payment Date, together with an amount equal to accrued interest thereon. The Vendee shall file, or cause to be filed, with the Vendor a certificate setting forth the Casualty Value of such unit. Any money paid to the Vendor pursuant to this paragraph shall be applied on the date of such payment to prepay, without penalty or premium, ratably in accordance with the unpaid balance of each installment, the CSA Indebtedness, together with all interest accrued on the portion of the CSA Indebtedness being prepaid. The Vendee shall promptly cause to be furnished to the Vendor and the Lessee a revised schedule of payments of principal and interest thereafter to be made, in such number of counterparts as the Vendor and the Lessee may request, calculated as provided in paragraph 4.4 hereof.

7.3. Casualty Value. The Casualty Value of each unit of the Equipment suffering a Casualty Occurrence shall be deemed to be that portion of the original Purchase Price thereof referred to in paragraph 4.3(b) hereof remaining unpaid on the date as of which such Casualty Value shall be

determined (without giving effect to any prepayment or prepayments theretofore made under this Article with respect to any other unit). For the purpose of this paragraph and paragraph 7.4 hereof, each payment of the Purchase Price made pursuant to Article 4 hereof shall be deemed to be a payment with respect to each unit of Equipment in like proportion as the original Purchase Price of such unit bears to the aggregate original Purchase Price of all the Equipment.

7.4. Obligations upon Payment of Casualty Value. Upon payment by the Vendee to the Vendor of the Casualty Value of any unit of the Equipment having suffered a Casualty Occurrence, absolute right to the possession of, title to and property in such unit shall pass to and vest in the Vendee, without further transfer or action on the part of the Vendor or the Vendee and the provisions of the second and third sentences of paragraph 5.2 shall apply as though expressly set forth in this paragraph 7.4.

ARTICLE 8. INSURANCE PROCEEDS AND CONDEMNATION PAYMENTS

If the Vendor shall receive any insurance proceeds or condemnation payments in respect of any units suffering a Casualty Occurrence, the Vendor shall promptly pay such insurance proceeds or condemnation payments to the Vendee; provided, however, that no event of default shall have occurred and be continuing hereunder and the Vendee shall have made payment of the Casualty Value of such units, together with accrued interest thereon, to the Vendor. All insurance proceeds received by the Vendor in respect of any unit of Equipment not suffering a Casualty Occurrence shall be paid to the Vendee upon proof satisfactory to the Vendor that any damage to such unit in respect of which such proceeds were paid has been fully repaired.

ARTICLE 9. REPORTS AND INSPECTIONS

On or before March 31 in each year, commencing with the year 1983, the Vendee shall, subject to the provisions of Article 23 hereof, cause to be furnished to the Vendor an accurate statement to the effect set forth in § 8 of the Lease. The Vendor shall have the right, by its agents, to inspect the Equipment and the Vendee's and the Lessee's records with respect thereto at such reasonable times as the Vendor may request during the term of this Agreement.

ARTICLE 10. MARKING OF EQUIPMENT

10.1. Marking of Equipment. The Vendee will cause each unit of the Equipment to be kept numbered and marked as provided in § 5 of the Lease. The Vendee will not permit the identifying number of any unit of the Equipment to be changed except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been filed with the Vendor and filed, recorded and deposited by or on behalf of the Vendee in all public offices where this Agreement shall have been filed, recorded and deposited.

10.2. No Designations of Ownership. Except as provided in paragraph 10.1 hereof, the Vendee will not allow the name of any person, association or corporation to be placed on any unit of the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Equipment may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates.

ARTICLE 11. COMPLIANCE WITH LAWS AND RULES

11.1. Compliance with Laws and Rules. During the term of this Agreement, the Vendee will comply, and will cause every lessee or user of the Equipment to comply, in all respects (including, without limitation, with respect to the use, maintenance and operation of the Equipment) with all Applicable Laws (as defined in § 10 of the Lease) and in the event that such Applicable Laws require any alteration, replacement or addition of or to any part on any unit of the Equipment, the Vendee will or will cause the Lessee to conform therewith at no expense to the Vendor; provided, however, that the Vendee or the Lessee may, in good faith, contest the validity or application of any such Applicable Laws in any reasonable manner which does not, in the opinion of the Vendor, adversely affect the property or rights of the Vendor under this Agreement.

ARTICLE 12. POSSESSION AND USE

12.1. Possession and Use of Equipment by Vendee. The Vendee, so long as an event of default shall not have occurred and be continuing under this Agreement, shall be

entitled, from and after delivery of the Equipment by the Builder to the Vendee, to the possession of the Equipment and the use thereof, but only upon and subject to all the terms and conditions of this Agreement.

12.2. Lease Permitted; Lease Subordinate; No Amendment or Termination. The Vendee simultaneously with the execution hereof is leasing the Equipment to the Lessee as provided in the Lease, and the rights of the Lessee and its permitted assigns under the Lease shall be subordinated and junior in rank to the rights, and shall be subject to the remedies, of the Vendor under this Agreement. The Lease shall not be amended in any material respect or terminated (except in accordance with § 4 thereof) without the prior written consent of the Vendor.

12.3. Other Leases of Equipment. Subject to the rights of the Lessee under the Lease, the Vendee may also lease the Equipment to any other entity, but only with the prior written consent of the Vendor, which consent may be subject to the conditions, among others, that (i) such lease shall provide that the rights of such lessee are made expressly subordinate to the rights and remedies of the Vendor under this Agreement, (ii) such lessee shall expressly agree not to assign or permit the assignment of any unit of the Equipment to service involving the regular operations and maintenance thereof outside the United States and (iii) such lease shall be assigned to the Vendor as security on terms consistent with those set forth in Annex D hereto, and in any event satisfactory to the Vendor.

ARTICLE 13. PROHIBITION AGAINST LIENS

13.1. Vendee To Discharge Liens. The Vendee will pay or discharge any and all sums claimed by any party from, through or under the Vendee or its successors or assigns which, if unpaid, might become a lien, charge or security interest on or with respect to the Equipment, or any unit thereof and will promptly discharge any such lien, charge or security interest which arises, but shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the security interest of the Vendor in or to the Equipment or otherwise under this Agreement.

Any amounts paid by the Vendor in discharge of liens, charges or security interests upon the Equipment shall be secured by and under this Agreement.

13.2. No Breach for Certain Liens. This covenant will not be deemed breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent.

ARTICLE 14. INDEMNITIES AND WARRANTIES

14.1. Indemnification. The Vendee shall pay, and shall protect, indemnify and hold the Vendor and any assignee hereof, and their respective successors, assigns, agents and servants ("Indemnified Persons"), harmless from and against any and all Indemnified Matters (as defined in § 12 of the Lease); except that the Vendee shall not be liable to the Builder in respect of any of the foregoing matters to the extent liability in respect thereof arises from an act or omission of the Builder or is covered by the Builder's patent indemnification referred to in paragraph 14.4 hereof. The Vendee shall be obligated under this Article 14, irrespective of whether any Indemnified Person shall also be indemnified with respect to the same matter under any other agreement by any other person, and the Indemnified Person seeking to enforce the indemnification may proceed directly against the Vendee under this Article 14 without first resorting to any such other rights of indemnification. In case any action, suit or proceeding is brought against any Indemnified Person in connection with any Indemnified Matter, the Vendee may and, upon such Indemnified Person's request, will at the Vendee's expense resist and defend such action, suit or proceeding, or cause the same to be resisted or defended by counsel selected by the Vendee and approved by such Indemnified Person and, in the event of any failure by the Vendee to do so, the Vendee shall pay all costs and expenses (including, without limitation, attorneys' fees and expenses) incurred by such Indemnified Person in connection with such action, suit or proceeding. In the event the Vendee is required to make any payment under this Article 14, the Vendee shall pay such Indemnified Person an amount which, after deduction of all taxes required to be paid by such Indemnified Person in respect of the receipt thereof under

the laws of the United States or of any political subdivision thereof (after giving credit for any savings in respect of any such taxes by reason of deductions, credits or allowances in respect of the payment of the expense indemnified against, and of any other such taxes as determined in the sole discretion of the Indemnified Person), shall be equal to the amount of such payment. The Vendor and the Vendee agree to give each other promptly upon obtaining knowledge thereof written notice of any claim or liability hereby indemnified against. Upon the payment in full of any indemnities as contained in this Article 14 by the Vendee, and provided that no event of default set forth in paragraph 16.1 hereof (or other event which with lapse of time or notice or both would constitute such an event of default) shall have occurred and be continuing, it shall be subrogated to any right of such Indemnified Person in respect of the matter against which indemnity has been given. Any payments received by such Indemnified Person from any person (other than the Vendee) as a result of any matter with respect to which such Indemnified Person has been indemnified by the Lessee pursuant to the Lease shall be paid over to the Vendee to the extent necessary to reimburse the Vendee for indemnification payments previously made in respect of such matter.

14.2. Survival; No Subrogation. The indemnities contained in this Article 14 shall survive the expiration or termination of this Agreement with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination and are expressly made for the benefit of, and shall be enforceable by, any Indemnified Person. None of the indemnities in this Article 14 shall be deemed to create any rights of subrogation in any insurer or third party against the Vendee therefor, from or under any Indemnified Person, whether because of any claim paid or defense provided for the benefit thereof or otherwise.

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

14.4. Warranties of Builder; Patent Indemnities; Subject to Article 23. The agreement of the parties relating to the Builder's warranties of material and workmanship and

the agreement of the parties relating to patent indemnification are set forth in Item 3 of Annex A hereto. The Builder represents and warrants that, at the time of delivery and acceptance of each unit of the Equipment under this Agreement, the Builder will have good and marketable title to such unit, free and clear of all claims, liens, security interests and other encumbrances of any nature excepting only the rights created by this Agreement, the CSA Assignment and the Lease.

ARTICLE 15. ASSIGNMENTS

15.1. Assignment by Vendee. The Vendee will not (a) except as provided in Article 12 hereof, transfer the right to possession of any unit of the Equipment or (b) sell, assign, transfer or otherwise dispose of its rights under this Agreement except that all, but not less than all, of the Vendee's right, title and interest in and to the Equipment together with its rights under this Agreement and the Lease, may be assigned, conveyed or transferred by the Vendee to (a) any bank, savings institution, trust company or other company having a combined capital and surplus of at least $50,000,000 or (b) any corporation owning at the time substantially all of the capital stock of the Vendee or any corporation or other entity (but not an individual) controlled by or under common control with the Vendee; provided, however, that such assignment, conveyance or transfer shall be made subject in all respects to the rights and remedies of the Vendor (including, without limitation, rights and remedies against the Vendee and the Lessee) and that such transferee shall assume in writing all of the obligations of the Vendee in such manner as shall be satisfactory to the Vendor and the Investors; and provided further, however, that in the event such assignment, conveyance or transfer occurs pursuant to (b) above, the Vendee shall remain secondarily liable for the transferee's obligations hereunder.

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

Article 14 hereof, or relieve the Vendee of its obligations to the Builder contained in Articles 2, 3, 4, 6 and 14 hereof, Annex A hereto and this Article 15, or any other obligation which, according to its terms or context, is intended to survive an assignment.

15.3. Notice of Assignment by Vendor. Upon any such assignment, either the assignor or the assignee shall give written notice to the Vendee, together with a copy of such assignment, stating the identity and post office address of the assignee, and such assignee shall, by virtue of such assignment, acquire all the assignor's right, title and interest in and to the Equipment and this Agreement, or in and to a portion thereof, as the case may be, subject only to such reservations as may be contained in such assignment. From and after the receipt by the Vendee of the notification of any such assignment, all payments thereafter to be made by the Vendee under this Agreement shall, to the extent so assigned, be made to the assignee in such manner as it may direct.

15.4. No Setoff Against Indebtedness. The Vendee expressly represents, for the purpose of assurance to any person, firm or corporation considering the acquisition of this Agreement or of all or any of the rights of the Vendor hereunder, and for the purpose of inducing such acquisition, that the rights of the assignee to the entire unpaid Purchase Price of the Equipment or such part thereof as may be assigned together with interest thereon, as well as any other rights hereunder which may be so assigned, shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever by the Vendee arising out of any breach of any obligation of the Builder with respect to the Equipment or the manufacture, construction, delivery or warranty thereof, or with respect to any indemnity herein contained, nor subject to any defense, setoff, counterclaim or recoupment whatsoever arising by reason of any other indebtedness or liability at any time owing to the Vendee by the Builder. Any and all such obligations, howsoever arising, shall be and remain enforceable by the Vendee against and only against the Builder.

ARTICLE 16. DEFAULTS

16.1. Events of Default; Termination of Lease; Declaration of Default; Acceleration. In the event that any

one or more of the following events of default shall occur and be continuing, to wit:

(a) the Vendee shall fail to pay or cause to be paid in full any sum payable by the Vendee when payment thereof shall be due hereunder (irrespective of the provisions of Article 4 or 23 hereof or any other provision of this Agreement limiting the liability of the Vendee) and such default shall continue for 20 days after the date such payment is due and payable; or

(b) the Vendee or the Lessee shall, for more than 30 days after the Vendor shall have demanded in writing performance thereof, fail or refuse to comply with any other provision of this Agreement (irrespective of the provisions of Article 4 or 23 hereof or any other provision of this Agreement limiting the liability of the Vendee), the Lease Assignment or any provision of the Participation Agreement made expressly for the benefit of the Vendor, on its part to be kept and performed or to make provision satisfactory to the Vendor for such compliance; or

(c) a petition for reorganization under Title 11 of the United States Code (as now or hereafter constituted) shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under the Lease shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed and otherwise in accordance with the provisions of 11 U.S.C. § 1168, or any successor provision, as the same may hereafter be amended; or

(d) any proceeding other than referred to in (c) shall be commenced by or against the Vendee or the Lessee for any relief which includes, or might result in, any modification of the obligations of the Vendee hereunder or the Lessee under the Lease under any

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

(e) an Event of Default under the Lease shall occur and be continuing; provided, however, that if the Vendee cures any event of default hereunder corresponding to an Event of Default under Section 13.1(A) of the Lease, such Event of Default under the Lease shall not be deemed to be an event of default hereunder.

then at any time after the occurrence of such an event of default the Vendor may, upon written notice to the Vendee and the Lessee and upon compliance with any legal requirements then in force and applicable to such action by the Vendor, (i) cause the term of the Lease immediately upon such notice to terminate; provided, however, that such termination shall not be in derogation of or impair the rights of the Vendee or the Vendor (under the assignment thereof), as the case may be, to enforce compliance by the Lessee with any of its covenants and agreements under the Lease or to enforce any of its rights and remedies under § 13 of the Lease (subject to the Vendor's rights to repossess and sell the Equipment as provided in this Agreement), including the rights of the Vendee or the Vendor (under the assignment thereof), as the case may be, to sue for and recover damages provided for in § 13 of the Lease upon the occurrence of an Event of Default under the Lease, and/or (ii) declare (hereinafter called a "Declaration of Default") the entire unpaid

CSA Indebtedness, together with the interest thereon then accrued and unpaid, immediately due and payable, without further demand, and thereafter the aggregate of the unpaid balance of the CSA Indebtedness and interest shall bear interest from the date of such Declaration of Default at the Penalty Rate to the extent legally enforceable. Upon a Declaration of Default, subject to Article 4 hereof, the Vendor shall be entitled to recover judgment for the entire unpaid balance of the CSA Indebtedness so payable, with interest as aforesaid, and to collect such judgment out of any property of the Vendee, subject to the provisions of Articles 4 and 23 hereof, wherever situated.

16.2. Waiver of Defaults. The Vendor may, at its election, waive any such event of default and its consequences and rescind and annul any Declaration of Default or notice of termination of the Lease by notice to the Vendee and the Lessee in writing to that effect, and thereupon the respective rights of the parties shall be as they would have been if no such event of default had occurred and no Declaration of Default or notice of termination of the Lease had been made or given. It is agreed that time is of the essence of this Agreement and no such waiver, rescission or annulment shall extend to or affect any other or subsequent default or impair any rights or remedies consequent thereon.

ARTICLE 17. REMEDIES

17.1. Vendor May Take Possession of Equipment. At any time during the continuance of a Declaration of Default, the Vendor may, and upon such further notice, if any, as may be required for compliance with any mandatory legal requirements then in force and applicable to the action to be taken by the Vendor, take or cause to be taken, by its agent or agents, immediate possession of the Equipment, or one or more of the units thereof, without liability to return to the Vendee any sums theretofore paid and free from all claims whatsoever, except as hereinafter in this Article 17 expressly provided, and may remove the same from possession and use of the Vendee, the Lessee or any other person and for such purpose may enter upon the premises of the Vendee or the Lessee or any other premises where the Equipment may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities or means of the Vendee or the Lessee, subject to all mandatory requirements of due process of law.

17.2. Assembling of Equipment for Vendor. In case the Vendor shall demand possession of the Equipment pursuant to this Agreement and shall designate a reasonable point or points for the delivery of the Equipment to the Vendor, the Vendee shall, subject to the provisions of Article 4 and Article 23 hereof, at its own expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any unit or units have been interchanged or which may have possession thereof to return the unit or units) place such units upon such storage tracks as the Vendor reasonably may designate;

(b) cause such units to be stored on such tracks without charge for insurance, rent or storage until all such units of Equipment have been sold, leased or otherwise disposed of by the Vendor; and

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

During any storage period, the Lessee has agreed pursuant to § 14.1 of the Lease, at its own cost and expense, to maintain and keep each such unit in good order and repair and to permit the inspection of the Equipment by the Vendor, the Vendor's representatives and prospective purchasers, lessees, and users. This agreement to deliver the Equipment and furnish facilities as hereinbefore provided is of the essence to the agreement between the parties, and the Vendee acknowledges that upon application to any court of equity having jurisdiction in the premises, the Vendor shall be entitled under the Lease as assignee of the rights of the Vendee thereunder to a decree against the Lessee requiring specific performance hereof. The Vendee hereby waives any and all claims against the Vendor and its agent or agents for damages of whatever nature in connection with any retaking of any unit of the Equipment in any reasonable manner.

17.3. Vendor May Dispose of or Retain Equipment. At any time during the continuance of a Declaration of Default, the Vendor (after retaking possession of the Equipment as hereinbefore provided) may, at its election, retain

the Equipment in satisfaction of the entire CSA Indebtedness and make such disposition thereof as the Vendor shall deem fit. Written notice of the Vendor's election to retain the Equipment shall be given to the Vendee and the Lessee by telegram or registered mail, addressed as provided in Article 22 hereof, and to any other persons to whom the law may require notice, within 30 days after such Declaration of Default. In the event that the Vendor should elect to retain the Equipment and no objection is made thereto within the 30-day period described in the second proviso below, all the Vendee's rights in the Equipment shall thereupon terminate and all payments made by the Vendee may be retained by the Vendor as compensation for the use of the Equipment; provided, however, that if the Vendee, before the expiration of the 30-day period described in the proviso below, should pay or cause to be paid to the Vendor the total unpaid balance of the CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement as well as expenses of removing and retaking possession of the Equipment, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee; provided further that if the Vendee, the Lessee or any other persons notified under the terms of this paragraph object in writing to the Vendor within 30 days from the receipt of notice of the Vendor's election to retain the Equipment, then the Vendor may not so retain the Equipment, but shall sell, lease or otherwise dispose of it or continue to hold it pending sale, lease or other disposition as hereinafter provided or as may otherwise be permitted by law. If the Vendor shall not have given notice to retain as hereinabove provided or notice of intention to dispose of the Equipment in any other manner, it shall be deemed to have elected to sell the Equipment in accordance with the provisions of this Article 17.

17.4. Vendor May Sell Equipment; Vendee's Right of Redemption. At any time during the continuance of a Declaration of Default, the Vendor, with or without retaking possession thereof, at its election and upon reasonable notice to the Vendee, the Lessee and any other persons to whom the law may require notice of the time and place, may sell the Equipment, or one or more of the units thereof, free from any and all claims of the Vendee, the Lessee or any other party claiming from, through or under the Vendee or the Lessee, at law or in equity, at public or private sale and with or without advertisement as the Vendor may determine; provided, however, that if, prior to such sale

and prior to the making of a contract for such sale, the Vendee should tender full payment of the total unpaid balance of the CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement as well as expenses of the Vendor in retaking possession of, removing, storing, holding and preparing the Equipment for, and otherwise arranging for, the sale and the Vendor's reasonable attorneys' fees, then upon receipt of such payment, expenses and fees by the Vendor, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee. The proceeds of such sale or other disposition, less any reasonable attorneys' fees and any other expenses incurred by the Vendor in retaking possession of, removing, storing, holding, preparing for sale and selling or otherwise disposing of the Equipment, shall be credited on the amount due to the Vendor under the provisions of this Agreement.

17.5. Sale of Equipment by Vendor. Any sale hereunder may be held or conducted at New York, New York, at such time or times as the Vendor may specify (unless the Vendor shall specify a different place or places, in which case the sale shall be held at such place or places as the Vendor may specify), in one lot and as an entirety or in separate lots and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner as the Vendor may determine, so long as such sale shall be in a commercially reasonable manner. The Vendor, the Vendee or the Lessee may bid for and become the purchaser of the Equipment, or any unit thereof, so offered for sale. The Vendee and the Lessee shall be given written notice of such sale not less than ten days prior thereto, by telegram or registered mail addressed as provided in Article 22 hereof. In addition, if such sale shall be a private sale (which shall be deemed to mean only a sale where an advertisement for bids has not been published in a newspaper of general circulation or a sale where less than 40 offerees have been solicited in writing to submit bids), it shall be subject to the rights of the Lessee and the Vendee to purchase or provide a purchaser, within ten days after notice of the proposed sale price, at the same price offered by the intending purchaser or a better price. In the event that the Vendor shall be the purchaser of the Equipment, it shall not be accountable to the Vendee (except to the extent of surplus money received as hereinafter provided in this Article 17), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all or any part of sums due to the Vendor hereunder.

17.6. Effect of Remedies and Powers and Exercise Thereof. Each and every power and remedy hereby specifically given to the Vendor shall be in addition to every other power and remedy hereby specifically given or now or hereafter existing at law or in equity not inconsistent herewith, and each and every power and remedy may be exercised from time to time and simultaneously and as often and in such order as may be deemed expedient by the Vendor. All such powers and remedies shall be cumulative, and the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Vendor in the exercise of any such power or remedy and no renewal or extension of any payments due hereunder shall impair any such power or remedy or shall be construed to be a waiver of any default or an acquiescence therein. Any extension of time for payment hereunder or other indulgence duly granted to the Vendee shall not otherwise alter or affect the Vendor's rights or the Vendee's obligations hereunder. The Vendor's acceptance of any payment after it shall have become due hereunder shall not be deemed to alter or affect the Vendee's obligations or the Vendor's rights hereunder with respect to any subsequent payments or default therein.

17.7. Deficiencies. If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall remain any amount due to it under the provisions of this Agreement, the Vendee shall, subject to the limitations of paragraph 4.8 and Article 23 hereof, pay the amount of such deficiency to the Vendor upon demand, together with interest thereon from the date of such demand to the date of payment at the Penalty Rate, and, if the Vendee shall fail to pay such deficiency, the Vendor may bring suit therefor and shall, subject to the limitations of paragraph 4.8 and Article 23 hereof, be entitled to recover a judgment therefor against the Vendee. If, after applying as aforesaid all sums realized by the Vendor, there shall remain a surplus in the possession of the Vendor, such surplus shall be paid to the Vendee.

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

such judgment. The foregoing provisions of this paragraph shall be subject to the limitations set forth in paragraph 4.8 and Article 23 hereof.

17.9. Remedies Subject to Legal Requirements. The foregoing provisions of this Article 17 are subject in all respects to all mandatory legal requirements at the time in force and applicable thereto.

ARTICLE 18. APPLICABLE STATE LAWS

18.1. Conflicts with State Laws. Any provision of this Agreement prohibited by any applicable law of any jurisdiction shall as to such jurisdiction be ineffective, without modifying the remaining provisions of this Agreement. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby waived by the Vendee to the full extent permitted by law, it being the intention of the parties hereto that this Agreement shall be deemed to be a conditional sale and enforced as such.

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

ARTICLE 19. RECORDING

Subject to the provisions of Article 23 hereof, the Vendee will cause this Agreement, any assignments hereof and any amendments or supplements hereto or thereto to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303(a) and deposited with the Registrar General of Canada (notice of such deposit to be forthwith given in The Canada Gazette) pursuant to Section 86 of the Railway Act of Canada; and the Vendee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record any and all further instruments required by law or reasonably requested by the Vendor for the purpose of proper protection, to the

satisfaction of counsel for the Vendor, of its title to the Equipment and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Vendee will promptly furnish to the Vendor certificates or other evidence of such filing, registering, depositing and recording satisfactory to the Vendor.

ARTICLE 20. BUILDER'S REPRESENTATIONS AND WARRANTIES

The Builder hereby represents and warrants to the Vendee, its successors and assigns, that this Agreement is duly authorized by it and lawfully executed and delivered by it for a valid consideration, that, assuming due authorization, execution and delivery by the Vendee, this Agreement is, insofar as the Builder is concerned, a legal, valid and binding agreement enforceable against the Builder in accordance with its terms.

ARTICLE 21. HEADINGS; EFFECT AND MODIFICATION OF AGREEMENT

21.1. Article and Paragraph Headings for Convenience Only. All article and paragraph headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

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

ARTICLE 22. NOTICE

Any notice hereunder to any of the parties designated below shall be deemed to be properly served if deliv-

ered or mailed to it by first-class mail, postage prepaid, at its chief place of business at the following specified addresses:

(a) to the Vendee, Suite 700, Two Hillcrest Green, 12720 Hillcrest Road, Dallas, Texas 75230, Attention of Assistant Vice President-Contracts Administration,

(b) to the Builder, at the address specified in Item 1 of Annex A hereto,

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

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

ARTICLE 23. IMMUNITIES; SATISFACTION OF UNDERTAKINGS

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

23.2. Satisfaction of Certain Covenants. The obligations of the Vendee under paragraphs 7.1, 7.2 (other than to the extent requiring delivery of certificates), 17.2, 17.7 and 17.8 and under Articles 6, 9, 10, 11, 14 and 19 hereof and any and all obligations at any time arising thereunder shall be deemed satisfied in full in all respects by the Lessee's execution and delivery of the Lease. The Vendee shall not have any responsibility for the Lessee's failure to perform such obligations; but if the same shall not be performed, they shall constitute the basis for an event of default hereunder pursuant to Article 16 hereof. No waiver or amendment of the Lessee's undertakings under

the Lease shall be effective unless joined in by the Vendor; provided, however, that the Vendor shall consent to any agreement in writing between the Lessee and the Vendee increasing or decreasing the rentals or casualty values payable pursuant to §§ 3 and 7 of the Lease so long as the amounts payable thereunder are not reduced below those necessary to satisfy the obligations of the Vendee hereunder, such consent to be given by the Vendor within 30 days of delivery of a copy of any such agreement to the Vendor.

ARTICLE 24. LAW GOVERNING

This Agreement and all rights and obligations hereunder shall be governed by the laws of the State of Texas; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303, such additional rights, if any, arising out of the filing, recording or deposit hereof and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited or in which any unit of Equipment shall be located, and such rights, if any, arising out of the marking of Equipment.

ARTICLE 25. EXECUTION

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

IN WITNESS WHEREOF, the parties hereto have exe-

cuted or caused this instrument to be executed all as of the date first above written.

ARMCO INDUSTRIAL CREDIT CORPORATION,

[Seal]

by _____
Vice President

Attest:

_____
Assistant Secretary

[Corporate Seal]

WHITTAKER CORPORATION, BERWICK FORGE AND FABRICATING DIVISION,

by Peter C. Bayer
Authorized Signatory

Attest:

Harold E. McKeown
Authorized Signatory

STATE OF TEXAS,)
) ss.:
COUNTY OF DALLAS,)

On this day of December 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is Vice President of ARMCO INDUSTRIAL CREDIT CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission expires

COMMONWEALTH OF PENNSYLVANIA,)
) ss.:
COUNTY OF COLUMBIA,)

On this 18th day of December 1981, before me personally appeared Peter C. Sayer, to me personally known, who, being by me duly sworn, says that he is an Authorized Signatory of WHITTAKER CORPORATION, BERWICK FORGE AND FABRICATING DIVISION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Joan E. Lowery
Notary Public

[Notarial Seal]

My Commission expires
JOAN E. LOWERY, NOTARY PUBLIC
BERWICK BORO, COLUMBIA COUNTY
MY COMMISSION EXPIRES DEC. 10, 1984
Member, Pennsylvania Association of Notaries

SCHEDULE I

Allocation Schedule of Each $1,000,000 of 9% CSA Indebtedness Payable in (i) One Payment of Interest Only Payable January 4, 1982, (ii) 60 Quarterly Installments of Principal Commencing January 4, 1982 and (iii) 59 Quarterly Installments of Interest Commencing April 4, 1982

Installment No.		Debt Service	Interest Payment	Principal Recovery	Ending Principal
	(1/4/82)	$ *	$ *	$ -0-	$1,000,000.00
1	(1/4/82)	28,273.68	-0-	28,273.68	971,726.32
2	(4/4/82)	28,273.68	21,863.84	6,409.84	965,316.48
3	(7/4/82)	28,273.68	21,719.62	6,554.06	958,762.42
4	(10/4/82)	28,273.68	21,572.15	6,701.53	952,060.89
5	(1/4/83)	28,273.68	21,421.37	6,852.31	945,208.58
6	(4/4/83)	28,273.68	21,267.19	7,006.49	938,202.09
7	(7/4/83)	28,273.68	21,109.55	7,164.13	931,037.96
8	(10/4/83)	28,273.68	20,948.35	7,325.33	923,712.63
9	(1/4/84)	28,273.68	20,783.53	7,490.15	916,222.48
10	(4/4/84)	28,273.68	20,615.01	7,658.67	908,563.81
11	(7/4/84)	28,273.68	20,442.69	7,830.99	900,732.82
12	(10/4/84)	28,273.68	20,266.49	8,007.19	892,725.63
13	(1/4/85)	28,273.68	20,086.33	8,187.35	884,538.28
14	(4/4/85)	28,273.68	19,902.11	8,371.57	876,166.71
15	(7/4/85)	28,273.68	19,713.75	8,559.93	867,606.78
16	(10/4/85)	28,273.68	19,521.15	8,752.53	858,854.25
17	(1/4/86)	28,273.68	19,324.22	8,949.46	849,904.79
18	(4/4/86)	28,273.68	19,122.86	9,150.82	840,753.97
19	(7/4/86)	28,273.68	18,916.96	9,356.72	831,397.25
20	(10/4/86)	28,273.68	18,706.44	9,567.24	821,830.01
21	(1/4/87)	34,556.69	18,491.18	16,065.51	805,764.50
22	(4/4/87)	34,556.69	18,129.70	16,426.99	789,337.51
23	(7/4/87)	34,556.69	17,760.09	16,796.60	772,540.91
24	(10/4/87)	34,556.69	17,382.17	17,174.52	755,366.39
25	(1/4/88)	34,556.69	16,995.74	17,560.95	737,805.44
26	(4/4/88)	34,556.69	16,600.62	17,956.07	719,849.37
27	(7/4/88)	34,556.69	16,196.61	18,360.08	701,489.29
28	(10/4/88)	34,556.69	15,783.51	18,773.18	682,716.11
29	(1/4/89)	34,556.69	15,361.11	19,195.58	663,520.53
30	(4/4/89)	34,556.69	14,929.21	19,627.48	643,893.05
31	(7/4/89)	34,556.69	14,487.59	20,069.10	623,823.95
32	(10/4/89)	34,556.69	14,036.04	20,520.65	603,303.30

* Interest on the CSA Indebtedness shall be paid on this date calculated to January 4, 1982.

Installment No.		Debt Service	Interest Payment	Principal Recovery	Ending Principal
33	(1/4/90)	$ 34,556.69	$ 13,574.32	$ 20,982.37	$ 582,320.93
34	(4/4/90)	34,556.69	13,102.22	21,454.47	560,866.46
35	(7/4/90)	34,556.69	12,619.50	21,937.19	538,929.27
36	(10/4/90)	34,556.69	12,125.91	22,430.78	516,498.49
37	(1/4/91)	34,556.69	11,621.22	22,935.47	493,563.02
38	(4/4/91)	34,556.69	11,105.17	23,451.52	470,111.50
39	(7/4/91)	34,556.69	10,577.51	23,979.18	446,132.32
40	(10/4/91)	34,556.69	10,037.98	24,518.71	421,613.61
41	(1/4/92)	34,556.69	9,486.31	25,070.38	396,543.23
42	(4/4/92)	34,556.69	8,922.22	25,634.47	370,908.76
43	(7/4/92)	34,556.69	8,345.45	26,211.24	344,697.52
44	(10/4/92)	34,556.69	7,755.69	26,801.00	317,896.52
45	(1/4/93)	34,556.69	7,152.67	27,404.02	290,492.50
46	(4/4/93)	34,556.69	6,536.08	28,020.61	262,471.89
47	(7/4/93)	34,556.69	5,905.62	28,651.07	233,820.82
48	(10/4/93)	27,794.28	5,260.97	22,533.31	211,287.51
49	(1/4/94)	21,535.50	4,753.97	16,781.53	194,505.98
50	(4/4/94)	21,160.51	4,376.38	16,784.13	177,721.85
51	(7/4/94)	20,785.51	3,998.74	16,786.77	160,935.08
52	(10/4/94)	20,410.50	3,621.04	16,789.46	144,145.62
53	(1/4/95)	20,797.06	3,243.28	17,553.78	126,591.84
54	(4/4/95)	20,422.06	2,848.32	17,573.74	109,018.10
55	(7/4/95)	20,047.06	2,452.91	17,594.15	91,423.95
56	(10/4/95)	19,672.07	2,057.04	17,615.03	73,808.92
57	(1/4/96)	20,054.44	1,660.70	18,393.74	55,415.18
58	(4/4/96)	19,679.43	1,246.84	18,432.59	36,982.59
59	(7/4/96)	19,304.43	832.11	18,472.32	18,510.27
60	(10/4/96)	18,926.75	416.48	18,510.27	0.00
		$1,773,343.83	$773,343.83	$1,000,000.00	

Annex A
to
Conditional Sale Agreement

Item 1: Whittaker Corporation, Berwick Forge and Fabricating Division, P. O. Box 188, West Ninth Street, Berwick, Pennsylvania 18603.

Item 2: The Equipment shall be settled for in one Group on December 22, 1981, unless the parties to this Agreement shall otherwise agree.

Item 3: (a) The Builder warrants that the units of the Equipment will be built in accordance with the Specifications and with the other requirements, specifications and standards set forth or referred to in Article 2 of this Agreement and warrants that the Equipment will be free under normal use and service from (i) all defects in material and workmanship and (ii) all defects in design; the Builder's only obligation under this paragraph and under Article 2 of this Agreement being limited to repairing or replacing any part or parts of any of the units which shall within one (1) year after delivery of any such units be returned to the Builder's manufacturing plant or delivered to such other repair facilities as the Builder may designate with transportation charges prepaid and which part or parts the Builder shall be reasonably satisfied, upon the Builder's examination, are defective or were not in conformity with the applicable specifications when shipped; provided that the Lessee notifies the Builder in writing promptly, after discovery of such defect, and before such return of such units.

EXCEPT FOR ITS OBLIGATIONS UNDER ARTICLES 2, 3, 4 AND 20 OF THIS AGREEMENT, THIS WARRANTY IS EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, EXPRESSED OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND THE BUILDER SHALL NOT BE LIABLE FOR INDIRECT OR CONSEQUENTIAL DAMAGES RESULTING FROM ANY FAILURE TO MEET THE AFOREMENTIONED WARRANTY. The Builder neither assumes nor authorizes any person to assume

for it any other liability in connection with the construction and delivery of the Equipment, except as aforesaid.

The Builder further agrees that neither the inspection as provided in Article 3 of this Agreement, nor any examination or acceptance of any units of the Equipment as provided in said Article 3, shall be deemed a waiver or modification of any of the rights of the Lessee, the Assignee or the Vendee under this Item 3.

(b) The Builder agrees to indemnify, protect and hold harmless the Lessee, the Assignee and the Vendee, from and against any and all liability, losses, claims, demands, costs, charges and expenses, including royalty payments and reasonable attorneys' fees, in any manner imposed upon or accruing against the Lessee, the Assignee or the Vendee because of the use in or about the construction or operation of the Equipment, or any unit thereof, of any design, process, combination, article or material infringing or claimed to infringe on any patent or other right.

Item 4: The Maximum Purchase Price referred to in Article 4 of this Agreement is $3,502,600.

Item 5: The Maximum CSA Indebtedness is $2,391,934.

Annex B
to
Conditional Sale Agreement

Type	Builder's Specifications	Builder's Plant	Quantity	Estimated Unit Base Price	Estimated Total Base Price	Road Numbers (Inclusive)	Estimated Time and Place of Delivery
50'6" 70-ton General Purpose Boxcars with 10' sliding doors and nailable steel flooring	C-80-0506-1 5/6/80	Renovo, Pennsylvania	83	$42,200	$3,502,600	BAR 4500-4582	December 1981 at Renovo, Pennsylvania

ANNEX C
to Conditional
Sale Agreement

[CS&M Ref. 5735-002]

LEASE OF RAILROAD EQUIPMENT

Dated as of December 1, 1981

Between

BANGOR AND AROOSTOOK RAILROAD COMPANY,

as Lessee,

and

ARMCO INDUSTRIAL CREDIT CORPORATION,

as Lessor.

The rights and interests of the Lessor under this Lease are subject to a security interest in favor of Mercantile-Safe Deposit and Trust Company, as Agent for a certain investor. The original of this Lease is held by said Agent.

LEASE OF RAILROAD EQUIPMENT

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

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LEASE OF RAILROAD EQUIPMENT dated as of December 1, 1981, between BANGOR AND AROOSTOOK RAILROAD COMPANY, a Maine corporation ("Lessee"), and ARMCO INDUSTRIAL CREDIT CORPORATION, a Delaware corporation ("Lessor").

WHEREAS the Lessor is entering into a Conditional Sale Agreement dated as of the date hereof ("CSA") with WHITTAKER CORPORATION, BERWICK FORGE AND FABRICATING DIVISION, a California corporation ("Builder"), wherein the Builder has agreed to manufacture, sell and deliver to the Lessor the units of railroad equipment described in Appendix A hereto;

WHEREAS the Builder is assigning its interests in the CSA pursuant to an Agreement and Assignment dated the date hereof ("CSA Assignment") to MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, acting as agent for a certain investor ("Original Investor" and, together with its successors and assigns, "Investors") under a Participation Agreement dated as of the date hereof ("Participation Agreement") among said agent, the Lessee, the Lessor and the Original Investor (said agent as so acting, together with the Investors for whom it is acting being hereinafter, together with its successors and assigns, called "Vendor");

WHEREAS the Lessee desires to lease such number of units of the railroad equipment as are delivered and accepted under the CSA ("Units") at the rentals and for the terms and upon the conditions hereinafter provided;

WHEREAS the Lessor will assign this Lease for security to the Vendor pursuant to an Assignment of Lease and Agreement ("Lease Assignment") dated as of the date hereof;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

§ 1. NET LEASE

This Lease is a net lease. The Lessee's obligation to pay all rentals and other amounts hereunder shall be absolute and unconditional and, except as herein specifically provided, the Lessee shall not be entitled to any abatement of rent or such other amounts, reduction thereof or setoff against rent or such other amounts, including, but not limited to, abatements, reductions or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or the CSA including the Lessee's rights by subrogation thereunder to the Builder or the Vendor or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final, and the Lessee shall not seek to recover all or any part of such payment from the Lessor or the Vendor for any reason whatsoever.

§ 2. DELIVERY AND ACCEPTANCE OF UNITS

The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to

the CSA. Each delivery of a Unit to the Lessor under the CSA shall be deemed to be a delivery hereunder to the Lessee at the point or points within the United States of America at which such Unit is so delivered to the Lessor. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same, and if such Unit is found to be acceptable, to accept delivery of such Unit on behalf of the Lessor under the CSA and on behalf of itself hereunder and execute and deliver to the Lessor a certificate of acceptance ("Certificate of Acceptance") in accordance with the provisions of Article 3 of the CSA, stating that such Unit has been inspected and accepted on behalf of the Lessee and the Lessor on the date of such Certificate of Acceptance and is marked in accordance with § 5.1 hereof, whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

§ 3. RENTALS

3.1. Amount and Date of Payment. The Lessee will pay to the Lessor, as rental for each Unit subject to this Lease, one interim rental payment payable January 4, 1982, and 60 consecutive quarterly payments payable, in advance, on January 4, April 4, July 4 and October 4 in each year, commencing January 4, 1982, to and including October 4, 1996. In respect of each Unit subject to this Lease, (a) the interim rental payment shall be in an amount equal to the product of the Purchase Price for each such Unit subject to this Lease multiplied by 0.016839% for each day elapsed from and including the Closing Date (as defined in the CSA) for such Unit to, but not including, January 4, 1982, and (b) the first 20 quarterly rental payments shall each be in an amount equal to 1.930816% multiplied by the Purchase Price of each such Unit and the last 40 quarterly rental payments shall each be in an amount equal to 2.359884% multiplied by the Purchase Price of each such Unit; it being understood, however, that the rentals payable pursuant to this § 3.1 on each interim and quarterly rental payment date shall be in no event less than the principal and/or interest payment due on each such date pursuant to paragraphs 4.3(b) and 4.4 of the CSA.

3.2. Payments on Nonbusiness Days. If any of the rental payment dates referred to in § 3.1 is not a business day the rental payment otherwise payable on such date shall

be payable on the next business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Bangor, Maine, Dallas, Texas, Baltimore, Maryland, or New York, New York, are authorized or obligated to remain closed.

3.3. Instructions To Pay Vendor and Lessor. Upon execution and delivery of the Lease Assignment and until the Vendor shall have advised the Lessee in writing that all sums due from the Lessor under the CSA have been fully satisfied and discharged, the Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease, but excluding all payments not assigned to the Vendor pursuant to the Lease Assignment, to the Vendor, for the account of the Lessor, in care of the Vendor, with instructions to the Vendor (a) first, to apply such payments to satisfy the obligations of the Lessor under the CSA known to the Vendor to be due and payable on the date such payments are due and payable hereunder and (b) second, so long as no event of default under the CSA shall have occurred and be continuing, to pay any balance promptly to the Lessor or to the order of the Lessor at such place as the Lessor shall specify in writing. If the Lease Assignment is not executed and delivered, or if the Lessee shall have been advised by the Vendor in writing that all sums due from the Lessor under the CSA have been fully discharged and satisfied, the installments of rental due hereunder and any Casualty Payments thereafter due pursuant to § 7 hereof shall be made to the Lessor in the manner provided in § 3.4 hereof.

3.4. Payment in Immediately Available Funds. The Lessee agrees to make each payment provided for herein as contemplated by § 3.1 in immediately available funds at or prior to 11:00 a.m. in the city where such payment is to be made.

§ 4. TERM OF LEASE

4.1. Beginning and Termination; Survival. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit under the CSA and, subject to the provisions of §§ 7, 13 and 16 hereof, shall terminate on January 4, 1997. The obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 6, 7, 10, 11, 12 and 17 hereof) shall survive the expiration of the term of this Lease.

4.2. Rights and Obligations of Lessee Subject to CSA. Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the CSA. If an event of default should occur under the CSA, the Vendor may terminate this Lease (or rescind its termination) without affecting the indemnities which by the provisions of this Lease survive the termination of its term, all as provided herein.

§ 5. IDENTIFICATION MARKS

5.1. Identifying Numbers; Legend; Changes. The Lessee will cause each Unit to be kept numbered with the identification number set forth in Appendix A hereto, or in the case of any Unit not there listed such identification number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION", or other appropriate words designated by the Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's and Vendor's title to and property in such Unit and the rights of the Lessor under this Lease and of the rights of the Vendor under the CSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked on both sides thereof and will replace promptly any such words which may be removed, defaced, obliterated or destroyed. The Lessee will not change the identification number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and filed, recorded and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to the effect that such statement has been so filed, recorded and deposited, such filing, recordation and deposit will protect the Vendor's and the Lessor's interests in such Units and no filing, recording, deposit or giving of notice with or to any other Federal, state or local government or agency thereof is necessary to protect the interests of the Vendor and the

Lessor in such Units.

5.2. Insignia of Lessee. The Units may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates, but the Lessee will not allow the name of any other person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership.

§ 6. GENERAL TAX INDEMNIFICATION

The Lessee assumes responsibility for and agrees to pay, and agrees to protect, save, keep harmless and indemnify on an after-tax basis the Lessor and the Vendor and their successors and assigns ("Indemnified Persons") against all taxes, assessments, fees, withholdings and other governmental charges of any nature whatsoever, including without limitation penalties and interest imposed on, incurred by or asserted against any Indemnified Person or any Unit in whole or in part on account of, or with respect to, this Lease or the CSA or any document referred to herein or therein or any of the transactions contemplated hereby or thereby or the manufacture, purchase, acceptance or rejection of the Units or any portion thereof or the ownership, delivery, nondelivery, leasing, re-leasing, subleasing, possession, use, operation, maintenance, repair, condition, sale, return, or other disposition of the Units or any portion thereof or any indebtedness with respect thereto or the rentals, receipts, earnings or gains arising therefrom; provided, however, that there shall be no indemnification hereunder for:

(1) any tax for which the Lessor is indemnified pursuant to the Indemnity Agreement ("Indemnity Agreement") dated as of the date hereof between the Lessor and the Lessee and any tax determined or measured in whole or in part by the gross, adjusted gross, or net receipts or income, or the excess profits, of any person or entity (including, without limitation, the Lessor and the Vendor), other than gross receipts taxes in the nature of sales or use taxes, and other than taxes arising out of or imposed in respect of the receipt of indemnification payments pursuant to this Lease;

(2) any tax resulting from a determination that the Vendor or its assigns in performing its obligations under the CSA and assignment thereof, Participation Agreement, this Lease and any other related document, is a taxable entity separate and apart from the Investors or their assigns;

(3) any tax imposed on the Lessor or Vendor and arising from any failure by the Lessor or the Vendor to fully perform their obligations under the Participation Agreement, the CSA and the assignment thereof, this Lease and any other related document; and

(4) any payroll or similar tax and any property, sales, use, occupancy or similar taxes with respect to property other than the Units.

All such taxes, fees, assessments, withholdings, governmental charges, penalties and interests for which indemnification may be had hereunder being hereinafter called "Taxes".

The Lessee shall pay all Taxes for which it assumes liability hereunder when such Taxes are due and will indemnify each Indemnified Person to the extent required by this § 6 within 10 days after receipt of a written request by such Indemnified Person for indemnification specifying the amount to be paid, the basis on which such amount was determined and the nature of the Taxes in question; provided, however, that if any Taxes are being contested in accordance with the seventh paragraph of this § 6, any payment shall be made at the time therein provided.

In the event that the Lessor shall become obligated to make any payment to the Builder or the Vendor or otherwise pursuant to any corresponding provision of the CSA not covered by the foregoing paragraphs of this § 6, the Lessee shall pay such additional amounts (which shall also be deemed Taxes hereunder) to the Lessor as will enable the Lessor to fulfill completely its obligations pursuant to said provision.

In the event any returns, statements or reports with respect to Taxes are required to be made, the Lessee will make such returns, statements and reports in such manner as to show the interest of the Lessor and the Vendor in such Units; provided, however, that the Lessor shall, with respect to any state or political subdivision thereof of

the United States of America, file such returns, statements, and reports relating to sales or use taxes, and taxes, fees, and charges on or measured by the Lessor's earnings or gross receipts arising from the Units, or the value added by the Lessor thereto, as the Lessee shall determine are required to be filed, and as shall be prepared by the Lessee, and shall remit the amount thereof upon payment by the Lessee to the Lessor (such payment to be made promptly upon demand by the Lessor therefor) of such taxes, fees and charges except as provided above. To the extent that the Lessor has information necessary to the preparation of such returns, statements and reports, it will furnish such information to the Lessee.

To the extent that the Lessee may be prohibited by law from performing in its own name the duties required by this § 6, the Lessor hereby authorizes the Lessee to act in the name of the Lessor and on its behalf; provided, however, that the Lessee shall indemnify and hold the Lessor harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action by the Lessee pursuant to this authorization.

The Lessee shall, whenever reasonably requested by the Lessor, submit to the Lessor copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to the Lessor of the Lessee's performance of its duties under this § 6. The Lessee shall also furnish promptly upon request such data as the Lessor reasonably may require to permit its compliance with the requirements of taxing jurisdictions.

If any taxing authority shall assert liability for any Taxes or propose an increase in the liability of any Indemnified Person for any such Taxes (such assertion or such proposed increase being hereinafter called a "Claim"), indemnification for which would be required under this § 6, the Indemnified Person will notify the Lessee within a reasonable time of such Claim in writing. If the Lessee delivers to such Indemnified Person written notice of its desire to contest such Claim within 30 days after receipt of notice from such Indemnified Person, such Claim will be contested in accordance with this paragraph, except to the

extent such Claim represents amounts payable to the Vendor under Article 6 of the CSA. The Lessor will permit the Lessee to contest such Claims under Article 6 of the CSA in accordance with the rights of the Lessor thereunder. The Indemnified Person shall have the exclusive right to conduct the contest unless such is waived in writing, in which event the contest and all preparations therefor shall be the sole responsibility of the Lessee and, in either case, shall be conducted entirely at its expense. Such Indemnified Person will cooperate with any reasonable request made by the Lessee in connection therewith; provided, however, that such Indemnified Person may in its sole discretion determine in what court or other forum such contest will be conducted and whether such contest will proceed by payment of the Taxes in contemplation of a suit for refund, and such Indemnified Person shall not be required to take any action pursuant to this paragraph unless and until the Lessee shall have agreed to pay such Indemnified Person on demand all costs and expenses which such Indemnified Person may incur in connection with contesting such Claim (including fees and disbursements of counsel). If in any such contest the decision is made to pay the Taxes and sue for a refund, the Lessee will advance to such Indemnified Person on an interest-free basis sufficient funds to pay the Taxes which are to be contested. Upon receipt by any Indemnified Person of a refund of any Taxes paid by the Lessee pursuant to this paragraph, the amount of such refund and any interest paid to such Indemnified Person with respect thereto shall be paid to the Lessee forthwith upon receipt by such Indemnified Person.

The Lessee agrees to pay all amounts due under this § 6 free of any Taxes and to indemnify each Indemnified Person against any Taxes imposed by reason of any payment made by the Lessee so that the Indemnified Person to whom or for whose benefit the payment is made shall receive an amount which, net of any Taxes or other charges required to be paid by such Indemnified Person in respect thereof, shall be equal to the amount of payment otherwise required hereunder.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any Taxes pursuant to this § 6, such liability shall continue, notwithstanding the expiration of this Lease, until all such taxes are paid or reimbursed by the Lessee.

The Lessee has agreed under the Indemnity Agreement to indemnify the Lessor in a manner similar to that above and in addition in certain other respects as therein provided.

§ 7. PAYMENT FOR CASUALTY OCCURRENCES; INSURANCE

7.1. Definitions of Casualty Occurrence; Payments. In the event that any Unit of Equipment shall be or become worn out, lost, stolen, destroyed, or, in the reasonable opinion of the Lessee, irreparably damaged, from any cause whatsoever during the term of this Lease or any renewal term hereof or until such Unit is returned pursuant to §§ 14 or 17 hereof, or the Purchase Price of any Unit shall have been refunded by the Builder of such Unit pursuant to the terms of its patent indemnity therefor or any Unit shall be taken or requisitioned by condemnation or otherwise by the United States Government for a stated period which shall exceed the then remaining term of this Lease or by any other governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days during the term of this Lease or during any renewal term hereof (any such occurrences being hereinafter called a "Casualty Occurrence"), the Lessee shall promptly and fully notify the Lessor and the Vendor with respect thereto. On the rental payment date next succeeding such notice (each such date being hereinafter called a "Casualty Payment Date"), the Lessee shall pay to the Lessor a sum equal to the Casualty Value (as defined in § 7.5 hereof) of any such Unit as of such Casualty Payment Date; provided, however, that in the event of a Casualty Occurrence after the last rental payment date or during the period any Unit is being returned pursuant to §§ 14 and 17 hereof, the Lessee shall make such payment to the Lessor on a date 30 days after such Casualty Occurrence. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, complete destruction or return to the Builder of such Unit) the Lessor shall be entitled to recover possession of such Unit. In the event that a Casualty Occurrence occurs prior to January 4, 1982, the interim rental payments set forth in paragraph 3.1 hereof shall be payable notwithstanding such Casualty Occurrence with respect to the Units suffering such Casualty Occurrence.

In addition to the occurrences constituting a Casualty Occurrence under the preceding paragraph, if any Unit shall have been taken or requisitioned by the United States Government or any other governmental entity and such taking or requisition shall not theretofore constitute a Casualty Occurrence as aforesaid, such taking or requisition shall be deemed a Casualty Occurrence if the same shall be continuing at the end of the initial term of this Lease, in which event the Lessee shall promptly and fully notify the Lessor with respect thereto and pay the Lessor, as the Casualty Value therefor, an amount equal to 26.9277% of the Purchase Price of such Unit. Following such payment, the Lessee shall be entitled to receive condemnation payments in respect of such Unit up to an amount equal to such Casualty Value and any balance of such payments shall be the property of the Lessor. In the event such Unit shall be returned by the governmental entity prior to the time the Lessee shall have been reimbursed by such application of condemnation payments in an amount equal to such Casualty Value, then the Lessee shall dispose of such Unit as agent for the Lessor, and shall retain the proceeds of such disposition to the extent that the aggregate of the amounts so retained and the condemnation payments theretofore received by the Lessee shall equal such Casualty Value, and any balance of such proceeds shall be promptly paid to the Lessor. In the event such Unit shall be returned by the governmental entity following the time the Lessee shall have been reimbursed by such application of condemnation payments in an amount equal to such Casualty Value, such Unit shall be returned by the Lessee to the Lessor in the manner provided in § 17 hereof.

7.2. Requisition by United States Government. In the event of the requisition for use by the United States Government of any Unit for a period which does not exceed the term of this Lease or for an indefinite period (except where deemed a Casualty Occurrence pursuant to the last paragraph of § 7.1 hereof), all of the Lessee's obligations under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred. All payments received by the Lessor or the Lessee from the United States Government for the use of such Unit during the term of this Lease shall be paid over to, or retained by, the Lessee provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing.

7.3. Lessee Agent for Disposal. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof before and after expiration of the Lease, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor (i) the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor and (ii) the Lessee shall be entitled to credit against the Casualty Value payable in respect of any Unit returned to the Builder pursuant to the patent indemnity provisions of the CSA an amount equal to any payment made by the Builder to the Lessor in respect thereof under the CSA.

7.4. Payments After Expiration of Lease. If the Casualty Payment Date shall be after the last rental payment date or any renewal term thereof in respect of such Unit has expired, no rental for such Unit shall accrue after the end of such date or term, as the case may be.

7.5. Amount of Casualty Value. The Casualty Value of each Unit as of the Casualty Payment Date on which payment is to be made as aforesaid shall be an amount equal to that percentage of the Purchase Price of such Unit as is set forth in Annex B hereto opposite the rental payment date corresponding to such Casualty Payment Date, or if there is no such rental payment date, the last rental payment date; but in no event shall such amount be less than the Casualty Value (as defined in the CSA) as of such rental payment date. In view of the fact that rentals are payable in advance, no rental shall be paid on the Casualty Payment Date in respect of any Unit in respect of which the Casualty Value is paid.

7.6. No Release. Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

7.7. Insurance. So long as the Lessee self-insures its entire fleet of rolling stock, both owned and leased, the Lessee may self-insure the Units. If at any time the Lessee ceases to self-insure its entire fleet of rolling stock, the Lessee will provide the same insurance coverage on the Units

that it carries on its other rolling stock, including property insurance and public liability insurance with respect to third party personal and property damage. Any policies of insurance carried in accordance with this paragraph shall (i) require 30 days' prior notice of cancelation or material change in coverage to the Lessor and the Vendor, (ii) name the Lessor and the Vendor as additional named insureds as their respective interests may appear, and (iii) waive any right to claim premiums or commissions against the Lessor and the Vendor and, in the event such policies shall contain breach of warranty provisions, such policies shall provide that in respect of the interests of the Lessor and the Vendor in such policies the insurance shall not be invalidated by any action or inaction of the Lessee or any other person (other than the Lessor and the Vendor, respectively) and shall insure the Lessor and the Vendor regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Lessee or by any other person (other than the Lessor or the Vendor, respectively). The Lessee shall deliver to the Lessor upon the Lessor's request duplicate originals of all policies, if any (or in the case of blanket policies, certificates thereof issued by the issuers thereunder, if any) for the insurance obtained pursuant to this § 7.

7.8. Insurance Proceeds and Condemnation Payments. If the Lessor shall receive (directly or from the Vendor) any insurance proceeds or condemnation payments in respect of such Units suffering a Casualty Occurrence, the Lessor shall pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to any Unit theretofore paid by the Lessee and any balance of such proceeds or condemnation payments shall remain the property of the Lessor; provided, however, that no Event of Default shall have occurred and be continuing and the Lessee shall have made payment of the Casualty Value thereof, and accrued rentals in respect of such Units, to the Lessor.

§ 8. REPORTS

On or before March 31 in each year, commencing

with the calendar year 1983, the Lessee will furnish to the Lessor and the Vendor an accurate statement (a) setting forth as at the preceding December 31 the total number, description and identification numbers of all Units then leased hereunder and covered by the CSA, the total number, description and identification numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year (or since the date of this Lease in the case of the first such statement) or are then undergoing repairs (other than running repairs) or then withdrawn from use pending repair (other than running repairs) and setting forth such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request, (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5.1 hereof and by the CSA have been preserved or replaced and (c) further stating that the Lessee is in compliance under the Lease and has performed or has caused to be performed the required maintenance of the Units and that no event has occurred which with the lapse of time or notice or both would constitute an Event of Default. The Lessor and the Vendor shall each have the right by its agents to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Vendor or the Lessor may request during the continuance of this Lease.

§ 9. DISCLAIMER OF WARRANTIES

THE LESSOR DOES NOT MAKE, HAS NOT MADE AND SHALL NOT BE DEEMED TO MAKE OR HAVE MADE ANY WARRANTY OR REPRESENTATION, EITHER EXPRESSED OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR DOES NOT MAKE ANY WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE NOR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, NOR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESSED OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time,

in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder under the provisions of Item 3 of Annex A of the CSA; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor or the Vendor based on any of the foregoing matters.

§ 10. LAWS AND RULES

10.1. Compliance. The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all respects (including without limitation with respect to the use, maintenance and operation of each Unit) with all laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units, all such laws and rules to such extent being hereinafter called ("Applicable Laws"), and in the event that such Applicable Laws require any alteration, replacement or addition of or to any part on any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith,

contest the validity or application of any Applicable Laws in any reasonable manner which does not, in the opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or the Vendor under the CSA.

10.2. Reports by Lessor. The Lessee agrees to prepare and deliver to the Lessor and the Vendor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor and the Vendor) any and all reports (other than income tax returns) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units or the leasing thereof to the Lessee.

§ 11. MAINTENANCE

11.1. Units in Good Operating Order. The Lessee will, at its own cost and expense, maintain and keep each Unit including any parts installed on or replacements made to any Unit which is subject to this Lease in good operating order, repair and condition, ordinary wear and tear excepted, in accordance with the Interchange Rules of the Association of American Railroads, and in no event shall the Units be maintained at a standard less than the other similar equipment owned or leased by the Lessee.

11.2. Additions and Accessions. (1) Except as set forth in §§ 10.1 and 11.1 hereof, the Lessee, at its own cost and expense, may from time to time make such other additions, modifications and improvements to the Units during the term of this Lease as are readily removable without causing material damage to the Units and do not adversely and materially affect the value of the Units. The additions, modifications and improvements made by the Lessee under the preceding sentence shall be owned by the Lessee, except to the extent such additions, modifications or improvements are made in order to comply with the second paragraph hereof.

(2) Any and all parts installed on and additions and replacements made to any Unit (i) which are not readily removable without causing material damage to such Unit and were installed or were added to such Unit in contravention of the Lessee's agreements contained in § 11.2(1) hereof, (ii) the cost of which is included in the Purchase Price of such Unit, (iii) in the course of ordinary maintenance of the

Units or (iv) which are required for the operation or use of such Unit by the regulations of the Interstate Commerce Commission, the Department of Transportation or any other applicable regulatory body, shall constitute accessions to such Unit and full ownership thereof free from any lien, charge, security interest or encumbrance (except for those created by the CSA) shall immediately be vested in the Lessor and the Vendor as their respective interests may appear in the Unit itself.

§ 12. INDEMNIFICATION

12.1. Indemnified Persons. The Lessee shall pay, and shall protect, indemnify and hold the Lessor, the Vendor and any assignee thereof, and their respective successors, assigns, agents and servants (hereinafter called "Indemnified Persons"), harmless from and against any and all causes of action, suits, penalties, claims, demands or judgments of any nature whatsoever which may be imposed on, incurred by or asserted against any Indemnified Person (including any or all liabilities, obligations, damages, costs, disbursements, expenses, including without limitation attorneys' fees) in any way relating to or arising, or alleged to arise out of this Lease, the CSA or the Units, including without limitation those in any way relating to or arising or alleged to arise out of (i) the manufacture, construction, purchase, acceptance, rejection, ownership, delivery, nondelivery, lease, possession, use, operation, condition, sale, return or other disposition of any Unit or portion thereof, (ii) any latent and other defects whether or not discoverable by the Lessor, the Vendor or the Lessee, (iii) any claim for patent, trademark or copyright infringement, (iv) any claims based on strict liability in tort, (v) any injury to or the death of any person or any damage to or loss of property on or near the Units or in any manner growing out of or concerned with, or alleged to grow out of or be connected with, the ownership, use, replacement, adaptation or maintenance of the Units or of any other equipment in connection with the Units (whether owned or under the control of the Lessor, the Lessee or any other person) or resulting or alleged to result from the condition of any thereof; (vi) any violation, or alleged violation, of any provision of this Lease or of any agreement, law, rule, regulation, ordinance or restriction, affecting or applicable to the Units or the leasing,

ownership, use, replacement, adaptation or maintenance thereof, except to the extent any such violation arises from the gross negligence or wilful misconduct of the Lessor; or (vii) any claim arising out of any of the Lessor's obligations under the Lease Assignment or the Vendor's retention of a security interest under the CSA or the Lease Assignment or the Participation Agreement, except to the extent such claim arises from the gross negligence or wilful misconduct of the Lessor (all of which matters hereinabove set forth in this § 12 being hereinafter called "Indemnified Matters"). The Lessee shall be obligated under this § 12.1, irrespective of whether any Indemnified Person shall also be indemnified with respect to the same matter under any other agreement by any other person, and the Indemnified Person seeking to enforce the indemnification may proceed directly against the Lessee under this § 12.1 without first resorting to any such other rights of indemnification. In case any action, suit or proceeding is brought against any Indemnified Person in connection with any Indemnified Matters, the Lessee may and, upon such Indemnified Person's request, will at the Lessee's expense resist and defend such action, suit or proceeding, or cause the same to be resisted or defended by counsel selected by the Lessee and approved by such Indemnified Person and, in the event of any failure by the Lessee to do so, the Lessee shall pay all costs and expenses (including without limitation attorneys' fees and expenses) incurred by such Indemnified Person in connection with such action, suit or proceeding. In the event the Lessee is required to make any indemnification payment under this § 12, the Lessee shall pay such Indemnified Person an amount which, after deduction of all taxes required to be paid by such Indemnified Person in respect of the receipt thereof under the laws of the United States or of any political subdivision thereof (after giving credit for any savings in respect of any such taxes by reason of deductions, credits or allowances in respect of the payment of the expense indemnified against, and of any other such taxes as determined in the sole discretion of the Indemnified Person), shall be equal to the amount of such payment. The Lessee and the Lessor each agrees to give each other promptly upon obtaining knowledge thereof written notice of any claim or liability hereby indemnified against. Upon the payment in full of any indemnities as contained in this § 12 by the Lessee, and provided that no Event of Default (or other event which with lapse of time or notice or both would constitute an Event of Default) shall have occurred and be continuing, the Lessee shall be subrogated to any right of such Indemni-

fied Person (except against another Indemnified Person) in respect of Indemnified Matters against which indemnity has been given. Any payments received by such Indemnified Person from any person (except the Lessee) as a result of any Indemnified Matters with respect to which such Indemnified Person has been indemnified by the Lessee pursuant to this § 12.1 shall be paid over to the Lessee to the extent necessary to reimburse the Lessee for indemnification payments previously made. Nothing in this § 12.1 shall constitute a guarantee by the Lessee of the CSA Indebtedness of the Lessor under the CSA or a guarantee of the residual value of any Unit.

The Lessee has agreed under the Indemnity Agreement to indemnify the Lessor in a manner similar to the above and in addition in certain other respects.

12.2. Survival. The indemnities contained in this § 12 shall survive the expiration or termination of this Lease with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination and are made for the benefit of, and shall be enforceable by, any Indemnified Person. None of the indemnities in this § 12 shall be deemed to create any rights of subrogation in any insurer or third party against the Lessee therefor, from or under any Indemnified Person, whether because of any claim paid or defense provided for the benefit thereof or otherwise.

§ 13. DEFAULT

13.1. Events of Default; Remedies. If, during the continuance of this Lease or any extension or renewal thereof, one or more of the following events (each such event being herein sometimes called an "Event of Default") shall occur:

(A) default shall be made in payment of any amount provided for in §§ 3, 6, 7, 12 or 16 hereof, and such default shall continue for 10 days;

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

(C) default shall be made in the observance or per-

formance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein, in the Participation Agreement or the Indemnity Agreement and such default shall continue for 30 days after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

(D) any representation or warranty made by the Lessee herein, in the Participation Agreement, the Indemnity Agreement or in any certificate or statement furnished to the Vendor or the Lessor pursuant to or in connection with any such agreements proves untrue in any material respect as of the date of issuance or making thereof;

(E) a petition for reorganization under Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease and the Indemnity Agreement shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed and otherwise in accordance with the provisions of 11 U.S.C. § 1168, or any successor provision, as the same may hereinafter be amended; or

(F) any other proceeding 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 and the Indemnity Agreement shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the 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 expenses of administration and obligations incurred by such a trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced;

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

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

(b) by notice in writing to the Lessee to terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises, insofar as the Lessee may be lawfully authorized to so permit, where any of the Units may be located, without judicial process if this can be done without breach of the peace and in accordance with due process of law, and take possession of all or any of such Units and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the

Lessee as damages for loss of a bargain and not as a penalty whichever of the following amounts that the Lessor, in its sole discretion shall specify, (i) a sum, with respect to each Unit, which represents (x) the excess of the present value, at the time of such termination, of the entire unpaid balance of all rentals for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit, such present value to be computed on the basis of a 4% per annum discount, compounded quarterly from the respective dates upon which rental would have been payable hereunder had this Lease not been terminated over the then present value of the rental which the Lessor reasonably estimates to be obtainable for each Unit during such period, such present value to be computed on the basis of a 4% per annum discount, compounded quarterly from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated or, if such Unit is sold, the net proceeds of the sale plus (y) any damages and expenses, including reasonable attorneys' fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant, representation or warranty of this Lease other than for the payment of rental or (ii) an amount equal to the excess, if any, of the Casualty Value as of the Casualty Payment Date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event the Lessor shall have sold any unit, the Lessor, in lieu of collecting any amounts payable by the Lessee pursuant to the preceding clause (ii) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit as of the Casualty Payment Date on or next preceding the date of termination over the net proceeds of such sale.

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

remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

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

13.3. Failure To Exercise Rights Is Not Waiver. The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

§ 14. RETURN OF UNITS UPON DEFAULT

14.1. Return of Units. If this Lease shall terminate pursuant to § 13 hereof or Article 16 of the CSA, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, shall be eligible for interchange under the Interchange Rules of the Association of American Railroads and shall have attached or affixed thereto any special device considered an accession thereto as provided in § 11 and shall have removed therefrom at the Lessee's expense any addition, modification or improvement which, as provided in § 11, is owned by the Lessee. For the purpose of delivering possession of any Unit or Units as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Rail-

roads and all railroads to which any Unit or Units have been interchanged or which may have possession thereof to return the Unit or Units) and at the usual speed place such Units upon such storage tracks of the Lessee as the Lessor reasonably may designate;

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

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

The assembling, delivery, storage and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own cost and expense, maintain and keep the Equipment in good order and repair, and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee, or user of any such Unit, to inspect the same. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor.

14.2. Lessor Appointed Agent of Lessee. Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 14, 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 Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whosoever shall be in possession of such Unit at the time.

§ 15. ASSIGNMENT, POSSESSION AND USE

15.1. Assignment; Consent. This Lease shall be

assignable in whole or in part by the Lessor upon prior written consent of the Lessee, which consent shall not be unreasonably withheld. The Lessee hereby consents to the assignment of this Lease pursuant to the Lease Assignment.

15.2. Lessee's Rights To Use the Units, To Permit Use Thereof by Others and To Sublease the Units. (1) So long as no Event of Default exists hereunder and no event of default exists under the CSA, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease. Without the prior written consent of the Lessor and the Vendor, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them except as provided in paragraph (2) below of this § 15.2; and the Lessee shall not, without the prior written consent of the Lessor and the Vendor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of paragraph (2) of this § 15.2. The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor or the Vendor or resulting from claims against the Lessor or the Vendor not related to the ownership of the Units or any encumbrance on the leasehold estate of the Lessee which is subject and subordinate to the interests of the Lessor and the Vendor) upon or with respect to any Unit, including any accession thereto, or the interest of the Lessor, the Vendor or the Lessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises.

(2) So long as no Event of Default exists hereunder and no event of default exists under the CSA, the Lessee shall be entitled to the possession and use of the Units by it or any affiliate upon lines of railroad owned or operated by it or any such affiliate or upon lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is regularly operated and shall be entitled to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements or to sublease the Units, but only upon and subject to all the terms and

conditions of this Lease and the CSA; provided, however, that the Lessee shall not assign, sublease or permit the assignment, sublease or use of any Unit predominantly outside the United States of America within the meaning of Section 48(a) of the Internal Revenue Code of 1954, as amended to the date hereof, nor shall the Lessee assign or sublease to, or permit the sublease or use of the Units by, any person in whose hands such Units would not qualify as "section 38 property" within the meaning of said Code. The Lessee may receive and retain compensation (including incentive per diem payments) for the use of any of the Units from railroads or other entities so using such Units. Any sublease permitted by this paragraph may provide that the sublessee, so long as it shall not be in default under such sublease, shall be entitled to the possession of the Units included in such sublease and the use thereof; provided, however, that every such sublease (i) shall be subject and subordinate to the rights and remedies of the Vendor under the CSA and the Lessor under this Lease in respect of the Units covered by such sublease upon the occurrence of an Event of Default thereunder or hereunder and (ii) the Vendor's and the Lessor's written consent must be obtained in order to sublease any Unit for a period of more than six consecutive months to any sublessee.

15.3. Transfers by Lessee Through Merger, Acquisition or Consolidation. Nothing in this § 15 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety, provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease, shall be a "railroad" within the meaning of 11 U.S.C. § 101(33) and shall have assumed all the obligations of the Lessee under this Lease, the Consent, the Participation Agreement and the Indemnity Agreement.

§ 16. RENEWAL OPTION AND RIGHT OF FIRST REFUSAL

16.1. Renewal for One Period. Provided that this

Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than 180 days prior to the end of the original term of this Lease in respect of the Units still subject to this Lease, elect to extend such original term of this Lease in respect of all but not less than all the Units then covered by this Lease for a period of up to three years commencing on the scheduled expiration of such original term of this Lease, at a "Fair Market Rental" payable, in advance, in quarterly payments on the month and day such rentals were payable for the Units in each year of the original term.

16.2. Determination of Fair Market Rental. (1) Fair Market Rental shall be determined for the extended term of this Lease on the basis of, and shall be equal in amount to, the rental 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 and, in such determination, costs of removal from the location of current use shall not be a deduction from such rental.

(2) If, after 50 days from the giving of notice by the Lessee of the Lessee's election to extend the original term of this Lease, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental of the Units, such rental shall be determined by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of such value by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 days after such notice is given, each party shall appoint an independent appraiser within 25 days after such notice is given, and the two appraisers so appointed shall within 35 days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 35 days after such notice is given, either party may apply, to make such appointment, to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Rental of the Units subject to the proposed extended term within 90 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall

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

16.3. Option to Purchase. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than 180 days prior to the end of the original term of this Lease or of the renewal term as provided for in § 16.1, as the case may be, with respect to all the Units still subject to this Lease, elect to purchase all such Units for the cash sales price equal to the then "Fair Market Value", payable upon the last day of such original term or such renewal term.

16.4. Determination of Fair Market Value. (1) Fair Market Value shall be determined on the basis of, and shall be equal in amount to, the cash sales price which would be obtained in an arm's-length transaction between an informed and willing purchaser (other than a lessee currently in possession or a dealer in used equipment) and an informed and willing seller under no compulsion to sell and, in such determination, cost of removal from the location of current use shall not be a deduction from such amount.

(2) If, after 50 days from the giving of notice by the Lessee of the Lessee's election to purchase the Units still subject to this Lease, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Value of the Units, such amount shall be determined by the following procedure: If either party to such determination shall have given written notice to the other requesting the

determination of such value by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 days after such notice is given, each party shall appoint an independent appraiser within 25 days after such notice is given, and the two appraisers so appointed shall within 35 days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 35 days after such notice is given, either party may apply, to make such appointment, to the American Arbitration Association, and both parties shall be bound by any apointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Value of the Units subject to the proposed sale within 90 days after his or their appointment. If the parties have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of the Fair Market Value of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the apraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding upon the parties hereto as the Fair Market Value. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Value and shall be in lieu of any judicial or other procedures. The expenses of the appraisal procedure shall be borne by the Lessee.

§ 17. RETURN OF UNITS UPON EXPIRATION OF TERM OR TERMINATION

As soon as practicable on or after the expiration of the original or any extended term of this Lease with respect to any Unit, and in any event not later than 90 days thereafter, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon such storage tracks of the Lessee as the Lessee may reasonably designate, and permit the Lessor to store such Unit on such tracks for a period not exceeding 180 days and transport the same upon disposition of

the Units, at any time within such 180-day period, to any interchange point on the Lessee's lines, all as directed by the Lessor, the movement and storage of such Units to be at the expense and risk of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, lessee or user, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this § 17 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, (ii) meet the standards then in effect at the expiration of the original or extended term of this Lease, as the case may be, under the applicable rules of any governmental agency or other organization with jurisdiction (including, but not limited to, the Interchange Rules of the Association of American Railroads) and (iii) have attached or affixed thereto any special device considered an accession thereto as provided in § 11 hereof and have removed therefrom any such device not so considered an accession. During any such storage period the Lessee shall maintain the Units in accordance with the provisions of § 11.1 hereof. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units.

§ 18. RECORDING

The Lessee, at its own expense, will cause this Lease, the CSA, the CSA Assignment and the Lease Assignment to be filed with the Interstate Commerce Commission and deposited with the Registrar General of Canada (notice of such deposit to be forthwith given in The Canada Gazette) pursuant to Section 86 of the Railway Act of Canada. The Lessee will undertake the filing, registering, deposit, and recording required of the Lessor under the CSA. The Lessee in addition will from time to time do and perform

any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the CSA, the CSA Assignment and the Lease Assignment; and the Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease, the CSA, the CSA Assignment and the Lease Assignment shall be filed with the Interstate Commerce Commission and deposited with the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada and provision will have been made for publication of notice of such deposit in The Canada Gazette prior to the delivery and acceptance hereunder of any Unit.

§ 19. INTEREST ON OVERDUE RENTALS

Any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount equal to interest at 16% per annum on the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

§ 20. LESSOR'S RIGHT TO PERFORM FOR THE LESSEE

If the Lessee fails to perform or comply with any of its agreements contained herein, the Lessor may upon notice to the Lessee and the Vendor, perform or comply with such agreement, and the amount of the reasonable cost and expenses of the Lessor incurred in connection with such performance or compliance, together with interest, to the extent legally enforceable, on such amount at 16% per annum, shall be payable by the Lessee upon demand except as otherwise provided in this Lease. No such performance or compliance by the Lessor shall be deemed a waiver of the rights and remedies of the Lessor or any assignee of the Lessor against the Lessee hereunder.

§ 21. NOTICES

Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when mailed, first-class, postage prepaid, addressed as follows:

(a) if to the Lessor, at Suite 700, Two Hillcrest Green, 12720 Hillcrest Road, Dallas, Texas 75230, Attention of Assistant Vice President-Contracts Administration; and

(b) if to the Lessee, at Northern Main Junction Park, R.R. 2, Bangor, Maine 04401, Attention of Vice President-Finance,

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

§ 22. SEVERABILITY

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

§ 23. EFFECT AND MODIFICATION OF LEASE

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

§ 24. THIRD PARTY BENEFICIARIES

Nothing in this Lease shall be deemed to create any right in any person not a party hereto (other than the

Vendor, the Builder and the permitted successors and assigns of a party) and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of a third party except as aforesaid.

§ 25. EXECUTION

This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor pursuant to the Lease Assignment shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

§ 26. LAW GOVERNING

The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Maine; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

§ 27. IMMUNITIES; NO RECOURSE

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

§ 28. TERM LESSOR

Whenever the term Lessor is used in this Lease it shall apply and refer to the Lessor and any assignee of the Lessor (including, so long as any indebtedness under the CSA

or interest thereon shall remain unpaid or any other obligation thereunder be continuing, the Vendor).

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

BANGOR AND AROOSTOOK RAILROAD COMPANY,

by

_____
President

[Corporate Seal]

Attest:

_____
Assistant Clerk

ARMCO INDUSTRIAL CREDIT CORPORATION,

by

_____
Vice President

[Seal]

Attest:

_____
Assistant Secretary

STATE OF MAINE,)
) ss.:
COUNTY OF PENOBSCOT,)

On this day of December 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is the President of BANGOR AND AROOSTOOK RAILROAD COOPANY, 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 corproation by authority of its Board of Directors, and he acknowledged that the exectuion of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission expires

STATE OF TEXAS,)
) ss.:
COUNTY OF DALLAS,)

On this day of December 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a Vice President of ARMCO INDUSTRIAL CREDIT CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission expires

APPENDIX A TO LEASE

Type	Builder's Specifications	Builder's Plant	Quantity	Lessee's Identification Numbers (Both Inclusive)	Estimated Unit Base Price	Estimated Total Base Price	Estimated Time and Place of Delivery
50'6" 75-ton General Purpose Boxcars with 10' sliding doors and nailable steel flooring	C-80-0506-1 5/6/80	Renovo, Pennsylvania	83	BAR 4500-4582	$42,200	$3,502,600	December, 1981 at Renovo, Pennsylvania

APPENDIX B TO LEASE

Casualty Values

Casualty Payment Dates	Percentage of Purchase Price*
January 4, 1982	105.5370
April 4, 1982	107.2106
July 4, 1982	108.3389
October 4, 1982	108.9822
January 4, 1983	109.5575
April 4, 1983	106.3572
July 4, 1983	106.6771
October 4, 1983	106.8187
January 4, 1984	106.8678
April 4, 1984	103.1230
July 4, 1984	102.9070
October 4, 1984	105.7455
January 4, 1985	108.6159
April 4, 1985	106.3840
July 4, 1985	113.7710
October 4, 1985	116.6112
January 4, 1986	119.4169
April 4, 1986	117.1376
July 4, 1986	117.2480
October 4, 1986	116.4418
January 4, 1987	115.5996
April 4, 1987	111.0417
July 4, 1987	108.0632
October 4, 1987	106.4201
January 4, 1988	104.7182
April 4, 1988	103.6652
July 4, 1988	100.3428
October 4, 1988	98.5479
January 4, 1989	96.6911
April 4, 1989	95.5203
July 4, 1989	91.9215
October 4, 1989	89.9619
January 4, 1990	87.9369
April 4, 1990	86.6384
July 4, 1990	82.7388
October 4, 1990	80.6004

* As defined in the CSA.

Casualty Payment Dates	Percentage of Purchase Price*
January 4, 1991	78.3930
April 4, 1991	76.9564
July 4, 1991	72.7294
October 4, 1991	70.3971
January 4, 1992	67.9919
April 4, 1992	66.4058
July 4, 1992	61.8227
October 4, 1992	59.2802
January 4, 1993	56.6603
April 4, 1993	54.9128
July 4, 1993	49.9422
October 4, 1993	47.1718
January 4, 1994	45.1901
April 4, 1994	44.9473
July 4, 1994	41.3560
October 4, 1994	40.1283
January 4, 1995	38.9718
April 4, 1995	38.7458
July 4, 1995	35.0294
October 4, 1995	33.7758
January 4, 1996	32.6046
April 4, 1996	32.4025
July 4, 1996	28.5613
October 4, 1996	26.9277

* As defined in the CSA.

[CS&M Ref. 5735-002]

ANNEX D
to Conditional
Sale Agreement

ASSIGNMENT OF LEASE AND AGREEMENT dated as of December 1, 1981 ("Assignment"), by and between ARMCO INDUSTRIAL CREDIT CORPORATION ("Lessor"), and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent ("Vendor") under a Participation Agreement dated as of the date hereof.

The Lessor is entering into a Conditional Sale Agreement dated as of the date hereof ("CSA") with WHITTAKER CORPORATION, BERWICK FORGE AND FABRICATING DIVISION ("Builder"), providing for the sale to the Lessor of such units of railroad equipment ("Units") described in the Annex B thereto as are delivered to and accepted by the Lessor thereunder;

The Lessor and BANGOR AND AROOSTOOK RAILROAD COMPANY ("Lessee") have entered into a Lease of Railroad Equipment dated as of the date hereof ("Lease"), providing for the leasing of the Units by the Lessor to the Lessee;

In order to provide security for the obligations of the Lessor under the CSA and as an inducement to the Vendor to invest in the CSA Indebtedness (as defined in paragraph 4.3(b) of the CSA), the Lessor agrees to assign for security purposes certain of its rights in, to and under the Lease to the Vendor;

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

1. The Lessor hereby assigns, transfers and sets over unto the Vendor, as collateral security for the payment and performance of the obligations of the Lessor under the CSA, all the Lessor's right, title and interest, powers, privileges, and other benefits under the Lease (other than the Lessor's rights under §§ 6, 12 and 20 of the Lease), including, without limitation, the immediate right to receive and collect all rentals, profits and other sums payable to or receivable by the Lessor from the Lessee pursuant to the

provisions of the Lease whether as rent, casualty payment, indemnity, liquidated damages, or otherwise (such moneys being hereinafter called "Payments"), and the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of an Event of Default specified in the Lease, and to do any and all other things whatsoever which the Lessor is or may become entitled to do under the Lease. In furtherance of the foregoing assignment, the Lessor hereby irrevocably authorizes and empowers the Vendor in its own name, or in the name of its nominee, or in the name of the Lessor or as its attorney, to ask, demand, sue for, collect and receive any and all Payments to which the Lessor is or may become entitled under the Lease and to enforce compliance by the Lessee with all the terms and provisions thereof. Notwithstanding the foregoing, the Payments shall not be deemed to include payments by the Lessee to the Lessor pursuant to §§ 6, 12 and 20 of the Lease (except to the extent and in the event any of such payments discharges a corresponding obligation of the Lessor to the Vendor under the CSA); provided, however, that the Lessor shall have no right to exercise any of the remedies under the Lease (other than § 13(a) thereof) to enforce payment of such excluded amounts after an Event of Default shall have occurred and while it shall be continuing, and no payments otherwise excluded from this Assignment pursuant to this sentence may be made to or retained by the Lessor out of the proceeds of the sale or other disposition of the Units unless and until full payment of principal of and interest on the CSA Indebtedness shall have been made.

The Vendor agrees to accept any Payments made by the Lessee for the account of the Lessor pursuant to the Lease, subject to the provisions of the Lessee's Consent and Agreement attached hereto ("Consent") permitting certain payments to be made directly to the Lessor. To the extent received, the Vendor will apply such Payments to satisfy the obligations of the Lessor under the CSA, and, so long as no event of default or event which with the lapse of time and/or demand provided for in the CSA could constitute an event of default thereunder, shall have occurred and be continuing, any balance shall be paid to the Lessor on the same date such Payment is applied to satisfy such obligations of the Lessor, by check mailed to the Lessor on such date or, upon written request of the Lessor, by bank wire to the Lessor at such address as may be specified to the Vendor in writing,

and such balance shall be retained by the Lessor. If the Vendor shall not receive any rental payment under § 3.1 of the Lease when due and payable to it as provided in the Consent, the Vendor shall notify the Lessor at the address set forth in the Lease; provided, however, that the failure of the Vendor so to notify the Lessor shall not affect the obligations of the Lessor hereunder or under the CSA. The Lessor will furnish to the Vendor and the Lessee a schedule, with such changes as may be appropriate from time to time, setting forth the amounts due the Vendor under the CSA and the Lessor under the Lease on each date for the payment thereof.

2. This Assignment is executed only as security and, therefore, this Assignment shall not subject the Vendor to, or transfer, or pass, or in any way affect or modify the liability of the Lessor under the Lease, it being agreed that notwithstanding this Assignment or any subsequent assignment, all obligations of the Lessor to the Lessee shall be and remain enforceable by the Lessee, its successors and assigns, against, and only against, the Lessor or persons other than the Vendor.

3. The Lessor will faithfully abide by, perform and discharge each and every obligation and agreement which the Lease provides is to be performed by the Lessor; without the written consent of the Vendor, the Lessor will not anticipate the rents under the Lease or waive, excuse, forgive or in any manner release or discharge the Lessee thereunder of or from the obligations, conditions and agreements to be performed by the Lessee, including, without limitation, the obligation to pay the rents in the manner and at the time and place specified therein or enter into any agreement amending, modifying or terminating the Lease (except as provided in Section 7 of the Indemnity Agreement) and the Lessor agrees that any amendment, modification or termination thereof without such consent shall be void.

4. The Lessor does hereby constitute the Vendor the Lessor's true and lawful attorney, irrevocably, with full power (in the name of the Lessor, or otherwise), to ask, require, demand, receive and give acquittance for any and all Payments due and to become due under or arising out of the Lease to which the Lessor is or may become entitled, to enforce compliance by the Lessee with all the terms and provisions of the Lease, to endorse any checks or other

instruments in connection therewith and to file any claims or take any action or institute any proceedings which to the Vendor may deem to be necessary or advisable in the premises.

5. Upon the full discharge and satisfaction of all sums due from the Lessor under the CSA, this Assignment and all rights herein assigned to the Vendor shall terminate, and all estate, right, title and interest of the Vendor in and to the Lease shall revert to the Lessor. Promptly following such full discharge and satisfaction, the Vendor agrees to advise the Lessee in writing thereof and instruct the Lessee that no further payments under the Lease are to be made to the Vendor.

6. The Lessor will, from time to time, execute, acknowledge and deliver any and all further instruments required by law or reasonably requested by the Vendor in order to confirm or further assure, the interest of the Vendor hereunder.

7. The Vendor may assign all or any of the rights assigned to it hereby or arising under the Lease, including, without limitation, the right to receive any Payments due or to become due. In the event of any such assignment, any such subsequent or successive assignee shall, to the extent of such assignment, enjoy all the rights and privileges and be subject to all the obligations of the Vendor hereunder.

8. This Assignment shall be governed by the laws of the State of Texas, but the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

9. The Lessor shall cause copies of all notices received in connection with the Lease and all payments hereunder to be promptly delivered or made to the Vendor, unless the Lessor shall have determined that the Vendor has already received such notices.

10. Except as provided in Paragraph 1 hereof, the Vendor hereby agrees with the Lessor that the Vendor will not, so long as no event of default under the CSA has occurred and is continuing, exercise or enforce, or seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits which are assigned and transferred by the Lessor to the Vendor by

this Assignment and which are solely for the benefit of and are enforceable by the Lessor without the prior consent of the Lessor, and the Vendor hereby acknowledges notice of, and confirms the Lessor's right under § 20 of the Lease to perform for the Lessee.

11. This Assignment may be executed in any number of counterparts, but the counterpart delivered to the Vendor shall be deemed to be the original counterpart. Although for convenience this Assignment is dated as of the date first above written, the actual dates of execution hereof by the parties hereto are the dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

ARMCO INDUSTRIAL CREDIT CORPORATION,

by

_____
Vice President

[Seal]

Attest:

_____
Assistant Secretary

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent,

by

_____
Assistant Vice President

[Corporate Seal]

Attest:

_____
Assistant Corporate Trust Officer

STATE OF TEXAS,)
) ss.:
COUNTY OF DALLAS,)

On this day of December 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a Vice President of ARMCO INDUSTRIAL CREDIT CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal]

_____
Notary Public

My Commission expires

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

On this day of December 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the seal of said Corporation and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal]

_____
Notary Public

My Commission expires

CONSENT AND AGREEMENT

BANGOR AND AROOSTOOK RAILROAD COMPANY ("Lessee"), the lessee named in the Lease ("Lease") referred to in the foregoing Assignment of Lease and Agreement ("Lease Assignment"), hereby (a) acknowledges receipt of a copy of the Lease Assignment and (b) consents to all the terms and conditions of the Lease Assignment and agrees that:

(1) it will pay all Payments (as defined in Paragraph 1 of the Lease Assignment) due and to become due under the Lease directly to Mercantile-Safe Deposit and Trust Company, as Agent ("Vendor"), the assignee named in the Lease Assignment, by bank wire transfer of immediately available funds to Mercantile-Safe Deposit and Trust Company, Baltimore, Maryland, for credit to its Corporate Trust Department's Account No. 08246-5 with advice that the funds are "Re: B&A 12/1/81" (or at such other address as may be furnished in writing to the Lessee by the Vendor); provided, however, that unless and until the Vendor in its sole discretion shall otherwise direct the undersigned in writing, so long as no event of default under the Lease, or any event which with notice or lapse of time or both would constitute such an event of default, shall have occurred and be continuing, the undersigned shall make only that portion of the Payments necessary to satisfy the obligations of the Lessor (as defined in the Lease) under the CSA (as defined in the Lease) directly to the Vendor and any balance shall be paid by the undersigned directly to the Lessor or to its order;

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

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

(4) the Lease shall not, without the prior written consent of the Vendor, be terminated or modified, nor shall any action be taken or omitted by the Lessee, the

taking or omission of which might result in an alteration or impairment of the Lease or the Lease Assignment or this Consent and Agreement or of any of the rights created by any thereof.

This Consent and Agreement, when accepted by the Vendor by signing the acceptance at the foot hereof, shall be deemed to be a contract under the laws of the State of Maine and, for all purposes, shall be construed in accordance with the laws of said State.

BANGOR AND AROOSTOOK RAILROAD COMPANY,

[Corporate Seal]

by

_____
President

Attest:

_____
Assistant Clerk

The foregoing Consent and Agreement is hereby accepted as of the first day of December 1981.

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent,

by

_____
Assistant Vice President

EXHIBIT D
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

[CS&M Ref: 2044-189]

HULK PURCHASE AGREEMENT

Dated as of October 25, 1981

Between

FIRST SECURITY STATE BANK,
not individually but solely in
its capacity as Trustee

and

SEABOARD COAST LINE RAILROAD COMPANY

HULK PURCHASE AGREEMENT

Seaboard Coast Line Railroad Company

As of October 25, 1981

First Security State Bank,
not individually but
solely in its capacity
as Trustee
79 South Main Street
Salt Lake City, Utah 84111

Attention of Corporation Trust Department

Gentlemen:

Seaboard Coast Line Railroad Company, a corporation organized under the laws of the Commonwealth of Virginia (the "Seller"), owns the railroad equipment described in Exhibit A hereto (the "Hulks"). The Seller desires to sell the Hulks and First Security State Bank, a Utah banking corporation, not in its individual capacity but solely as trustee (the "Buyer") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with Litton Equity Investments Alpha, Inc. (the "Owner") desires to purchase the Hulks for the Purchase Price set forth in Exhibit A (the "Purchase Price").

The Seller will, from time to time, prior to delivery of such Hulks to Seaboard Coast Line Railroad Company, in its capacity as builder (the "Builder"), for reconstruction, as provided in the Reconstruction and Conditional Sale Agreement (the "RCSA") dated as of the date hereof among the Buyer, First Security Bank of Utah, N.A., not in its individual capacity but solely as Agent (the "Agent") under a Participation Agreement (the "Participation Agreement") dated as of the date hereof, and the Builder, deliver to the Buyer a bill or bills of sale (a "Bill of Sale") transferring title to a group or groups of Hulks and warranting that at the date of such Bill of Sale the Seller had legal title to such Hulks and good and lawful right to sell the same and that title to such Hulks transferred to the Buyer by such Bill of Sale was free of all claims, liens, security interests, security title and other encumbrances of any nature whatsoever. On or after the date of such Bill of Sale, the Seller will deliver the

Hulks in such group or groups to an authorized representative of the Buyer at such point or points within the United States of America as shall be specified by the Seller. The Buyer hereby appoints the Seller (and any employee thereof designated by the Seller) as its agent for acceptance of the Hulks; provided, however, that the Seller is not authorized to accept delivery of any Hulk (i) that is not economically fit for reconstruction in accordance with the specifications provided in the RCSA; (ii) after written notice from the Buyer that such authority has been terminated; (iii) if the Purchase Price of such Hulk when added to the sum of the estimated Reconstruction Cost (as defined in the RCSA) thereof and the aggregate Purchase Price and Reconstruction Cost of those Hulks previously accepted would exceed the Maximum Purchase Price specified in Article 3 of the RCSA or (iv) after July 31, 1982. The sale and delivery of the Hulks pursuant to this Agreement shall commence as soon as practicable and shall be completed on or before such date as shall permit the completion of reconstruction of each Hulk by July 31, 1982.

If and to the extent that any Hulk is not reconstructed and accepted pursuant to the RCSA on or before January 31, 1983 (a "Noncompleted Hulk"), all rights and interests of the Seller in and to such Hulk, including the reconstructed portions thereof, if any, shall immediately, without further action, be released and transferred to the Buyer, and the Seller shall promptly deliver such Noncompleted Hulk to the Buyer, at such place as shall be specified by the Buyer, free and clear of all liens, claims and encumbrances of the Seller or any other person, and thereafter the Buyer, the Owner or any agent shall either (a) sell such Noncompleted Hulk in a commercially reasonable manner or (b) retain such Noncompleted Hulk for its own use or for further reconstruction, lease, future sale or other disposition. If such Noncompleted Hulk shall be sold pursuant to clause (a) above, the net proceeds of such sale shall be applied first, to the payment of all costs and expenses, including legal fees, of the Buyer, the Owner and their agents incurred in connection with such repossession and sale, second, to reimburse the Buyer for the Purchase Price of such Noncompleted Hulk, third, to reimburse the Seller for its reasonable reconstruction expenses incurred in connection with such Noncompleted Hulk (excluding any profit or overhead) and fourth, the balance, if any, to the Buyer. If such Noncompleted Hulk shall be retained pursuant to clause (b) above, the Buyer shall determine the fair market value of such

Noncompleted Hulk (determined on an "as is, where is" basis), deduct from such Value the amount of the Purchase Price of such Noncompleted Hulk and all costs and expenses of the Buyer, the Owner and their agents in connection with such repossession and determination and, to the extent that any amount of such Value remains, pay to the Seller the amount set forth in clause third above.

Notwithstanding anything to the contrary contained herein, the Buyer shall have no obligation to accept any Hulk which is delivered hereunder after (i) any event of default as defined in Article 14 of the RCSA or any event (including the commencement of any proceeding or the filing of any petition of the nature specified in subparagraphs (c) and (d) of Article 14 thereof) which, with lapse of time, failure to take affirmative action and/or demand, could constitute an event of default thereunder shall have occurred, (ii) the Buyer shall have delivered written notice to the Seller that any of the conditions contained in Paragraph 7 of the Participation Agreement have not been met or waived, or (iii) there shall have been a material adverse change in the financial condition, business or operations of the Lessee from that which existed on December 31, 1980.

The Buyer at the times hereafter specified will pay to the Seller the Purchase Price of each Hulk in each group subject to all the terms and conditions of this Agreement, including without limitation the receipt by the Buyer, on or prior to the date of delivery of such Hulk hereunder of (a) the Bill of Sale with respect thereto specified in the second and sixth paragraphs hereof, (b) a certificate or certificates of acceptance (a "Certificate of Acceptance") signed by the Buyer's authorized representative stating that the Hulks in such group have been delivered to and accepted on behalf of the Buyer, (c) an invoice or invoices with respect to such Hulks and (d) a written opinion of counsel for the Seller dated the date of such Bill of Sale, addressed to the Buyer, and stating that such Bill of Sale is valid and effective to transfer the Seller's title to such Hulks to the Buyer and that on such date title to such Hulks was free of all claims, liens, security interests and other encumbrances and that no filings, recordings, registration or other action is necessary to establish, perfect and protect such title of the Buyer.

Each such Bill of Sale shall contain the following information with respect to each type of Hulk included in the group of Hulks covered thereby: quantity, description, the Seller's identifying numbers and place of delivery. Subject only to the conditions set forth in this Agreement and in Paragraph 7 of the Participation Agreement, the Buyer will pay the Purchase Price of each Hulk delivered and accepted as aforesaid to the Seller either on (i) the Closing Date relating to such Hulk fixed as provided in the RCSA or (ii) January 31, 1983, whichever is earlier.

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

Notwithstanding the delivery of any Bill of Sale hereunder, the Seller agrees that all responsibility with respect to any Hulk covered by such Bill of Sale, its use and operation and risk of loss thereof, shall remain with the Seller until such Hulk is delivered to and accepted by the authorized representative of the Buyer, as provided above, and the Seller agrees to indemnify and hold the Buyer harmless from any claim made against the Buyer solely by reason of the transfer of title to the Hulks or with respect to the validity of such title, free from all claims, liens, security interests, security title or encumbrances of any nature other than those of the Buyer at the time of such delivery and acceptance. Upon such delivery and acceptance, all responsibility and risk of loss with respect to such Hulk shall pass to the Buyer. As of the date of such delivery and acceptance, the Buyer shall be unconditionally obligated to purchase such Hulk, without any right to a reduction in or setoff against the price thereof by reason of any past, present of future claims against the Seller under this agreement, the RCSA, the Participation Agreement, the Lease (as defined in the Participation Agreement) or otherwise.

In the event that any Hulk is not so delivered to the Buyer after the date of any Bill of Sale with

respect thereto the Buyer will assign to the Seller, without warranty of any kind, whatever right, title and interest the Buyer may then have in such Hulk and such Hulk shall thereafter be excluded from the provisions of this Agreement.

The Seller hereby represents and warrants to the Buyer, its successors and assigns, that this Agreement was duly authorized by it and lawfully executed and delivered for a valid consideration.

Notwithstanding anything herein to the contrary, the representations, warranties, undertakings and agreements herein made on the part of the Buyer are made and intended not as personal representations, warranties, undertakings and agreements by First Security State Bank or for the purpose or with the intention of binding said bank personally but are made and intended for the purpose of binding only the Trust Estate (as such term is used in the Trust Agreement), and this Agreement is executed and delivered by said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank (except in the case of wilful misconduct or gross negligence by said bank hereunder) on account of this Agreement or the Trust Agreement or on account of any representation, warranty, undertaking or agreement of said bank hereunder, either expressed or implied, all such personal liability, if any, being expressly waived and released by the Seller and by all persons claiming by, through or under the Seller.

The terms of this Agreement and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same contract, which shall be sufficiently evidenced by any such original counterpart. It shall not be necessary that the parties hereto all sign

the same counterpart as long as each party shall sign a counterpart and such counterpart is delivered to the Agent or its counsel, whereupon this Agreement shall become effective.

Very truly yours,

SEABOARD COAST LINE RAILROAD COMPANY,

[Corporate Seal]

by

Attest:

Senior Vice President-Finance

Assistant Secretary

Accepted as of the date first set forth above:

[Corporate Seal]

FIRST SECURITY STATE BANK, not individually but solely in its capacity as Trustee,

Attest:

by

Authorized Officer

Authorized Officer

STATE OF FLORIDA,)
) ss.:
COUNTY OF DUVAL,)

On this day of 1981, before me personally appeared Alex J. Mandl, to me personally known, who, being by me duly sworn, says that he is Senior Vice President-Finance of SEABOARD COAST LINE RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that such instrument was this day signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

_____
Notary Public

[Notarial Seal]

My Commission Expires

STATE OF UTAH,)
) ss.:
COUNTY OF SALT LAKE,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of FIRST SECURITY STATE BANK, that one of the seals affixed to the foregoing instrument is the corporate seal of said bank and that said instrument was signed and sealed on behalf of said bank 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 bank.

_____
Notary Public

[Notarial Seal]

My Commission Expires

HULK PURCHASE AGREEMENT*

EXHIBIT A

Quantity	Description	To be selected from Series Bearing Road Numbers	Hulk Purchase Price	Total Purchase Price
12	Diesel Electric Locomotives	SCL 700-1002 SCL 1003-1054 SCL 1056-1065	$40,000	$480,000
				$480,000

* It is agreed that, notwithstanding anything to the contrary contained in this Exhibit A or in the Hulk Purchase Agreement to which this Exhibit A is annexed ("this Agreement"), this Agreement will only cover Hulks delivered by the Seller and accepted by the Buyer on or after the First Delivery Date (as defined in the Participation Agreement), and on or before July 31, 1982, having an aggregate Purchase Price (as defined in the RCSA) when reconstructed not in excess of the Maximum Purchase Price (as defined in the RCSA). After delivery of all the Hulks covered by this Agreement, this Exhibit A will be appropriately amended to describe only those Hulks covered by this Agreement and will designate the particular road numbers thereof.

TAX INDEMNITY AGREEMENT
SEABOARD COAST LINE RAILROAD COMPANY
(Reconstructed Locomotives)

TAX INDEMNITY AGREEMENT dated as of October 25, 1981
between
SEABOARD COAST LINE RAILROAD COMPANY (the "Lessee"
or the "Builder")
and LITTON EQUITY INVESTMENTS, ALPHA INC. (the "Trustor");

RECITALS

A. The Trustor is a party to a trust (the "Trust") under a Trust Agreement dated as of the date hereof (the "Trust Agreement"), between the Trustor and First Security State Bank, as trustee (the "Trustee"), providing for the authorization and direction of the Trustee, solely on behalf of the Trust, to enter into various Trust Documents identified therein, including a Hulk Purchase Agreement dated as of the date hereof (the "Hulk Purchase Agreement") providing for the acquisition of units of used railroad equipment (the "Hulks") from the Lessee, and a Reconstruction and Conditional Sale Agreement dated as of the date hereof (the "Reconstruction Agreement") providing for (i) the reconstruction of the Hulks (the reconstructed Hulks being hereinafter called individually a "Unit" and collectively the "Units") for the Trustee by the Builder, and (ii) the purchase by the Trustee of security title to the Units from First Security Bank of Utah, N.A. (the

"Vendor"), and for the Lease of the Units by the Trustee, as Lessor, to the Lessee, as Lessee, pursuant to a Lease of Railroad Equipment (the "Lease") dated as of the date hereof, between the Trustee and the Lessee.

B. The Trustor has agreed in the Trust Agreement to advance certain funds to the Trustee to permit the Trustee to pay a portion of the Purchase Price (as defined in the Reconstruction Agreement described below) of the Units.

C. The Trustee will acquire, and pay to the Vendor for the account of the Builder, the balance of the Purchase Price of the Units from an investor (the "Original Investor") named in Schedule A to the Participation Agreement, dated as of the date hereof (the "Participation Agreement") among the Vendor, the Lessee, the Trustor, the Trustee and the Original Investor, pursuant to the terms and provisions of the Participation Agreement.

D. It is intended that all payments hereunder shall be made directly to Trustor in the manner hereinbelow provided and shall not be included as a part of the Trust Estate under the Trust Agreement.

SECTION 1. Intended Tax Benefits

In entering into the Trust Agreement and the transaction contemplated thereby (the "Transaction") it is the

intention of the Trustor to claim the tax benefits described in Sections 1.(d), (e), (f) and (h) below (the "Tax Benefits"), based on the tax conclusions stated in Sections 1.(a), (b), (c) and (g) below (the "Tax Conclusions"), for the purpose of determining its liability for Federal income tax and for the taxes imposed by the state and local jurisdictions in which the Trustor has its principal office:

(a) the Lease constitutes a true lease;

(b) the Trust is the lessor and the Lessee is the lessee under the Lease;

(c) the Trust will be a "Grantor Trust" pursuant to Subpart E, Part 1, of Subchapter J of the Internal Revenue Code of 1954, as amended (the "Code"), and the Trustor shall be treated as the owner of the entire Trust and shall take into account on its Federal income tax returns all items of income, gain, loss, deduction or credit to which the Trustor would have been entitled with respect to the Transaction had the Trust not been in existence.

(d) the Trust is entitled to deduct the interest (the "Interest Deduction") payable by the Trustee on the CSA Indebtedness (as defined in the Reconstruction Agreement) in computing its taxable income;

(e) the Reconstruction Cost (as defined in the

Reconstruction Agreement) qualifies for the full 10% investment tax credit allowed under Section 38 and related Sections of the Code (the "Investment Credit"), such Investment Credit to be available to the Trust for its taxable year ended July 31, 1982;

(f) in computing its taxable net income, the Trust is entitled (i) with respect to the Reconstruction Cost, to a recovery deduction determined by using the percentages prescribed for 5-year property by Section 168(b)(1)(A) of the Code, and (ii) with respect to the Hulk Purchase Price (as defined in the Reconstruction Agreement), to depreciation (A) over an "asset depreciation range" of 12 years for an asset described in Asset Guideline Class No. 00.25 as described in Rev. Proc. 77-10; (B) employing the 150% declining balance method, with a change, not requiring the consent of the Commissioner of Internal Revenue, to the straight line method; (C) adopting the half-year convention described in Regulation Section 1.167(a)-11(c); and (D) taking into account an estimated salvage value of 10% of the Hulk Purchase Price which will be reduced by 10% of the Hulk Purchase Price as provided in Section 167(f) of the Code (the sum of such recovery deduction and deprecia-

tion being referred to hereinafter as the "Depreciation Deduction");

(g) all amounts includible in gross income by the Trust with respect to the Lease will be treated as income derived from or allocable to sources within the United States; and

(h) the fees and expenses borne by the Trustor and described in Section 11B of the Participation Agreement will be amortizable or depreciable at a rate no less rapid than straight line over the original term of the Lease.

Notwithstanding the foregoing, the parties agree that, except to the extent expressly provided in Section 2 hereof, the Lessee neither represents nor warrants that the Tax Benefits will be available to the Trustor.

SECTION 2. Income Tax Indemnificaton

The Lessee agrees that neither it nor any corporation controlled by it, in control of it or under common control with it, directly or indirectly, will at any time during the term of the Lease or any extended term thereof file any returns, certificates or other documents or take any other action or fail to take any action inconsistent with the the Tax Conclusions or with the Trustor's claiming

the Tax Benefits (except that the Lessee may take such action as may be deemed by the Lessee to be necessary in consequence of, and file returns in connection with, the de minimis use of the Units outside the United States), and that each of such corporations will file such returns, take such action and execute such documents, and keep and make available for inspection and copying by the Trustor such records (other than the Lessee's corporate income tax returns), as may be reasonable and necessary to facilitate accomplishment of the intent hereof.

The Lessee hereby represents and warrants that (i) no portion of the Units attributable to the Reconstruction Cost constitutes property, the construction, reconstruction or erection of which was begun before April 1, 1971; (ii) at the time of delivery of each reconstructed Unit to the Trust and at all times thereafter during the term of the Lease, (A) the portion of such Unit attributable to the Reconstruction Cost will qualify as "new Section 38 property" within the meaning of Section 48(b) of the Code and as "recovery property" within the meaning of Section 168 of the Code qualifying for cost recovery deductions based on the percentages prescribed for 5-year property by Section 168(b)(1)(A) of the Code and (B) the portion of such Unit attributable to the Hulk Purchase Price will qualify as "used

Section 38 property" within the meaning of Section 48(c) of the Code and will qualify for the method(s) of depreciation described in subsection (ii) of Section 1(f); (iii) at the time of delivery of each reconstructed Unit to the Trust, the portion of such Unit attributable to the Reconstruction Cost will not have been used by any person so as to preclude "the original use of such property" within the meaning of Section 48(b) of the Code from commencing with the Trustee; (iv) at the time of delivery of each reconstructed Unit to the Trust, no investment credit, cost recovery deductions or other tax benefits will have been claimed by any person with respect to the portion of such Unit attributable to the Reconstruction Cost; (v) at all times during the term of the Lease, the Units will constitute "Section 38 property" within the meaning of Section 48(a) of the Code as in effect on the date hereof; and (vi) the Lessee will not claim that it is the owner of the Units at any time prior to the exercise by the Lessee of any option granted to the Lessee under the Lease to purchase the Units.

If the Trustor shall lose, or shall not have, or shall lose the right to claim or shall suffer a disallowance of or shall be required to recapture all or any portion of the Tax Benefits with respect to all or part of

any Unit, or if the Trustor's after-tax return on and rate of recovery of investment and annual net cash flows shall be reduced due to (a) the sale or other disposition of such Unit or the interest of the Trustor therein after the occurrence of an Event of Default under the Lease, (b) an amendment, modification, repeal or other change, adopted on or prior to August 1, 1982, of or to a tax law, (c) an amendment, modification, repeal or other change of or to a tax law, which is adopted subsequent to August 1, 1982, if the effective date thereof shall be on or prior to August 1, 1982, (d) the incorrectness of any representation or warranty made by the Lessee (including, without limitation, those made in the preceding paragraph of this Section 2, other than one which results from a change in a tax law which becomes effective after August 1, 1982), or the breach by the Lessee of any of its agreements set forth in the first paragraph of this Section 2, (e) the incompleteness or inaccuracy of any information which was furnished by the Lessee or any affiliated company to the independent appraiser in connection with its preparation of the opinion, delivered to the Trustor as required by Section 7 of the Participation Agreement, including, without limitation, any misstatement or omission of information which is material and relevant to the preparation of such opinion, or (f) any other act, failure to act or

misrepresentation by the Lessee, then in any such case the Lessee shall pay to the Trustor on each of the dates provided in the Lease for payment of the installments of rental thereunder commencing with the first such date following the date on which the liability of the Lessee hereunder shall become fixed as hereinafter provided, such sums which (after deduction of all taxes required to be paid by the Trustor on the receipt of such sums under the laws of the United States, any political subdivision thereof or any foreign government or governmental subdivision thereof), when taken together with the portion of the rental installments due on such dates under the Lease which are to be distributed to the Trustor, will, in the reasonable opinion of the Trustor, maintain the Trustor's after-tax return on and rate of recovery of investment and the annual net cash flows (computed on the same assumptions as utilized by the Trustor in originally evaluating this transaction) in respect of such Unit hereunder and under the Lease at a level that is not less than the level that would have been available if the Trustor had been entitled to utilization of all of such Tax Benefits. In the event that the Lease is terminated as to any Unit prior to the time the Lessee is obligated to make payments to the Trustor with respect to such Unit as set forth in the preceding sentence (either because no such payment obli-

gation had become fixed under such sentence prior to such termination or because the due date of such payment or payments shall occur following such termination), then the Lessee shall pay to the Trustor, in lieu of such payment or payments, on or before 30 days after the liability of the Lessee in respect of such Unit shall become fixed as hereinafter provided, such lump sum which (after deduction of all taxes required to be paid by the Trust or on the receipt of such lump sum under the laws of the United States, any political subdivision thereof or any foreign government or governmental subdivision thereof) shall be necessary in the reasonable opinion of the Trustor to maintain the Trustor's after-tax return on and rate of recovery of investment and the annual net cash flows (computed on the same assumptions as utilized by the Trustor in originally evaluating this transaction) in respect to such Unit hereunder and under the Lease at a level that is not less than the level that would have been available if the Trustor had been entitled to utilization of all such Tax Benefits.

If any income or deduction with respect to the Units shall not be treated as derived from, or allocated to, sources within the United States for a given year, and the Trustor's foreign tax credits are reduced for such year as a result of the Lessee's use of the Units outside the

United States, then the Lessee shall pay to the Trustor, within 30 days after receipt of notice from the Trustor of that event, a sum which (after deduction of all taxes required to be paid by the Trustor on the receipt of such sum under the laws of the United States, any political subdivision thereof or any foreign government or governmental subdivision thereof) will, in the reasonable opinion of the Trustor, maintain the Trustor's after-tax return on and rate of recovery of investment and the annual net cash flows (computed on the same assumptions as utilized by the Trustor in originally evaluating this transaction) in respect of such Units hereunder and under the Lease at a level that is not less than the level that would have been available if the Trustor's foreign tax credits had not been reduced.

If, due to the act, failure to act or the misrepresentation of the Lessee, or due to the fluctuation in the interest rate of the CSA Indebtedness, or due to the purchase, from the Original Investor, of the CSA Indebtedness, the Trustor is required to include in its gross income any part of the Fixed Rental Amount or Variable Rental Amount, as such terms are defined in the Lease, in any taxable year or portion thereof prior to the taxable year in which such Fixed Rental Amount or Variable Rental Amount would otherwise be accruable in accordance with the Trustor's method of account-

ing, then the Lessee shall pay to the Trustor, within 30 days after receipt of notice from the Trustor of that event, such lump sum which (after deduction of all taxes required to be paid by the Trustor on the receipt of such lump sum under the laws of the United States, any political subdivision thereof or any foreign government or governmental subdivision thereof) shall be necessary in the reasonable opinion of the Trustor to maintain the Trustor's after-tax return on and rate of recovery of investment and the annual net cash flows (computed on the same assumptions as utilized by the Trustor in originally evaluating this transaction) at a level that is not less than the level that would have been available if such event had not occurred.

The Lessee acknowledges that the Casualty Value Percentages Schedule attached as Schedule B to the Lease has been computed on the assumption that the Trustor shall be entitled to the Tax Benefits. Accordingly, in the event the Lessee becomes obligated under the provisions of this Agreement to pay additional sums to the Trustor, the said Casualty Value Percentages Schedule shall be revised as may be necessary in the reasonable opinion of the Trustor so that the amount payable by the Lessee in connection with any Casualty Occurrence (as defined in the Lease) shall be sufficient to maintain the Trustor's after-tax return on

and rate of recovery of investment and the annual net cash flows (computed on the same assumptions as utilized by the Trustor in originally evaluating this transaction) at the same level that would have been available to the Trustor upon payment of Casualty Value had the Tax Benefits been allowed in full. The revised Casualty Value Percentages Schedule shall be applied to any payment of Casualty Value paid after the liability of the Lessee hereunder shall become fixed as hereinafter provided regardless of the date of the Casualty Occurrence. Furthermore, with respect to any previous payment of Casualty Value under the Lease by the Lessee after a Casualty Occurrence but prior to the aforementioned revision of the Casualty Value with respect to such Unit, the Lessee shall pay to the Trustor, in a lump sum, the additional amount in excess of the Casualty Value actually paid, that Lessee would have been required to pay had the liability of the Lessee hereunder become fixed prior to the date of the original payment, and the Casualty Value Percentages Schedule had, accordingly, been revised as above provided.

Any amounts payable by the Lessee to the Trustor pursuant to the preceding four paragraphs shall be determined by the Trustor, which determination shall be made in accordance with the assumptions used by the Trustor in originally

evaluating the transaction.

Anything in the foregoing paragraphs of this Section 2 to the contrary notwithstanding, the Lessee shall not be required to make any payment to the Trustor provided for herein if the Trustor shall have lost the right to claim, or shall have suffered a disallowance of, or shall have been required to recapture all or a portion of any Tax Benefit with respect to all or part of such Unit solely as a direct result of the occurrence of any of the following events (hereinafter called Excluded Events):

(i) a Casualty Occurrence with respect to such Unit, if the Lessee shall have paid to the Trust the amounts stipulated under Section 6 of the Lease, as the same may be revised pursuant to the preceding paragraph;

(ii) a voluntary transfer or other voluntary disposition by either the Trust or the Trustor of any interest in such Unit or the voluntary reduction by the Trust or the Trustor of its interest in the rentals from such Unit under the Lease (except pursuant to any assignment thereof to the Vendor as security) or any transfer or disposition by the Trust or the Trustor resulting from bankruptcy or other proceedings for the relief of debtors in which the Trust or the Trustor is

the debtor (whether voluntary or involuntary) of any interest in such Unit or in the rentals therefor under the Lease unless, in each case, an Event of Default under the Lease shall have occurred and be continuing;

(iii) the failure of the Trustor to claim its portion of the Investment Credit, the Interest Deduction or the Depreciation Deduction, as applicable, in its Federal income tax return for the appropriate year, or the failure of the Trustor to follow proper procedure in claiming the Tax Benefits; or

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

In the event that the Internal Revenue Service asserts that the Trustor is not entitled to all or any portion of the Tax Benefits with respect to all or part of any Unit, the Trustor shall promptly notify the Lessee in writing of such assertion and shall not make any payment to the Internal Revenue Service with respect to such asserted loss of Tax Benefits for at least thirty (30) days after giving such notice, unless such period shall be beyond the term (including any extension of time available to Trustor)

within which payment must be made without jeopardy of the Trustor's appeal or other rights. In addition, the Trustor shall give to the Lessee any information relating to such assertion which the Trustor reasonably believes to be relevant and may be particularly within the knowledge of the Trustor.

The Trustor agrees that if an Opinion of Counsel (defined below) is received by the Trustor, within 30 days after the Trustor's giving notice as required by the preceding paragraph, pertaining to all or a portion of the Tax Benefits in respect of which the Lessee would otherwise be required to make payments to the Trustor pursuant hereto, the Trustor shall, upon request and at the expense of the Lessee, contest such matter in such forum as the Trustor, in its sole judgment, shall select; provided, however, that the Trustor shall not be obligated to take any such legal or otherwise appropriate action unless the Lessee shall first have indemnified the Trustor, in such form and with such security as may be reasonably acceptable to Trustor, for all liabilities and expenses which may be entailed therein; and provided further that the Trustor shall not be required to take any such legal or otherwise appropriate action if (i) the claim to which such action relates would result in an indemnity of less than $50,000 to the Trustor in

any one taxable year or (ii) the proposed adjustment by the Internal Revenue Service relates solely to the taxable year in which any credit or deduction is properly allowable if it is recognized that the credit or deduction is allowable for a prior taxable year that is still open and that the appropriate tax returns will be amended to claim such credit or deduction and that the total interest, penalties and additions to tax with respect to such adjustment payable by the Trustor for which the Lessee is required to indemnify hereunder do not exceed $50,000. An Opinion of Counsel and an indemnity shall also be furnished to the Trustor prior to each stage of any appeal on such matter within 30 days after notice to the Lessee by the Trustor of an adverse result of the preceding stage, provided that such notice shall include a request by the Trustor for an Opinion of Counsel, and provided further that no more than three (3) Opinions of Counsel shall be requested. For purposes hereof, an Opinion of Counsel shall mean an opinion of independent tax counsel for the Trustor or the Lessee who is acceptable to the Trustor, referring to the matter described in the foregoing sentences, and stating such counsel's opinion that a bona fide claim exists with respect to such matter and that there is a reasonable basis for contesting the same. The Trustor may, at

its option, take such action prior to making payment of any tax and interest and/or penalty attributable to the disallowance or recapture with respect to the Trustor of all or any portion of the Tax Benefits with respect to any Unit (a "Tax Payment") or may make such Tax Payment and then sue for a refund. If the Trustor takes such action prior to making such Tax Payment, such sums payable hereunder need not be paid by the Lessee while such action is pending. In such case, if the Final Determination (as defined in the next succeeding paragraph of this Section 2) shall be adverse to the Trustor, the sums payable hereunder shall be computed by the Trustor as of the date of such Final Determination and the Lessee shall commence payment thereof on the rental payment date under the Lease next succeeding such Final Determination (or such payment shall be made in full within 30 days after Final Determination if the Lease has been terminated) and, on or before such rental payment date (or such alternate date) the Lessee shall pay to the Trustor as an additional payment hereunder an amount which, after deduction for all taxes based upon the receipt thereof, will be equal to all interest and penalty paid by the Trustor in respect to such Final Determination, reduced by any tax benefits obtained by the Trustor by reason of making such interest payment, together with interest thereon from the

date such payment of interest and penalty is made by the Trustor to the date the Lessee reimburses the Trustor thereof at the Prime Rate (i.e., the prime rate in effect at Chase Manhattan Bank, N.A., of New York, from time to time during the period for which interest is payable) plus 2% per annum. If the Trustor makes such Tax Payment prior to contesting the matter, the sums payable hereunder shall commence to be payable by the Lessee on the first rental payment date under the Lease after such Tax Payment is made (or such payment shall be made in full within 30 days after the making of such Tax Payment if the Lease has been terminated) and, on or before such rental payment date (or such alternate date), the Lessee shall pay to the Trustor, within 30 days after the Trustor's giving notice as required by the preceding paragraph, as an additional payment hereunder an amount which, after deduction for all taxes based upon the receipt thereof, reduced by any tax benefits obtained by the Trustor by reason of making such interest payment, will be equal to all interest and penalty paid by the Trustor included in such Tax Payment. If the Trustor sues for a refund after making such Tax Payment and if the Final Determination shall be in favor of the Trustor, no future payments shall be due hereunder in respect of such matter (or an appropriate reduction in such payments shall be made if the Final Determination is

partly in favor of and partly adverse to the Trustor). In addition, the Lessee and the Trustor shall adjust their accounts so that (i) the Trustor pays to the Lessee within 30 days after the Trustor's receipt of the tax refund (x) an amount equal to the sums theretofore paid by the Lessee to the Trustor (or a proportionate part thereof if the Final Determination is partly in favor of and partly adverse to the Trustor) together with interest thereon at the Government Rate (i.e., the rate of interest payable by the U.S. Government on income tax refunds at the time a tax refund is received by the Trustor) for the period from the date such sums were paid to the Trustor by the Lessee to the date the Trustor pays to the Lessee an amount equal to such sums, and (y) the amount of any interest paid to the Trustor by the government on such refund, promptly upon receipt thereof, together with interest on the amount thereof at the Prime Rate plus 2% per annum for the period from the date such sums were paid to the Trustor by the government to the date the Trustor pays to the Lessee an amount equal to such sums, and (ii) the Lessee pays to the Trustor within 30 days after the Trustor's receipt of the tax refund an amount equal to interest at the Prime Rate plus 2% per annum on the amount of the tax refund made in respect of the Tax Payment for the period from the date of the original payment of the Tax

Payment by the Trustor to the date such tax refund is received by the Trustor.

"Final Determination", for the purposes of this Section 2, means a final decision of the Internal Revenue Service (in the event that no contest of such decision by the Internal Revenue Service is required pursuant to the preceding paragraph) or a court of competent jurisdiction after all appeals, including those which have been requested by the Lessee pursuant to the preceding paragraph, have been exhausted by either party to the action. Unless the required Opinion of Counsel has not been furnished to the Trustor in a timely manner as contemplated by the preceding paragraph, neither concession by the Trustor of any of the aforementioned Tax Benefits in the overall settlement of a controversy with the Internal Revenue Service (either at the administrative level or at the court level), nor the failure to recover a refund in whole or in part with respect to the disallowance of such Tax Benefits, which in either case is the result of the setoff against the claim for refund based upon the loss of such Tax Benefits where the matters set off do not relate to such Tax Benefits, will constitute an adverse "Final Determination" causing the aforementioned additional payment to accrue to the Trustor. If the Trustor agrees to the disallowance of a claim for refund based upon

the loss of Tax Benefits because of the assertion against it of offsets involving other issues not related to the Tax Benefits, the Trustor shall advise the Lessee of this decision within thirty (30) days of its making and such decision will be treated as the receipt of a refund by the Trustor for the purposes of the above provisions.

SECTION 3. Payment Adjustment for Lessee's Capital Expenditure

In the event that the Lessee shall make any improvement, replacement and/or addition (the "Alterations") to a Unit, which Alterations are not readily removable without material damage to the Units, and the Trustor is required to include the value thereof as income to the Trustor for Federal income tax purposes, the Lessee hereby agrees that it will pay to the Trustor on each of the dates provided in the Lease for payment of the installments of rental thereunder in respect of such Unit commencing with the first such date following the date on which the Lessee is required to furnish written notice of such inclusion to the Trustor pursuant to the last paragraph of this Section 3, such sums which (after deduction of all taxes required to be paid by the Trustor with respect to the receipt thereof under the laws of the United States or any political subdivision thereof), when taken together with the rental installments

due on such dates under the Lease in respect of such Unit, will, in the reasonable opinion of the Trustor, maintain the Trustor's after-tax return on and rate of recovery of investment and the annual net cash flows (computed on the same assumptions as utilized by the Trustor in originally evaluating this transaction) in respect of such Unit hereunder and under the Lease at the same level that would have been available if the cost of such Alterations had not been treated as income to the Trustor. Any amount payable by the Lessee to the Trustor pursuant to the preceding sentence shall be determined by the Trustor, which determination shall be made in accordance with the assumptions used by the Trustor in originally evaluating the transaction.

The Lessee agrees that, within 30 days after the close of any calendar year (or in the event the Trustor gives the Lessee written notice that the Trustor's taxable year closes on a date specified therein other than December 31, within 30 days after said date) in which the Lessee has made Alterations which are required to be treated as income to the Trust or for Federal income tax purposes, the Lessee will give written notice thereof to the Trustor describing, in reasonable detail, such Alterations which are required to be included in the gross income of the Trustor for Federal income tax purposes, and specifying the cost thereof with

respect to each Unit.

SECTION 4. Consolidated Tax Return

For purposes of this Agreement, the term "Trustor" shall include any affiliated group, within the meaning of Section 1504 of the Code, of which the Trustor is a member if consolidated returns are filed for such affiliated group for Federal income tax purposes.

SECTION 5. Duration

The obligations and liabilities of the Lessee arising under this Agreement shall continue in full force and effect, notwithstanding the expiration of the Lease, until all such obligations have been met and such liabilities have been paid in full. All of the covenants, indemnities, representations, warranties and agreements of the Lessee set forth in this Agreement shall survive the expiration or early termination of the Lease.

SECTION 6. Payment

All payments provided to be made to the Trustor by the Lessee pursuant to this Agreement shall be made by wire transfer of immediately available funds as follows:

State National Bank of Connecticut
One Atlantic Street
Stamford, Connecticut
For credit to account No. 1-37976-1 of
Litton Equity Investments, Alpha Inc.

SECTION 7. Governing Law

The Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

SECTION 8. Counterparts

This Agreement may be simultaneously executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Lessee and the Trustor have caused this instrument to be duly executed, all as of the day and year first above written.

SEABOARD COAST LINE RAILROAD COMPANY,

by

_____

Title: Assistant Vice President

LITTON EQUITY INVESTMENTS, ALPHA INC.,

by

_____

Title: Vice President

[CS&M Ref: 2044-189]

RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT

Dated as of October 25, 1981

Among

FIRST SECURITY BANK OF UTAH, N.A.,
not in its individual capacity but
solely as Agent,

SEABOARD COAST LINE
RAILROAD COMPANY,
Builder,

and

FIRST SECURITY STATE BANK,
not in its individual capacity but solely as trustee under
a Trust Agreement with LITTON EQUITY INVESTMENTS, ALPHA INC.
dated the date hereof

Vendee.

TAX INDEMNITY AGREEMENT
SEABOARD COAST LINE RAILROAD COMPANY
(Reconstructed Locomotives)

TAX INDEMNITY AGREEMENT dated as of October 25, 1981
between
SEABOARD COAST LINE RAILROAD COMPANY (the "Lessee"
or the "Builder")
and LITTON EQUITY INVESTMENTS, ALPHA INC. (the "Trustor");

RECITALS

A. The Trustor is a party to a trust (the "Trust") under a Trust Agreement dated as of the date hereof (the "Trust Agreement"), between the Trustor and First Security State Bank, as trustee (the "Trustee"), providing for the authorization and direction of the Trustee, solely on behalf of the Trust, to enter into various Trust Documents identified therein, including a Hulk Purchase Agreement dated as of the date hereof (the "Hulk Purchase Agreement") providing for the acquisition of units of used railroad equipment (the "Hulks") from the Lessee, and a Reconstruction and Conditional Sale Agreement dated as of the date hereof (the "Reconstruction Agreement") providing for (i) the reconstruction of the Hulks (the reconstructed Hulks being hereinafter called individually a "Unit" and collectively the "Units") for the Trustee by the Builder, and (ii) the purchase by the Trustee of security title to the Units from First Security Bank of Utah, N.A. (the

"Vendor"), and for the Lease of the Units by the Trustee, as Lessor, to the Lessee, as Lessee, pursuant to a Lease of Railroad Equipment (the "Lease") dated as of the date hereof, between the Trustee and the Lessee.

B. The Trustor has agreed in the Trust Agreement to advance certain funds to the Trustee to permit the Trustee to pay a portion of the Purchase Price (as defined in the Reconstruction Agreement described below) of the Units.

C. The Trustee will acquire, and pay to the Vendor for the account of the Builder, the balance of the Purchase Price of the Units from an investor (the "Original Investor") named in Schedule A to the Participation Agreement, dated as of the date hereof (the "Participation Agreement") among the Vendor, the Lessee, the Trustor, the Trustee and the Original Investor, pursuant to the terms and provisions of the Participation Agreement.

D. It is intended that all payments hereunder shall be made directly to Trustor in the manner hereinbelow provided and shall not be included as a part of the Trust Estate under the Trust Agreement.

SECTION 1. Intended Tax Benefits

In entering into the Trust Agreement and the transaction contemplated thereby (the "Transaction") it is the

intention of the Trustor to claim the tax benefits described in Sections 1.(d), (e), (f) and (h) below (the "Tax Benefits"), based on the tax conclusions stated in Sections 1.(a), (b), (c) and (g) below (the "Tax Conclusions"), for the purpose of determining its liability for Federal income tax and for the taxes imposed by the state and local jurisdictions in which the Trustor has its principal office:

(a) the Lease constitutes a true lease;

(b) the Trust is the lessor and the Lessee is the lessee under the Lease;

(c) the Trust will be a "Grantor Trust" pursuant to Subpart E, Part 1, of Subchapter J of the Internal Revenue Code of 1954, as amended (the "Code"), and the Trustor shall be treated as the owner of the entire Trust and shall take into account on its Federal income tax returns all items of income, gain, loss, deduction or credit to which the Trustor would have been entitled with respect to the Transaction had the Trust not been in existence.

(d) the Trust is entitled to deduct the interest (the "Interest Deduction") payable by the Trustee on the CSA Indebtedness (as defined in the Reconstruction Agreement) in computing its taxable income;

(e) the Reconstruction Cost (as defined in the

RECONSTRUCTION AND CONDITIONAL
SALE AGREEMENT

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

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RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT dated as of October 25, 1981, among FIRST SECURITY BANK OF UTAH, N.A., a national banking association, not in its individual capacity but solely as Agent (the "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement"), SEABOARD COAST LINE RAILROAD COMPANY, a Virginia corporation (the "Builder") and FIRST SECURITY STATE BANK, a Utah banking corporation, not in its individual capacity but solely as trustee (the "Vendee") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with LITTON EQUITY INVESTMENTS, ALPHA INC. (the "Owner").

The Vendee proposes to acquire all right, title and interest in certain railroad equipment (the "Hulks") from the Builder pursuant to a Hulk Purchase Agreement (the "Hulk Purchase Agreement") in substantially the form of Exhibit D hereto, and pursuant to the Transfer Agreement (as hereinafter defined) will transfer security title of the same to the Vendor for the purpose of reconstructing the Hulks (the Hulks as reconstructed as described in Schedule A hereto, upon delivery, acceptance and settlement under this Agreement, being hereinafter called the "Equipment").

The Vendor will acquire security title to the Hulks pursuant to a Transfer Agreement (the "Transfer Agreement") in substantially the form of Exhibit A hereto, for the purpose of causing the same to be reconstructed as described herein and will thereupon sell such security title to the Vendee and the Vendee hereby agrees to purchase such security title in accordance with the terms of this Agreement. The Vendor's security title in any Hulk acquired pursuant to the Transfer Agreement shall not, prior to completion of reconstruction of such Hulk and settlement therefor pursuant hereto, be deemed to be collateral for the Vendee's obligations hereunder or for the Lessee's obligations under the Lease.

The Vendee will deliver the Hulks to the Builder and the Vendee will have the Builder reconstruct the Hulks in accordance with the Vendee's specifications and as required hereby to enable delivery of the Equipment to be made to the Vendee in accordance herewith.

The Vendee and the Builder, in its capacity as a railroad (the "Lessee"), are entering into a Lease of Railroad Equipment (the "Lease") in substantially the form of Exhibit B hereto, pursuant to which the Vendee is is leasing the Equipment to the Lessee, subject to this Agreement, and the Vendee is assigning for security purposes its rights in, to and under the Lease to the Vendor pursuant to an Assignment of Lease and Agreement (the "Lease Assignment") in substantially the form of Exhibit C hereto. The rights acquired by the Vendor pursuant to this Agreement shall be and are acquired for the benefit of the Investors identified in the Participation Agreement for whom the Vendor is acting as Agent pursuant to the terms of such Participation Agreement.

In consideration of the agreements hereinafter set forth, the parties hereto do hereby agree as follows:

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

ARTICLE 2. Inspection and Delivery. The Builder will deliver the units of the Equipment, on behalf of the Vendor, to the Vendee at such point or points within the United States of America specified in Schedule A hereto on or prior to the Cut-Off Date (as hereinafter defined), freight charges, if any, prepaid; provided, however, that delivery of any unit of the Equipment shall not be made until this Agreement, the Transfer Agreement, the Lease and the Lease Assignment have been filed pursuant to 49 U.S.C. § 11303. The Builder agrees not to tender for sale any Hulk under the Hulk Purchase Agreement or to commence any reconstruction of any Hulk if the Builder (A) does not reasonably anticipate that such Hulk will be fully reconstructed within 90 days following such commencement of reconstruction, and in any event prior to July 30, 1982, (B) has received written notice from the Owner, the Vendee or the Vendor (a) of the occurrence of any event of default as defined in Article 11 hereof or any event (including the commencement of any proceeding or the filing of any petition of the nature specified in subparagraphs (c) and (d) of Article 11 hereof) which, with lapse of time, failure to take affirmative action and/or demand, could constitute an event of default hereunder shall have occurred, (b) that any of the conditions contained in Paragraph 6 or 7 of the Participation Agreement have not been met or waived or (c) that the Vendee is no longer obligated under the terms of the Hulk Purchase Agreement to accept delivery of and to pay for any additional Hulks thereunder for any of the reasons therein provided or (d) has received written notice from the Lessee, the Vendor, the Owner or the Vendee that there has been a material adverse change in the business, operations or the financial condition of the Lessee from that which existed on December 31, 1980; or (C) the Purchase Price (as defined in Article 3 hereof) of such Hulk when reconstructed, when added to the aggregate Purchase Price when reconstructed of all other Hulks which previously have been validly accepted under the Hulk Purchase Agreement, would exceed the Maximum Purchase Price (as defined in Article 3 hereof).

During reconstruction, including, without limitation, all phases of fabrication and assembly, the Hulks, all

materials used in the reconstruction of the Equipment and all work thereon shall be subject to inspection and approval by the Vendee; provided, however, that any inspection or failure to inspect by the Vendee shall not affect any of its rights hereunder. The Builder shall grant to the authorized inspectors of the Vendee access to all portions of its plant where Hulks are being reconstructed and shall furnish the Vendee with semimonthly reports concerning the progress of the reconstruction. Upon completion of each unit or of a number of units of the Equipment, the authorized inspector of the Vendee shall inspect such unit or units at the place specified for delivery of such unit or units, and if each such unit conforms to the specifications, requirements and standards applicable thereto, such authorized inspector of the Vendee (who may be an employee of the Lessee) shall execute and deliver to the Builder a certificate of acceptance (a "Certificate of Acceptance") stating that such unit or units have been inspected and accepted on behalf of the Vendee and are marked in accordance with Article 8 hereof; provided, however, that the Builder shall not thereby be relieved of its warranties set forth or referred to in Article 9 hereof.

ARTICLE 3. Purchase Price and Payment. The cost of the Hulks (the "Hulk Purchase Price") and the estimated base reconstruction cost per unit of the Equipment are set forth in Schedule A hereto. The term "Reconstruction Cost" as used herein shall mean the base reconstruction cost per unit set forth in Schedule A hereto, as increased or decreased by agreement among the Builder, the Vendor and the Vendee, but the aggregate Reconstruction Cost shall in no event exceed the lesser of (i) the actual cost to the Builder of doing the reconstruction work plus a reasonable overhead and profit factor or (ii) $3,801,600 in the aggregate. The term "Purchase Price" as used herein means the sum of the Hulk Purchase Price and the Reconstruction Cost and the "Maximum Purchase Price" shall be $4,281,600.

For the purpose of settlement therefor, the Equipment shall be divided into groups of units of the Equipment with each group (other than the last group) having a Purchase Price of at least $1,000,000, unless the Vendee, the Vendor and the Builder shall otherwise agree (each such group being hereinafter called a "Group"). The term "Closing Date" with respect to any Group shall mean such date, not later than January 31,

1983 (the "Cut-Off Date"), occurring not more than ten business days following presentation by the Builder to the Vendee of the invoice (addressed to the Vendor and approved as to price by the Vendee) and the Certificate or Certificates of Acceptance for such Group, as shall be fixed by the Builder by written notice delivered to the Vendee and the Vendor at least three business days prior to the Closing Date designated therein. The parties hereto will, so far as is practicable, attempt to comply with the schedule of estimated Closing Dates set forth in Schedule B hereto. The term "business days" as used herein means calendar days, excluding Saturdays, Sundays, holidays and any other day on which banking institutions in Stamford, Connecticut, Jacksonville, Florida, Salt Lake City, Utah or New York, New York, are authorized to remain closed.

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

(a) in 30 semiannual installments, as hereinafter provided, an amount (the "CSA Indebtedness") equal to 61.152455% (or, in the event of a Tax Change (as hereinafter defined) such lesser amount as is determined pursuant to the fifth paragraph of this Article 3) of the aggregate of the Purchase Prices of the units of the Equipment in the Group for which settlement is then being made as set forth in the Invoice or Invoices therefor (the "Invoiced Purchase Prices"); and

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

thereto pursuant to the ninth paragraph of this Article 3.

The installments of the CSA Indebtedness shall be payable on each February 1 and August 1 commencing February 1, 1983, to and including August 1, 1997, or, if any such date is not a business day, on the next succeeding business day (each such date being hereinafter called a "Payment Date"). The unpaid balance of the CSA Indebtedness shall bear interest from the Closing Date upon which such CSA Indebtedness was incurred through September 30, 1982, at the prime rate (floating) charged by First National Bank of Minneapolis (the "Bank") with each change in the Bank's prime rate taking effect as of the opening of business on the date of such change; and thereafter the rate for each week shall be the higher of (i) 3% above the average prime rate for the preceding week charged by the Bank to be calculated on October 1, 1982, and thereafter at the end of each week, or (ii) 4% above the 90-day secondary certificate of deposit rate, as published weekly by the New York Federal Reserve Bank to be determined on October 1, 1982, and thereafter during each week (all of the above rates, including the higher rate after September 30, 1982, together the "Original Rate"). Such interest shall be payable, to the extent accrued, on August 1, 1982, and on each Payment Date. The installments of principal payable on each Payment Date shall be calculated as set forth in Schedule I hereto and the aggregate of such installments of principal will completely amortize the CSA Indebtedness. Promptly following the earlier of the last Closing Date or the Cut-Off Date, the Vendee will furnish to the Vendor and the Lessee a payment schedule showing the amount of principal payable on each Payment Date.

In the event that by reason of an amendment to the Internal Revenue Code of 1954, as amended, which is enacted and effective prior to August 1, 1982 ("Tax Change"), there is a material increase in the Owner's after-tax return on and rate of recovery of investment and annual net cash flows from that which the Owner would have realized on its aggregate investment in the Trust Estate had such amendment not been adopted, then (subject to the satisfaction of the conditions set forth in this paragraph), the Vendee shall (i) prior to the last Closing Date, increase its Down Payment up to but not exceeding 40% of the aggregate Purchase Price and/or (ii) before the last Closing Date (if the increase in Down Payment is not sufficient for purposes

of this paragraph) and after the last Closing Date promptly prepay a portion of the principal amount of the CSA Indebtedness (without premium) with interest accrued to the prepayment date (provided, however, that such increase in Down Payment and such prepayment of CSA Indebtedness together shall not result in the Vendee supplying more than 40% of the aggregate Purchase Price) in order that the rentals and Casualty Value percentages payable under the Lease may be adjusted so as to provide the Owner with substantially the same (but not less) net after-tax return on and rate of recovery of investment and annual net cash flows which the Owner would have received on its aggregate investment in the Trust Estate had such amendment not been adopted (computed on the same assumptions, including, without limitation, tax rates, as were utilized by the Owner in establishing the Lease rentals and Casualty Value percentages when it approved transactions contemplated by the Participation Agreement), provided, that the Owner shall preserve the earnings theretofor booked by the Owner. The amount of such additional Down Payment and the amount of such adjustment in rentals and Casualty Values shall be determined by the Owner, which determination shall be binding upon the parties hereto if the Owner shall certify in writing to them that such amounts were determined by the Owner in good faith compliance with the provisions of this paragraph. In the event that the Vendee prepays a portion of the CSA Indebtedness, the Vendee will promptly furnish to the Vendor and the Lessee a revised schedule of payments of principal and interest thereafter to be made in respect of the then remaining CSA Indebtedness in such number of counterparts as the Vendor may request. The restructuring of the debt-equity ratio pursuant to this paragraph shall be subject to the satisfaction of the following conditions:

(i) payment in full of all other amounts then due and owing under this Agreement and the other Documents (as defined in the Participation Agreement);

(ii) no event of default under this Agreement or Event of Default under the Lease or event which with notice or lapse of time or both would constitute any such event of default or Event of Default shall have occurred and be continuing;

(iii) such restructuring, all action taken pursuant to or to effect such restructuring, and the terms of any amendments to this Agreement, and of any other Document or instrument required in connection with such restructuring, shall not, individually or in the aggre-

gate, in the reasonable opinion of such party, materially adversely affect such party or the interests of such party acquired pursuant to the Documents and the transactions contemplated thereby and shall not, in the opinion of the Owner, cause or result in any adverse tax consequence to it;

(iv) the rentals payable under the Lease (including both the Fixed Rental Amount and the Variable Rental Amount) and the Casualty Values (as such terms are defined in the Lease) shall be adjusted to such respective amounts as, taking into account the remaining semiannual rental payment dates, will be sufficient to pay the principal of and interest on the CSA Indebtedness;

(v) each such party shall have received such opinions of counsel (including, without limitation, as to tax matters), certificates and other documents as it may reasonably request, each in form and substance satisfactory to such party;

(vi) all necessary authorizations, approvals and consents shall have been obtained;

(vii) the Lessee shall have provided or agreed to provide to the Vendee as supplemental rent under the Lease, sufficient funds to pay the costs and expenses referred to in the following sentence; and

(viii) the Tax Indemnity Agreement (as defined in the Participation Agreement) shall be modified to indemnify the Owner for any loss of benefits which are claimed by the Owner as a result of the Tax Change.

The Vendee shall pay, from funds supplied to it by the Lessee, all costs and expenses of each party to the Participation Agreement, including the reasonable fees and expenses of their respective counsel, incurred in connection with such restructuring.

Interest under this Agreement shall be determined on the basis of a 360-day year of 12 30-day months, except that interest due on August 1, 1982, shall be calculated on an actual elapsed day, 365-day year, basis.

The Vendee will pay interest at the rate of 1% over the Original Rate per annum, to the extent legally enforceable, upon all amounts remaining unpaid after the same shall have become due and payable pursuant to the

terms hereof, anything herein to the contrary notwithstanding (the "Penalty Rate").

All payments provided for in this Agreement shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts and shall be made by bank wire transfer of Federal or other funds immediately available at, and not later than, 10:00 a.m. Utah time. The Vendee shall not have the privilege of prepaying any portion of the CSA Indebtedness prior to the date it becomes due; provided, however, that the CSA Indebtedness may be prepaid as provided for in the fifth paragraph of this Article 3, in clause (i) of the first paragraph of Article 11 and in Article 5 hereof.

On the Closing Date with respect to each Group, an amount equal to the Invoiced Purchase Prices of such Group shall be paid in immediately available funds by the Vendor to the Builder (in its capacity as Builder hereunder and in its capacity as Seller under the Hulk Purchase Agreement) from (y) the amounts available to the Vendor under and pursuant to the terms of the Participation Agreement to make payments on such Closing Date in amounts equal to the CSA Indebtedness and (z) the Down Payment payable by the Vendee pursuant to clause (b) of the third paragraph of this Article 3; provided that there shall have been delivered to the Vendor the following documents (in addition to copies of the documents referred to in the fifth paragraph of the Hulk Purchase Agreement), in form and substance satisfactory to it and its special counsel:

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

(b) invoices of the Builder for the reconstruction of the Equipment in the Group and invoices of the Builder (in its capacity as Seller under the Hulk Purchase Agreement) for the Hulks, accompanied by, or having endorsed on such invoices or copies thereof the approval of the Vendee of the price stated therein and a certification by the Builder that the Invoiced Purchase Prices have been calculated as provided in

the first paragraph of this Article 3 and do not exceed the prices that would be charged by an independent car builder for comparable equipment;

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

(d) a favorable opinion of counsel for the Builder dated as of such Closing Date, stating that title to the Hulks from which such Equipment in such Group were reconstructed was vested, at the time of delivery under the Hulk Purchase Agreement, in the Vendee and was free of all claims, liens, security interests and other encumbrances of any nature whatsoever except for those arising under this Agreement or the Exhibits hereto, together with a favorable opinion of Messrs. Wilmer, Cutler & Pickering addressed to the Vendor, the Vendee and the Owner regarding their search of the Interstate Commerce Commission files in respect of the Hulks and the Equipment.

The obligation of the Vendor to make payment for the Equipment is expressly conditioned on the Vendee having made the Down Payment to the Vendor required by subparagraph (b) of the third paragraph of this Article 3. Notwithstanding anything to the contrary herein expressed or implied, the parties hereto agree that the Vendor shall have no obligation with respect to the reconstruction of the Hulks and delivery of the Equipment hereunder to the Vendee.

Notwithstanding any other provision of this Agreement (including, but not limited to, any provision of Articles 11 and 12 hereof), but not limiting the effect of Article 18 hereof, the Vendor agrees that the liability of the Vendee or any assignee of the Vendee for all payments to be made by it under this Agreement, with the exception only of the payments to be made pursuant to subparagraph (b) of the third paragraph of Article 3, the interest payment due on August 1, 1982 (which shall be payable out of funds furnished by the Owner pursuant to Section

1.03 of the Trust Agreement), and the obligations set forth in Paragraph 18B of the Participation Agreement, shall not exceed an amount equal to, and shall be payable only out of, the "income and proceeds from the Equipment". As used herein, the term "income and proceeds from the Equipment" shall mean (i) if one of the events of default specified in Article 11 hereof shall have occurred and while it shall be continuing, so much of the following amounts as are indefeasibly received by the Vendee at any time after any such event and during the continuance thereof: (a) all amounts of rental and amounts in respect of Casualty Occurrences (as defined in Article 5 hereof) paid for or with respect to the Equipment pursuant to the Lease and any and all other payments received under Section 9 or any other provision of the Lease and (b) any and all payments or proceeds received by the Vendee under the Lease or received by the Vendee for or with respect to the Equipment as the result of the sale, lease or other disposition thereof and after deducting all costs and expenses of such sale, lease or other disposition and (ii) at any other time only that portion of the amounts referred to in the foregoing clauses (a) and (b) as are indefeasibly received by the Vendee and as shall be required to discharge (A) the portion of the CSA Indebtedness (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon due and payable on the date such amounts were required to be paid pursuant to the Lease, (B) any other payments then due and payable under this Agreement and (C) any of the obligations of the Vendee under this Agreement, the Owner and the Vendee under the Participation Agreement or the Lessee under the Lease to which the Vendor is entitled to apply Payments (as defined in Paragraph 1 of the Lease Assignment) under the Lease Assignment, it being understood that "income and proceeds from the Equipment" shall in no event include Excluded Payments (as defined in Paragraph 1 of the Lease Assignment). Notwithstanding anything to the contrary contained in Articles 11 and 12 hereof, the Vendor agrees that in the event it shall obtain a judgment against the Vendee for an amount in excess of the amounts payable by the Vendee pursuant to the limitations set forth in this paragraph, it will, accordingly, limit its execution of such judgment against the Vendee to amounts payable pursuant to the limitations set forth in this paragraph. It is further agreed by the parties hereto that nothing contained herein limiting the liability of the Vendee shall derogate from the right of the Vendor to proceed against the Equipment as provided for herein for the full unpaid Purchase Price of the Equipment and interest thereon

and all other payments and obligations hereunder or to proceed against the Lessee under the Lease or the Consent.

ARTICLE 4. Security Title to the Hulks; Security Interest in the Equipment. Pursuant to the Transfer Agreement, the Vendor has security title to the Hulks delivered to the Builder hereunder for reconstruction and shall continue to retain such security title (subject to the provisions of the Transfer Agreement) during the entire period that the Hulks are being reconstructed. Upon reconstruction of the Hulks and delivery, acceptance and settlement for the related Equipment pursuant hereto, the Vendor shall and hereby does retain a security interest in the Equipment until (i) the Vendee shall have made all its payments under this Agreement in respect of the Equipment and the Vendee and the Owner shall have made all their respective payments under the Participation Agreement and shall have kept and performed all their respective agreements herein and therein contained, notwithstanding any provision of this Agreement limiting the liability of the Vendee or the Owner and notwithstanding the delivery of the Equipment to and the possession and use thereof by the Vendee and the Lessee as provided in this Agreement and the Lease, and (ii) the Lessee shall have satisfied all its obligations to the Vendor and any Investor under any provision of the Lease. Notwithstanding the Vendor's retention of security title to the Hulks during the reconstruction period, the Vender shall not have a security interest in any reconstructed Hulks which are not delivered, accepted and settled for pursuant hereto. Any and all additions, modifications and improvements to the Hulks and the Equipment, and any and all parts installed on and additions and replacements made to any unit of the Hulks prior to their delivery and acceptance hereunder, shall constitute accessions thereto and shall be subject to all the terms and conditions of this Agreement and included in the terms "Hulk" or "Equipment", as the case may be, as used in this Agreement, except for any additions, modifications and improvements which, under the provisions of Section 8 of the Lease, are owned by the Lessee.

Except as otherwise specifically provided in Article 5 hereof, when and only when the Vendor shall have been paid the full CSA Indebtedness, together with interest and all other payments as herein provided, and all the Vendee's obligations herein contained and all the Lessee's obligations to the Vendor and the Investors contained in the Lease shall have been performed, all rights and

interests of the Vendor in the Equipment shall be released and discharged to the Vendee without further transfer or action on the part of the Vendor. However, the Vendor, if so requested by the Vendee at that time, will (a) execute and deliver to the Vendee documents covering the Equipment releasing its security interest therein to the Vendee, free of all claims, rights, liens, security interests and other encumbrances created or retained hereby and (b) execute and deliver to the Vendee for filing, recording or depositing in all necessary public offices, such instrument or instruments in writing as may be necessary or appropriate in order then to make clear upon the public records the title of the Vendee to such Equipment. The Vendee hereby waives and releases any and all rights, existing or that may be acquired, in or to the payment of any penalty, forfeit or damages for failure to execute and deliver such release documents or instrument or instruments or to file any such certificate of payment in compliance with any law or statute requiring the filing of the same, except for failure to execute and deliver such release documents or instrument or instruments or to file such certificate within a reasonable time after written demand by the Vendee.

ARTICLE 5. Casualty Occurrences. In the event that any unit of the Equipment shall suffer a Casualty Occurrence (as defined in Section 6 of the Lease), the Vendee shall, within 30 days after it shall have actual knowledge in its Corporate Trust Department that such unit has suffered a Casualty Occurrence, cause the Vendor to be fully informed in regard thereto. Notwithstanding any such Casualty Occurrence, the Vendee shall continue making payment of all installments of principal and interest in respect of such unit until the next succeeding date for the payment of interest on the CSA Indebtedness (a "Casualty Payment Date"). On such date the Vendee shall pay to the Vendor a sum equal to the Casualty Value (as hereinafter defined) of such unit suffering a Casualty Occurrence as of the date of such payment and shall file, or cause to be filed, with the Vendor a certificate setting forth the Casualty Value of such unit. Any money paid to the Vendor pursuant to this paragraph shall be applied on the date that such Casualty Value is paid (after the payment of the interest and principal due on such date) to prepay without penalty or premium the unpaid balance of the CSA Indebtedness with respect to such unit or units (in the manner provided in the second paragraph of Paragraph 10 of the Participation Agreement), and the Vendee will promptly furnish to the Vendor and the Lessee a revised

schedule of payments of principal and interest thereafter to be made in respect of the remaining units in such number of counterparts as the Vendor may request.

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

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

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

ARTICLE 6. Inspections. The Vendor shall have the right, by its agents, to inspect the Equipment and the Vendee's and Lessee's records with respect thereto at such reasonable times as the Vendor may request during the continuance of this Agreement.

ARTICLE 7. Possession and Use. The Vendee, so long as an event of default shall not have occurred and be continuing under this Agreement, shall be entitled, from and after delivery of the Equipment to the Vendee, to the possession of the Equipment and the use thereof, but only upon and subject to all the terms and conditions of this Agreement and the Lease.

The parties hereto acknowledge that the Vendee simultaneously herewith is leasing the Equipment to the Lessee as provided in the Lease, and the rights of the Lessee and its permitted assigns under the Lease shall be subordinate and junior in rank to the rights, and shall be subject to the remedies, of the Vendor under this Agreement. The Vendee shall have no right to lease or sublease the Equipment other than the Lease to the Lessee.

ARTICLE 8. Prohibition Against Liens. The Vendee agrees that if either the Owner or the Vendee fails to comply with their respective obligations to discharge liens, encumbrances or other security interests on the Trust Estate pursuant to Paragraphs 18A and 18B of the Participation Agreement that those sums due pursuant to such obligations shall be secured by the Trust Estate.

ARTICLE 9. Indemnities and Warranties. The Vendee will not be released from its obligations hereunder in the event of any damage to, or the destruction or loss of, any unit of or all the Equipment.

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

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

material or workmanship or design under normal use and service. THIS WARRANTY IS EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, WITH RESPECT TO RECONSTRUCTION, EXPRESSED OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. The Builder agrees to and does hereby, to the extent legally possible without impairing any claim, right or cause of action hereinafter referred to, transfer, assign, set over and deliver to the Vendor and, subject to the rights of the Vendor under this Agreement, to the Vendee, every claim, right and cause of action which the Builder has or hereafter shall have against any party who shall perform any of the reconstruction of the Hulks and the Builder agrees to execute and deliver to the Vendor and the Vendee all and every such further assurance as may be reasonably requested more fully to effectuate the assignment, transfer and delivery of every such claim, right and cause of action.

The Builder agrees to indemnify, protect and hold harmless the Vendor, the Owner, the Investors and the Vendee (in both its individual and fiduciary capacities) from and against any and all liability, including, without limitation, strict or absolute liability in tort or by statute imposed, claims, demands, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendor, the Owner and the Vendee (i) because of the use in or about the construction or operation of the Equipment or the reconstruction of the Hulks, or any unit thereof, of any design, article or material infringing or claimed to infringe on any patent or other right or (ii) arising out of any accident or tort in connection with the reconstruction, operation, use, condition, possession or storage by the Builder of any of the Hulks or any unit of the Equipment resulting in damage to property or injury or death to any person. The Vendor or the Vendee will give notice to the Builder of any claim as to which it has received actual notice from which liability may be charged against the Builder under this paragraph.

The indemnities made in this Article 9 by the Builder shall not be modified, abated, postponed or in any other way or in any manner diminished or reduced as a consequence of any action or inaction of the Vendee, the Owner, the Vendor or the Investors in connection with, relating to, or arising out of the rights (whether or not exercised) of any such party to inspect or approve the reconstruction to be performed by the Builder pursuant to this Agreement. Such

indemnities shall in all events, and in addition to the agreements contained elsewhere in this Article 9, extend to and apply to any allegation against any indemnified party that it has been negligent, either actively or passively, or is guilty of a breach of other duty, including, without limitation, any breach of warranty or breach of contract, to any person or organization.

The warranties and indemnities of the Builder contained or referred to in this Article 9 and in any other Articles hereof and all other covenants and obligations of the Builder contained in this Agreement shall inure to the benefit of, and be enforceable by the Vendee (in both its individual and fiduciary capacities), the Vendor, the Owner, the Investors, any lessor, lessee, assignee or transferee of this Agreement or of any units of the Equipment reconstructed by the Builder hereunder.

ARTICLE 10. Assignments. The Vendee will not (a) except as provided in Article 7 hereof or the Trust Agreement, transfer the right to possession of any unit of the Equipment.

All or any of the rights, benefits and advantages of the Vendor under this Agreement, including the right to receive the payments herein provided to be made by the Vendee, may be assigned by the Vendor and reassigned by any assignee at any time or from time to time. No such assignment shall subject any assignee to, or relieve the Builder from, any of the obligations of the Builder to reconstruct the Equipment on behalf of the Vendor and the Vendee and deliver the Equipment in accordance herewith or to respond to its warranties and indemnities contained or referred to in Article 9 hereof or relieve the Vendee of its obligations to the Builder or diminish the rights of the Vendee contained or referred to in this Agreement.

Upon any such assignment, either the assignor or the assignee shall give written notice to the Vendee, together with a counterpart or copy of such assignment, stating the identity and post office address of the assignee, and such assignee shall, by virtue of such assignment, acquire all the assignor's right, title and interest in and to the Equipment and this Agreement, or in and to a portion thereof, as the case may be, subject only to such reservations as may be contained in such assignment. From and after the receipt by the Vendee of the

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

ARTICLE 11. Defaults. In the event that any one or more of the following events of default shall occur and be continuing (irrespective of the provisions of Article 3 or 18 hereof or any other provision of this Agreement limiting the liability of the Vendee), to wit:

(a) the Vendee shall fail to pay in full any sum payable by the Vendee when payment thereof shall be due hereunder and such default shall continue for 10 days; or

(b) the Vendee, the Owner or the Lessee shall, for more than 30 days after the Vendor shall have demanded in writing (sent to both the Lessee, the Owner and the Vendee) performance thereof, fail or refuse to comply with any other covenant, agreement, term or provision (other than provisions made solely for the benefit of persons other than the Vendor or the Investors) of this Agreement, the Participation Agreement, the Transfer Agreement, the Hulk Purchase Agreement or the Lease Assignment on its part to be kept and performed and the Vendee or the Lessee shall have failed to make provision satisfactory to the Vendor for such compliance; or

(c) a petition for reorganization under Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Agreement, the Lease and the Consent shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as

expenses of administration and obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed and otherwise in accordance with the provisions of 11 U.S.C. § 1168, or any successor provision, as the same may hereafter be amended; or

(d) any other proceeding shall be commenced by or against the Vendee in its trust capacity, the Owner or the Lessee for any relief which includes, or might result in, any modification of the obligations hereunder or under the Lease Assignment, the Transfer Agreement, the Lease, Consent, the Trust Agreement or the Participation Agreement of the Vendee, the Owner or the Lessee, under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of such obligations), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Vendee, the Owner or the Lessee, as the case may be, hereunder and thereunder shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Vendee, the Owner or the Lessee, as the case may be, or for their respective property in connection with any such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced; or

(e) the Vendee shall make or permit any unauthorized assignment or transfer of this Agreement or any interest herein or any unauthorized transfer of the right to possession of any unit of the Equipment and the Vendee shall, for more than 30 days after demand in writing by the Vendor, fail to secure a reassignment or retransfer to the Vendee of such Agreement, interest or right; or

(f) any Event of Default shall have occurred under the Lease; provided, however, no event of default shall be deemed to have occurred hereunder if such Lease Event of Default under the Lease shall have arisen as a result of the failure of the Lessee to make any Excluded Payment (as defined in the Lease Assignment) unless and until the Owner shall notify the Vendor in writing that it deems such failure to be an event of default, provided further, however, that an Event of Default under the Lease (other than an Event of Default under Section 9A of the Lease) shall not be deemed to be an event of default hereunder if such default under the Lease causing such Event of Default thereunder is cured by the Vendee's remedying such default prior to the expiration of 5 days after the date of the occurrence of such Event of Default under the Lease, and provided further, however, that an Event of Default under Section 9A of the Lease shall not be deemed to be an event of default hereunder if (i) not more than 6 such Events of Default shall have occurred and not more than 3 such Events of Default shall have occurred on consecutive dates and (ii) the Vendee shall not be in default under the provisions of clause (a) of this Article 11.

then at any time after the occurrence of such an event of default the Vendor may upon written notice to the Vendee and the Lessee and upon compliance with any legal requirements then in force and applicable to such action by the Vendor, (i) cause the Lease to terminate effective 30 days after such notice if the Vendee shall have failed to pay or cause to be paid during such 30-day period the entire unpaid CSA Indebtedness, together with interest thereon then acrued and unpaid (including interest thereon at the Penalty Rate, or such lesser amount as shall be legally enforceable, to the extent that such payments of the CSA Indebtedness are overdue) and all other amounts then payable hereunder, but the Lessee shall remain liable as therein provided and/or (ii) declare (a "Declaration of Default") the entire unpaid CSA Indebtedness together with the interest thereon then accrued and unpaid, immediately due and payable, without further demand, and thereafter the aggregate of the unpaid balance of such indebtedness and interest shall bear interest from the date of such Declaration of Default at the rate per annum specified in Article 3 hereof as being applicable to amounts remaining unpaid after becoming due and payable, to the extent legally enforceable. Upon a Declaration of Default, subject to Article 3 hereof, the Vendor shall be entitled to recover judgment for the entire unpaid balance of the CSA Indebtedness, with interest as aforesaid, and to collect such judgment out of the Trust Estate, subject to the limitations of Articles 3 and 18 hereof, wherever situated.

Notwithstanding anything to the contrary contained herein, upon any failure by the Builder to pay or perform any of its obligations hereunder to the Owner or the Vendee with respect to any Hulk or the reconstruction thereof, the Vendee or the Owner may exercise any right or remedy with respect thereto which may be available to it under applicable law or proceed by appropriate court action to enforce the terms hereof or to recover damages for the breach hereof; provided that neither the Vendee nor the Owner may take any action hereunder with respect to the Trust Estate or any unit of Equipment or any action whatsoever under Articles 11 or 12 hereof, unless it shall have received the prior written consent of the Vendor.

The Vendor may, at its election, waive any such event of default and its consequences and rescind and annul any Declaration of Default or notice of termination of the Lease by notice to the Vendee in writing to that effect, and thereupon the respective rights of the parties shall be as they would have been if no such event of default had occurred and no Declaration of Default or notice of termination of the Lease had been made or given. Notwithstanding the provisions of this paragraph, it is expressly understood and agreed by the Vendee that time is of the essence of this Agreement and that no such waiver, rescission or annulment shall extend to or affect any other or subsequent default or impair any rights or remedies consequent thereon.

ARTICLE 12. Remedies. At any time during the continuance of a Declaration of Default, the Vendor may, upon such further notice and action, if any, as may be required for compliance with any mandatory legal requirements then in force and applicable to the action to be taken by the Vendor, take or cause to be taken, by its agent or agents, immediate possession of the Equipment, or one or more of the units thereof, without liability to return to the Vendee any sums theretofore paid and free from all claims whatsoever, except as hereinafter in this Article 12 expressly provided, and may remove the same from possession and use of the Vendee, the Lessee or any other person and for such purpose may enter upon the premises of the Vendee or the Lessee or any other premises where the Equipment may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities or means of the Vendee or the Lessee, subject to all mandatory requirements of due process of law. The Vendee hereby expressly waives any and all claims against the Vendor and its agent or agents for damages of whatever nature in connection with any retaking of any unit of the Equipment in any reasonable manner.

At any time during the continuance of a Declaration of Default, the Vendor (after retaking possession of the Equipment as hereinbefore in this Article 12 provided) may, at its election and upon such notice as is hereinafter set forth, retain the Equipment in satisfaction of the entire CSA Indebtedness and make such disposition thereof as the Vendor shall deem fit. Written notice of the Vendor's election to retain the Equipment shall be given to the Vendee and the Owner by telegram or registered mail, addressed as provided in Article 17 hereof, and to any other persons to whom the law may require notice, within 30 days after such Declaration of Default. In the event that the Vendor should elect to retain the Equipment and no objection is made thereto within the 30-day period described in the second proviso below, all the Vendee's rights in the Equipment shall thereupon terminate and all payments made by the Vendee may be retained by the Vendor as compensation for the use of the Equipment; provided, however, that if the Vendee, before the expiration of the 30-day period described in the proviso below, should pay or cause to be paid to the Vendor the total unpaid balance of the CSA Indebtedness together with interest thereon accrued and unpaid and all other payments due under this Agreement (and all obligations of the Lessee under any provisions of the Lease to the Vendor or any Investor shall have been satisfied or provision therefor satisfactory to the Vendor and the Investor shall have been made), then in such event all rights and interests of the Vendor in the Equipment shall be released and discharged; provided, further, that if the Vendee or any other persons notified under the terms of this paragraph object in writing to the Vendor within 30 days from the receipt of notice of the Vendor's election to retain the Equipment, then the Vendor may not so retain the Equipment, but shall sell, lease or otherwise dispose of it or continue to hold it pending sale, lease or other disposition as hereinafter provided or as may otherwise be permitted by law. If the Vendor shall not have given notice to retain as hereinabove provided or notice of intention to dispose of the Equipment in any other manner, it shall be deemed to have elected to sell the Equipment in accordance with the provisions of this Article 12.

At any time during the continuance of a Declaration of Default, the Vendor, with or without retaking possession thereof, at its election and upon reasonable notice to the Vendee and the Owner and any other persons to whom the law may require notice of the time and place, may sell the Equipment, or one or more of the units thereof, free from any and all claims of the Vendee or any other party claiming from, through or under the Vendee at law or in equity, at public or private sale and with or without advertisement as the Vendor may determine; provided, however, that

if, prior to such sale and prior to the making of a contract for such sale, the Vendee or the Owner should tender full payment of the total unpaid balance of the CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement as well as expenses of the Vendor in retaking possession of, removing, storing, holding and preparing the Equipment for, and otherwise arranging for, the sale and the Vendor's reasonable attorneys' fees (and all obligations of the Lessee under any provisions of the Lease to the Vendor or any Investor shall have been satisfied or provision therefor satisfactory to the Vendor and the Investor shall have been made), then in such event the rights and interests of the Vendor in the Equipment shall be immediately released and discharged. The proceeds of such sale or other disposition, less the attorneys' fees and any other expenses incurred by the Vendor in retaking possession of, removing, storing, holding, preparing for sale and selling or otherwise disposing of the Equipment, shall be credited on the amount due to the Vendor under the provisions of this Agreement and the balance shall be paid to the Vendee.

Any sale hereunder may be held or conducted at New York, New York, at such time or times as the Vendor may specify (unless the Vendor shall specify a different place or places, in which case the sale shall be held at such place or places as the Vendor may specify), in one lot and as an entirety or in separate lots and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner as the Vendor may determine, so long as such sale shall be in a commercially reasonable manner. The Vendor, the Owner or the Vendee may bid for and become the purchaser of the Equipment, or any unit thereof, so offered for sale. The Vendee and the Owner shall be given written notice of such sale not less than ten days prior thereto by telegram or registered mail, addressed as provided in Article 17 hereof. If such sale shall be a private sale (which shall be deemed to mean only a sale where an advertisement for bids has not been published in a newspaper of general circulation or a sale where less than 40 offerees have been solicited in writing to submit bids), it shall be subject to the right of the Vendee or the Owner to purchase or provide a purchaser, within 10 days after notice of the proposed sale price, at the same price offered by the intending purchaser or a better price. In the event that the Vendor shall be the purchaser thereof, it shall not be accountable to the Vendee (except to the extent of surplus money received as hereinafter provided in this Article 12), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all sums due to the Vendor hereunder.

Each and every power and remedy hereby specifically given to the Vendor shall be in addition to every other power and remedy hereby specifically given or now or hereafter existing at law or in equity, and may be exercised from time to time and simultaneously and as often and in such order as may be deemed expedient by the Vendor. All such powers and remedies shall be cumulative, and the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Vendor in the exercise of any such power or remedy and no renewal or extension of any payments due hereunder shall impair any such power or remedy or shall be construed to be a waiver of any default or an acquiescence therein. Any extension of time for payment hereunder or other indulgence duly granted to the Vendee shall not otherwise alter or affect the Vendor's rights or the Vendee's obligations hereunder. The Vendor's acceptance of any payment after it shall have become due hereunder shall not be deemed to alter or affect the Vendee's obligations or the Vendor's rights hereunder with respect to any subsequent payments or default therein.

If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall remain any amount due to it under the provisions of this Agreement, the Vendee shall, subject to the provisions of the last paragraph of Article 3 hereof, pay the amount of such deficiency to the Vendor upon demand, together with interest from the date of such demand to the date of payment, at the rate per annum specified in Article 3 hereof as being applicable to amounts remaining unpaid after becoming due and payable, and, if the Vendee shall fail to pay such deficiency, the Vendor may bring suit therefor and shall, subject to the limitations of the last paragraph of Articles 3 and 18 hereof, be entitled to recover a judgment therefor against the Vendee. If, after applying as aforesaid all sums realized by the Vendor, there shall remain a surplus in the possession of the Vendor, such surplus shall be paid to the Vendee.

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

The foregoing provisions of this Article 12 are

subject in all respects to all mandatory legal requirements at the time in force and applicable thereto.

ARTICLE 13. Applicable State Laws. Any provision of this Agreement prohibited by any applicable law of any jurisdiction which is not overridden by applicable Federal law shall as to such jurisdiction be ineffective, without modifying the remaining provisions of this Agreement. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby waived by the Vendee to the full extent permitted by law, it being the intention of the parties hereto that this Agreement shall be deemed to be a conditional sale and enforced as such.

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

ARTICLE 14. Filing. The Vendee will cause this Agreement, any assignments hereof and any amendments or supplements hereto or thereto to be duly filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 and the Vendee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record any and all further instruments required by law or reasonably requested by the Vendor for the purpose of proper protection, to the satisfaction of special counsel for the Vendor, of its security title to the Equipment and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Vendee will promptly furnish to the Vendor certificates or other evidence of such filing, registering, depositing and recording satisfactory to the Vendor.

ARTICLE 15. Article Headings. The table of contents and all article headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

ARTICLE 16. Effect and Modification of Agreement. Except for the Participation Agreement, this Agreement, including any annexes or schedules or exhibits hereto, exclusively and completely states the rights of the parties hereto with respect to the Hulks and the Equipment

and supersedes all other agreements oral or written, with respect to the Hulks and the Equipment. No variation or modification of this Agreement and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized representatives of the parties hereto.

ARTICLE 17. Notices. Any notice hereunder to any of the parties designated below shall be deemed to be properly served if delivered or mailed to it at its place of business at the following specified addresses:

(a) to the Vendor, at 79 South Main Street, Salt Lake City, Utah 84111, Attention of Trust Division, Corporate Trust Department,

(b) to the Owner, at 600 Summer Street, Stamford, Connecticut 06904, Attention of Vice President--Special Financing,

(c) to the Vendee, 79 South Main Street, Salt Lake City, Utah 84111, Attention of Corporate Trust Department,

(d) to the Builder and the Lessee, at 500 Water Street, Jacksonville, Florida 32202, Attention of Director of Finance,

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

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

ARTICLE 18. Immunities; Satisfaction of Undertakings. No recourse shall be had in respect of any obligation due under this Agreement, or referred to herein, against any incorporator, stockholder, beneficiary, director or officer, as such, past, present or future, of the parties hereto, whether by virtue of any constitutional provision, statute or rule of law or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such incorporators, beneficiaries, stockholders, directors or officers being forever released as a condition of and as consideration for the execution of this Agreement.

Notwithstanding anything herein to the contrary,

each of the representations, warranties, undertakings and agreements herein made on the part of the Vendee are made and intended not as personal representations, warranties, undertakings and agreements by First Security State Bank or for the purpose or with the intention of binding said bank or the Owner personally but are made and intended for the purpose of binding only the Trust Estate (as such term is used in the Trust Agreement) and this Agreement is executed and delivered by said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank (except in the case of wilful misconduct or gross negligence on the part of said bank) or the Owner hereunder (except, with respect to each such party, in connection with the payment or discharge of taxes, claims, liens, charges or security interests claimed from, through or under such party pursuant to paragraphs 18A and 18B of the Participation Agreement and except, with respect to the Owner the Down Payment referred to in Article 3 hereof and the interest payable on the CSA Indebtedness on August 1, 1981) on account of this Agreement or the Trust Agreement or on account of any representation, warranty, undertaking or agreement of the said bank hereunder, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived and released by the Vendor and the Builder and by all persons claiming by, through or under the Vendor or the Builder.

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

ARTICLE 19. Law Governing. The terms of this Agreement and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited.

ARTICLE 20. Execution. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same contract, which shall be sufficiently evidenced by any such original counterpart. It is not necessary that the parties hereto all sign the same counterpart as long as each party shall sign a counterpart and such counterpart is delivered

to the Vendor or its counsel, whereupon this Agreement shall become effective. Although this Agreement is dated as of the date set forth on the cover hereof, for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed all as of the date first above written.

FIRST SECURITY BANK OF UTAH, N.A.,
not in its individual capacity
but solely as Agent,

by _____
Authorized Officer

[Seal]

Attest:

_____
Authorized Officer

SEABOARD COAST LINE RAILROAD COMPANY,

by _____
Senior Vice President-Finance

[Corporate Seal]

Attest:

_____
Assistant Secretary

FIRST SECURITY STATE BANK,
not in its individual capacity
but solely as Trustee,

by

Authorized Officer

[Corporate Seal]

Attest:

Authorized Officer

STATE OF UTAH,)
)
COUNTY OF SALT LAKE,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an thorized Officer of FIRST SECURITY BANK OF UTAH, N.A., that one of the seals affixed to the foregoing instrument is the seal of said national banking association, that said instrument was signed and sealed on behalf of said national banking association by authority of its By-laws, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said national banking association.

Notary Public

My Commission Expires

STATE OF FLORIDA,)
) ss.:
COUNTY OF DUVAL,)

On this 14th day of Dec. 1981, before me personally appeared Alex J. Mandl, to me personally known, who, being by me duly sworn, says that he is Senior Vice President-Finance 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.

Brenda L. Kelly
Notary Public

My Commission Expires

NOTARY PUBLIC, STATE OF FLORIDA
My commission expires Oct. 5, 1985
Bonded by American Fire & Casualty Company

STATE OF UTAH,)
) ss.:
COUNTY OF SALT LAKE,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of FIRST SECURITY STATE BANK, that one of the seals affixed to the foregoing instrument is the corporate seal of said bank, and that said instrument was signed and sealed on behalf of said bank 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 bank.

Notary Public

My Commission Expires:

SCHEDULE I

Principal Payable on Each
$1,000,000 of CSA Indebtedness Payable
in Installments from February 1, 1983,
Through August 1, 1997

Payment No.	Date Due	Principal Balance (Before Payment)	Principal Payment
	August 1, 1982	$1,000,000.00	$ -- *
1	February 1, 1983	1,000,000.00	13,547.90
2	August 1, 1983	986,452.10	14,513.19
3	February 1, 1984	971,938.91	15,547.25
4	August 1, 1984	956,391.66	16,654.99
5	February 1, 1985	939,736.67	17,841.66
6	August 1, 1985	921,895.01	19,112.88
7	February 1, 1986	902,782.13	20,474.67
8	August 1, 1986	882,307.46	21,933.49
9	February 1, 1987	860,373.97	18,272.62
10	August 1, 1987	842,101.35	19,551.38
11	February 1, 1988	822,549.97	19,205.17
12	August 1, 1988	803,344.80	20,542.56
13	February 1, 1989	782,802.24	20,203.94
14	August 1, 1989	762,598.30	21,604.39
15	February 1, 1990	740,993.91	16,573.97
16	August 1, 1990	724,419.94	36,530.50
17	February 1, 1991	687,889.44	31,842.21
18	August 1, 1991	656,047.23	34,010.01
19	February 1, 1992	622,037.22	33,740.11
20	August 1, 1992	588,297.11	36,030.75
21	February 1, 1993	552,266.36	35,772.97
22	August 1, 1993	516,493.39	38,195.44
23	February 1, 1994	478,297.95	36,128.28
24	August 1, 1994	442,169.67	38,554.30
25	February 1, 1995	403,615.37	36,693.38
26	August 1, 1995	366,921.99	39,138.59
27	February 1, 1996	327,783.40	56,414.31
28	August 1, 1996	271,369.09	84,306.84
29	February 1, 1997	187,062.25	90,313.70
30	August 1, 1997	96,748.55	96,748.55
			$1,000,000.00

* Interim Interest only.

RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT

Schedule A--Specifications of the Equipment*

Quantity	Mechanical Designation	Description	Old Railroad Road Numbers (Inclusive)	New Railroad Road Numbers (Inclusive)	Hulk Purchase Price Per Unit	Hulk Purchase Price Total	Estimated Base Reconstruction Cost Per Unit	Estimated Base Reconstruction Cost Total	Estimated Purchase Price Per Unit	Estimated Purchase Price Total
12	GP-7 and GP-9	Diesel Electric Locomotive	SCL 700-1002 SCL 1003-1054 SCL 1056-1065		$40,000	$480,000	$288,000	$3,456,000	$328,000	$3,936,000
	As Rebuilt: GP-16			SCL 4637-4639 SCL 4778-4786						
									Total	$3,936,000

R-33

Builder's Specifications and Place of Delivery: Waycross, Georgia, or Tampa, Florida. Specifications attached.

* Notwithstanding anything herein to the contrary, this Schedule A and the Reconstruction and Conditional Sale Agreement to which this Schedule A is attached (this "Agreement") will cover only those units of Equipment that are reconstructed by the Builder from Hulks delivered pursuant to the Hulk Purchase Agreement and that are settled for pursuant to this Agreement. After delivery of all Equipment covered by this Agreement, this Schedule A will be amended (and a supplement will be filed with the Interstate Commerce Commission) to describe only those units of Equipment covered by this Agreement and to designate the particular Railroad Road Numbers thereof.

Schedule A

STATEMENT OF RECONSTRUCTION SPECIFICATIONS--
ELECTRIC DIESEL LOCOMOTIVES

Reconstruction will be performed to all components as required to restore the car to dependable service for the prescribed time.

Major components receiving attention follows:

General Data for Rebuilt
EMD GP-7, -9 and -18 Locomotives

Model	GP-16
Horsepower	1600
Engine	645 BC
Main Generator	D128-D14
Auxiliary Generator	10 KW
Traction Motors	D37-D57
Air Brakes	26-L
Sand Capacity	18 Cu. Ft.
Fuel Capacity	1600 Gal.
Cooling Water	230 Gal.
Lube Oil	200 Gal.
Engineman Control Stand	AAR Approved Design
Gear Ratio	62/15
Maximum Speed	65 MPH
Operation	Road-Local-Switch

TRUCKS--62/15 Gear Ratio

Trucks will be removed from locomotive, completely cleaned and inspected. Application of new parts and replacement of worn components will ensure maximum reliability is obtained.

Discussion:

(1) Dismantle and completely clean frame, bolster, hangers, levers, etc. and completely inspect all truck parts, utilizing die check or Magnaflux inspection procedures in critical stress areas.

(2) Tram frame to assure original manufacturer's dimensions are maintained.

(3) Renew all pins, bushings and wear plates.

(4) Install tested and matched olliptical and coil springs.

(5) Install new nylatron pedestal liners.

(6) Install brake cylinders that have had all new cups, filters and gaskets applied.

(7) Braking arrangement will be of single brake shoe design with total of eight composition shoes as standard. Brake heads will be to AAR E84B configuration.

Brake cylinders (4), size 10" dia. with standard 2.975:1 lever ratio will be maintained.

WHEEL ASSEMBLIES--40", AAR D40 Class B

All wheel assemblies will be removed from the locomotive and completely reconditioned; wheel and axle sets following latest manufacturer's and AAR wheel shop practices will be applied.

Discussion:

(1) The wheel assemblies applied to each locomotive will be in matched sets.

(2) Hyatt journal boxes, standard to these units will be maintained. Prior to reapplication, all boxes will be completely cleaned, inspected and all wear plates, seals and roller bearing parts will be replaced if out of prescribed tolerance.

TRACTION MOTORS--D37-D57

Traction motors will be dismantled, cleaned, inspected and assembled utilizing new or remanufactured parts as required. This phase of operation will be undertaken at shops normally engaged in this type of production and completely equipped for performing all of the recognized reconditioning practices that may be required.

Discussion:

(1) Complete cleaning, utilizing vapor degreaser system.

(2) Varnish, impregnate and bake armatures as required. Turn and undercut commutators.

(3) Check armatures for balancing.

(4) Frame dimensionally checked and parts machined as necessary.

(5) New brushes, seals, wicks, etc. are installed.

(6) All motors are given high frequency and high potential electrical tests and subjected to run-in before release.

OPERATORS CAB

The operators cab of these remanufactured locomotives will be given special attention in order that the controls and appurtenances will be equal to the equipment now being installed on completely new locomotives. To provide this, the existing cab will be completely stripped, including doors, windows, all sash, heater, windshield wipers, seats, flooring, etc. and modern equipment installed.

Discussion:

(1) Stripping of cab will include doors, windows, sash, all interior lighting, control stand, seats, insulation and flooring.

(2) Insulation on top of cab and on sides will be replaced.

(3) New cab window and door glass will be to latest FRA requirements.

(4) Benelex flooring will be installed (1" thick) and new side rail mounted seats will be installed.

(5) To include new locomotive AAR control stand, ceiling lights, hot water cab heaters, metal cab awnings, sun visor. New G.E. electric speed indicator and windshield wipers will be installed and all controls will be replaced with new parts.

(6) Strobe lights will be installed on cab roof and new number lights will be provided in newly constructed casing.

(7) Reconditioned 3 or 5 chime horns will be applied in front center of cab roof, with 1 or 2 bells respectively pointed to the rear.

(8) New side mounted seats will be installed and complete new doors and hardware will be provided.

(9) The short hood will be removed and lowered so as to conform with the new locomotive configuration now standard on locomotives being obtained from manufacturers.

HOOD MODIFICATION

For improved engineman visibility the existing short hood will be removed and lowered to accommodate the new low nose concept.

Discussion:

(1) Remove hood and shorten to meet low nose configuration.

(2) Concrete ballast installed on some units in the short hood area will be removed and steel ingots of like weight will be installed in center sill of locomotives.

(3) Chemical type toilet will be installed in low nose area and access will be provided through door leading into the main engineman's cab.

(4) The low nose will incorporate headlight, sand boxes, running lights and inspection doors as necessary.

(5) Hand brakes will be provided on the fireman's side of the low hood.

CARBODY AND MAIN FRAME

The carbody will be removed, along with engines, main generators and other components. Before reconstruction the main underframe of the locomotive and related appurtenances will be thoroughly inspected and rehabilitated.

Discussion:

(1) Couplers and draft gears will be removed and replaced as necessary with components that have been reconditioned under controlled maintenance procedures following prescribed builders and AAR standard recommendations. Draft gear pockets will be restored to original dimensions.

(2) Main frame, mounting points for engine, generator, air compressor, etc. will be inspected for defects and proper alignment.

(3) Fuel tank will be completely cleaned and remanufactured (as necessary) to provide 1600 gallon capacity. Dial type fuel gauges will be standard for each side and automatic Buckeye fuel cut-off system will be reconditioned. Install electric emergency fuel cut-off system in place of existing manually operated.

(4) Replace all underframe piping as needed and including all cut-off valves for front and rear and hose connections.

(5) At front and rear pilot sheets remove existing bottom arrangement and install new standard hose securement brackets.

(6) Hood doors and door latches will be reconditioned or replaced.

(7) Install reinforced lifting eyes on both ends of locomotive.

SUPPORT SYSTEMS FOR ENGINE

Rehabilitation of engine support systems will involve installation of new components or use of existing parts that have been completely qualified and brought back to new part performance.

Discussion:

(1) Engine lube oil cooler will be completely overhauled with new or rebuilt and tested core applied.

(2) The main lube oil filter tank will be tested, 40' bypass valve applied and improved type paper filters installed.

(3) Double unit spin-on type fuel filters will be maintained and a GP-40 type primary fuel system applied.

(4) Engine water cooling radiators (4 banks) will be completely reconditioned.

(5) Sunstrand temperature switches will be installed for regulating engine temperatures.

(6) Main reservoirs will be inspected and replaced as necessary. Safety valves will be reconditioned and automatic blow-down provided.

(7) Sanding systems will be inspected and parts renewed where necessary. An electrically controlled sanding system will be standard and outboard sanding only provided.

(8) Replace engine and carbody air filters with improved design.

ENGINE

The diesel engine will be completely disassembled, cleaned, inspected and remanufactured. New bushings, bearings, seals and gaskets will be installed. Power assemblies of the 645 cubic inch displacement type will replace the earlier 567 design. All OEM dimensions and procedures will be complied with.

Discussion:

(1) Completely strip and clean major components.

(2) Check "A" frame for alignment and inspect entire block and oil pan for cracks or other defects.

(3) Inspection of main crankshaft to include minute inspection, measurement of all journals both main and connecting rod, where not within manufacturer's tolerances, entire crankshaft will be replaced with a new or completely rebuilt shaft.

(4) Crankshaft will be installed utilizing new thrust and main bearings with all main bearing cap nuts torqued to manufacturers' specifications.

(5) Front and rear gear trains and accessory drivers will be rebuilt, utilizing all new bearings, seals and gaskets.

(6) Accessory power takeoffs, engine blowers, water and lube oil pumps, etc. will be completely remanufactured and tested according to specifications.

(7) Completely new 645 power assemblies will be applied. This will include blade and fork rods, liners, complete heads, carriers and wrist pins. All connecting bolts will be carefully torqued and water and lubricating oil connecting lines and fixtures will be gauged and secured.

(8) Cam shafts will be completely cleaned, inspected and reapplied to engine block, utilizing new bearings.

(9) Apply new hot oil protection devices.

(10) All top deck mechanisms including frames, covers, layshaft, rocker arms, valve bridges, injectors and control linkages, etc. will be subjected to careful inspection and rebuild.

(11) Engine will be prelubricated, water tested and painted prior to reapplication to locomotive.

ELECTRICAL SYSTEMS

The locomotive will be completely rewired and all electrical controls, interlocks and switches will be replaced with new or rebuilt parts.

Discussion:

(1) New electrical cabinet will be acquired from qualified manufacturer and will be completely assembled for direct installation to the locomotive. Parts are to be furnished as specified to permit locomotive to be rewired as shown on Drawings ELF-65 and ELF-66. Electrical systems will be remanufactured, utilizing all new components, including such items as voltage regulator, circuit breakers, switches, relays, etc. Power contactors and reverser will be rebuilt to latest manufacturers' standards. Control wiring will be standard 27 wire trainline with basic AAR pin layout.

(2) All wiring will be of copper constuction (no aluminum), having at least 1000 volt, 90° C. insulation. Cable insulation to be Hypalon or other SCL approved Okonite, Anaconda or Royal ITT, meeting AAR Specification 589.

(3) Special attention will be given to applying anti-chafing protection.

(4) Battery boxes on each side will be rebuilt to accommodate unitized type batteries. New batteries will be installed.

AIR COMPRESSOR--WBO

The air compressor will be completely rebuilt,

utilizing new bearings, seals and gaskets. Parts not within tolerances will be replaced. Compressors will be modified for water cooled operation.

Discussion:

(1) Compressors will be completely dismantled, cleaned and inspected.

(2) All bearings will be renewed and crankshaft, if not up to standard, will be replaced with new or remanufactured shaft.

(3) Triangle reconditioned parts or equivalent (i.e., redrilled rods, remanufactured oil pump, head assemblies, etc.) will be used in reassembly.

(4) Water cooled heads will be applied.

(5) Latest style dual air filters will be used and compressor test operated before installing in locomotive.

MAIN GENERATOR--Model D12-D14

The main generator will receive a basic rebuild and where any or all parts do not meet prescribed tests and inspections, new or other rebuilt components will be installed.

Discussion:

(1) Complete cleaning of disassembled parts will permit initial testing and inspection of components.

(2) Armatures and fields will be subjected to varnish vacuum impregnation and prescribed baking.

(3) Commutators will be turned and slots undercut.

(4) New bearings, gaskets, brushes and completely remanufactured brush holders will be used in reassembly.

(5) Final tests will be made to qualify items for installation to locomotive.

AUXILIARY MOTORS, FANS AND GENERATORS

Following is a list of the miscellaneous electrical equipment that will require standard rebuild and overhaul.

This will require:

(a) complete cleaning and test,
(b) varnish impregnation, baking and turning of brush surfaces as required,
(c) remanufacture of brush holders,
(d) application of new seals and bearings, and
(e) final test and painting.

Items in this category:

(1) Auxiliary generator--10 KW.

(2) Roof mounted cooling fans (4).

(3) Traction motor blowers (4).

(4) Fuel pump motor.

LOAD TEST OF LOCOMOTIVES

Following assembly of all parts the locomotive will be completely load tested with all engine functions and horsepower recorded. Following this, each locomotive will be operated under power on test runs, with final adjustment made as necessary.

PAINTING

After successful test and trial run, locomotive will be moved to designated paint facility for complete painting as required under Family Lines Standard Paint Scheme.

SCHEDULE B

Schedule of Closings

Estimated Closing Date	Estimated Purchase Price of Equipment
July 30, 1982	$3,936,000

EXHIBIT A
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

[CS&M Ref: 2044-189]

TRANSFER AGREEMENT

Dated as of October 25, 1981

Between

FIRST SECURITY BANK OF UTAH, N.A.,
not in its individual capacity but
solely as Agent,

and

FIRST SECURITY STATE BANK,
not in its individual capacity but
solely as Trustee.

TRANSFER AGREEMENT

As of October 25, 1981

First Security Bank of Utah, N.A.,
not in its individual capacity
but solely as Agent for the
Investors under a Participation
Agreement dated as of the date hereof
(the "Participation Agreement"),
79 South Main Street
Salt Lake City, Utah 84111.

Attention of Corporate Trust Department.

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

1. In order to arrange for the financing of the reconstruction of the Hulks and the sale of the reconstructed Hulks to us by you on conditional sale, the undersigned hereby assigns and transfers to you (WITHOUT ANY WARRANTIES, INCLUDING, BUT NOT LIMITED TO, WARRANTIES AS TO TITLE, FITNESS, MERCHANTABILITY OR WORKMANSHIP) security title (but not legal or beneficial title) to the Hulks.

2. You will hold security title under and pursuant to this Agreement and the Hulks will be reconstructed pursuant to the Reconstruction and Conditional Sale Agreement dated as of the date hereof (the "RCSA"), among you, the Builder and us. In accordance with the RCSA, the undersigned will cause the Hulks to be delivered to the Builder on your behalf.

3. Upon completion of the reconstruction, your security title to the reconstructed Hulks will be conditionally sold by you to us in accordance with the RCSA.

4. If any Hulks are not reconstructed, delivered, accepted and settled for under the RCSA you shall promptly release and reassign to us your security title to such Hulks, without warranty.

5. It is agreed that this Agreement is being entered into solely to permit you to effectuate the foregoing and your interests in the Hulks, in present form or as reconstructed, is a security interest and that we shall at all times be the owner of the same provided that, notwithstanding your retention of security title to the Hulks during reconstruction (until released pursuant hereto) your interest in the Hulks being reconstructed shall not secure the CSA Indebtedness or any other obligations due you or the Investors until reconstruction of the Hulks is completed and they are delivered, accepted and settled for under the RCSA.

6. It is agreed that we shall have no personal liability under this Agreement, our obligations being solely as set forth in the Participation Agreement and the other agreements annexed to the Participation Agreement. It is further agreed, anything herein to the contrary notwithstanding, that each of the representations, warranties, undertakings and agreements herein made by us are made and intended not as our personal representations, warranties, undertakings and agreements in our individual capacity or for the purpose or with the intention of binding us personally but are made and intended for the purpose of binding only the Trust Estate (as such term is used in a Trust Agreement dated as of the date hereof between Litton Equity Investments, Alpha Inc. and us (the "Trust Agreement")), and this Agreement is executed and delivered by us not in our own right but solely in the exercise of the powers expressly conferred upon us as trustee under the Trust Agreement; and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against us (except in the case of our gross negligence or wilful misconduct) on account of this Agreement or on account of any representation, warranty, undertaking or agreement made by us herein, either expressed or implied, all such personal liability, if any, being expressly waived and released by you and by all persons claiming by, through or under you.

7. Insofar as you or anyone claiming through you is concerned, it is agreed that the Trust Estate shall not include this Agreement and shall not include the Hulks until they are reconstructed, delivered, accepted and settled for under the RCSA.

8. It is agreed that this Agreement may be executed by you and us in any number of counterparts,

each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same contract, which shall be sufficiently evidenced by any such original counterpart.

9. The terms of this Agreement and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

If the foregoing is in accordance with your understanding, please sign each of the enclosed counterparts of this letter. It is not necessary that the parties hereto all sign the same counterpart as long as each party shall sign a counterpart and such counterpart is delivered to you or your counsel, whereupon this Agreement shall become effective.

Very truly yours,

FIRST SECURITY STATE BANK, not in its individual capacity but solely as Trustee,

[CORPORATE SEAL]

by

_____
Authorized Officer

Attest:

by

_____
Authorized Officer

ACCEPTED:

[Seal]

FIRST SECURITY BANK OF UTAH, N.A., not in its individual capacity but solely as Agent,

Attest:

by

_____
Authorized Officer

by

_____
Authorized Officer

STATE OF UTAH,)
) ss.:
COUNTY OF SALT LAKE,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of FIRST SECURITY STATE BANK, that one of the seals affixed to the foregoing instrument is the corporate seal of said bank and that said instrument was signed and sealed on behalf of said bank 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 bank.

Notary Public

[Notarial Seal]

My Commission Expires:

STATE OF UTAH,)
) ss.:
COUNTY OF SALT LAKE,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of FIRST SECURITY BANK OF UTAH, N.A., that the seal affixed to the foregoing instrument is the seal of said national banking association and that said instrument was signed and sealed on behalf of said national banking association by authority of its By-laws, and he acknowledged that the execution of the foregoing instrument was a free act and deed of said national banking association.

Notary Public

[Notarial Seal]

My Commission Expires:

TRANSFER AGREEMENT

ANNEX I*

Quantity	Description	To Be Selected from Series Bearing Road Numbers
12	Diesel Electric Locomotives	SCL 700-1002 SCL 1003-1054 SCL 1056-1065

* Notwithstanding anything herein to the contrary, this Annex I and the Transfer Agreement to which this Annex I is annexed ("this Argeement") will only cover Hulks delivered by the Builder pursuant to and accepted under the terms of the Hulk Purchase Agreement. After delivery of all Hulks covered by this Agreement, this Annex I will be amended to describe only those Hulks covered by this Agreement and to designate the particular Railroad Road Numbers thereof.