

Taylor, Morell & Gitomer

June 30, 1993

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919 18th St., N.W.
Washington, DC 20006
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Long Beach, CA 90802
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RECORDATION NO. 17977-N FILED 1428

Direct Dial: (202)466-6532

JUL 1 1993 12-55 PM

INTERSTATE COMMERCE COM

Honorable Sidney L. Strickland, Jr.
Secretary
Interstate Commerce Commission
Washington, DC 20423

Dear Secretary Strickland:

I have enclosed the original and one certified copy of the document described below, to be recorded pursuant to 49 U.S.C. § 11303.

The document is a Note and Security Agreement No. 2, a secondary document, dated as of June 30, 1993. The primary document to which this is connected is recorded under Recordation No. 17977. We request that this document be recorded under Recordation No. 17977-N.

The names and addresses of the parties to the Note and Security Agreement No. 2 are:

Lender:

Hitachi Credit America Corp.
777 West Putnam Avenue
Greenwich, CT 06830

Debtor:

U.S. Trust Company of California, N.A., as Owner Trustee
555 Flower Street
Los Angeles, CA 90071

A description of the equipment covered by the document consists of five SD-45-T2 diesel electric locomotives numbered SP 9308, 9328, 9337, 9345, and 9347.

A fee of \$16.00 is enclosed. Please return the original to:

Louis E. Gitomer
Taylor, Morell & Gitomer
Suite 210
919 18th Street, N.W.
Washington, DC 20006

Countersigned by Louis E. Gitomer

Honorable Sidney L. Strickland, Jr.
June 30, 1993
Page 2

A short summary of the document to appear in the index follows: a Note and Security Agreement No. 2, dated as of June 30, 1993, between Hitachi Credit America Corp., 777 West Putnam Avenue, Greenwich, CT 06830, and U.S. Trust Company of California, N.A., as Owner Trustee, 555 Flower Street, Los Angeles, CA 90071, covering five SD-45-T2 diesel electric locomotives numbered SP 9308, 9328, 9337, 9345, and 9347.

Very Truly Yours,



Louis E. Gitomer

JUL 1 1993 12:55 PM

NOTE AND SECURITY AGREEMENT NO. 2

INTERSTATE COMMERCE COMMISSION

\$1,880,546.54

Date: June 30, 1993

FOR VALUE RECEIVED, the undersigned debtor, U.S. Trust Company of California, N.A., not in its individual capacity but solely as Owner Trustee (the "Trustee") of that certain trust created under Trust Agreement dated as of March 31, 1993 by and among the Trustee, as Owner Trustee, and American Finance Group, a Massachusetts general partnership, and AFG Investment Trust C, a Delaware business trust, as Owner Participants (hereinafter in such Trustee capacity called the "Debtor"), hereby promises to pay to the order of Hitachi Credit America Corp. (hereinafter called the "Lender") the principal amount of ONE MILLION EIGHT HUNDRED EIGHTY THOUSAND FIVE HUNDRED FORTY-SIX AND 54/100 DOLLARS (\$1,880,546.54), together with interest thereon at the rate of 7.35% per annum, in 21 equal installments of \$108,746.00 each commencing on September 30, 1993 and continuing quarterly in arrears thereafter through and including September 30, 1998 ("Final Loan Payment Date").

Section 1. Grant of Security Interest.

U.S. Trust Company of California, N.A. ("U.S. Trust"), is the Trustee of the trust (the "Trust") created pursuant to the Trust Agreement (the "Trust Agreement") dated as of March 31, 1993 with American Finance Group ("AFG") and AFG Investment Trust C as owner participants (the "Owner Participants"), AFG Investment Trust C being the sole Trust Beneficiary (the "Beneficiary") with respect to the property described below by assignment from AFG pursuant to an Assignment of Beneficial Interest (the "Assignment") between AFG, as seller/assignor and AFG Investment Trust C, as buyer/assignee dated as of June 28, 1993. The Trust is organized under the laws of the State of New York.

As security for the payment and performance of the obligations of the Debtor under this Note and Security Agreement ("Note and Security Agreement"), Debtor hereby gives, grants and assigns to the Lender a security interest in and lien on all of the Debtor's rights in the following described property now owned by the Debtor (hereinafter called the "Collateral").

1. Lease Supplement No. A-2 (the "Rental Schedule"), a copy of which is attached hereto as Exhibit A to the Equipment Lease dated as of March 31, 1993 (the "Equipment Lease"), each between the Debtor, as lessor, and Southern Pacific Transportation Company, as lessee (such Rental Schedule and the Equipment Lease to the extent but only to the extent it relates to the equipment covered by the Rental Schedule (the "Equipment") and as incorporated in the Rental Schedule, collectively, hereinafter called the "Lease").
2. All Interim Rent, Basic Rent, Supplemental Rent, Stipulated Loss Values, Fair Market Values and other moneys due or to become due to the Debtor under the Lease.
3. All the Debtor's rights, but none of its obligations, as lessor under the Lease.
4. All the Debtor's right, title and interest in and to the Equipment.

5. All the Debtor's right, title and interest in and to all additions, replacements, accessions, substitutions and improvements to the Equipment which become incorporated in, or are replacements to the Equipment under the Lease.
6. All proceeds of the foregoing.

Section 2. Representations and Warranties of the Debtor.

The Debtor, in its individual capacity as to paragraphs 2, 3 and 4 and otherwise in its capacity as Trustee, hereby represents and warrants to the Lender as follows:

1. This Note and Security Agreement, Consent Letter from Debtor and Lessee to Lender, dated as of June 30, 1993 (the "Consent") and the Lease have each been duly authorized, executed and delivered by the Debtor and each constitutes a legal, valid and binding agreement and obligation of the Debtor, enforceable according to its terms, except as such enforcement may be limited by bankruptcy, reorganization, moratorium, insolvency or similar laws affecting creditors' rights generally or by equitable remedies in the discretion of the courts, and the Lease, the Consent and the Agreement to Lease dated as of March 31, 1993 (the "Agreement to Lease") among the Lessee, the Debtor and the Owner Participants constitute the entire agreement between the Debtor and the Lessee pertaining to the leasing of the Equipment by the Debtor to the Lessee.
2. The execution and delivery of this Note and Security Agreement, the Lease, the Consent, the Agreement to Lease and the Trust Agreement and consummation of the transactions contemplated herein or therein and the fulfillment of and compliance with the terms and provisions hereof and thereof (i) do not result in a breach of any of the terms, conditions or provisions of U.S. Trust's Articles of Association or by-laws or the Trust Agreement or of any bond, debenture, note, mortgage, indenture, credit agreement or other instrument to which U.S. Trust is a party or by which it or its property may be bound, and will not constitute (with the giving of notice or the passage of time or both) a default thereunder, or result in the creation or imposition of any lien, charge, security interest or other encumbrance of any nature whatsoever upon the Collateral pursuant to the terms of any such agreement or instrument or (ii) will not, in any material respect, contravene any statutory law, rule, regulation or order of any United States or California governmental authority or agency governing its banking or trust powers.
3. Neither the execution and delivery by U.S. Trust of this Note and Security Agreement, the Trust Agreement, the Consent, the Agreement to Lease or the Lease, nor the performance thereof by Debtor requires the authorization, consent or approval of, or the giving of notice to, or the registration with, any United States or California governmental authority or agency pursuant to any United States or California law governing its banking or trust powers.
4. U.S. Trust is a national banking association duly organized, validly existing and in good standing under the laws of the United States.

5. The Debtor has such title to the Collateral as was conveyed to it by the seller thereof, free and clear of all security interests, liens and encumbrances, which result from claims against the Debtor which are unrelated to its ownership, as Trustee, of the Collateral or its administration under the Trust Agreement, except for the lien described herein, and no other assignment or security interest has been granted by the Debtor with respect to the Collateral except for a lien granted in favor of National Westminster Bank USA in connection with the interim financing of the Debtor's purchase of the equipment, which lien will be discharged with the proceeds hereof.
6. There are no pending or, to the actual knowledge of Debtor, threatened actions or proceedings against or affecting the Debtor before any court or administrative agency which, if determined adversely to Debtor, would have a material adverse effect on the ability of Debtor to perform its obligations hereunder or under the Lease.
7. The rents payable under the Lease are not subject to any defenses, set-offs or counterclaims, nor, to Debtor's actual knowledge, has Lessee asserted any such such defense, set-off or counterclaim, and there is no rent now due and unpaid pursuant to the terms of the Lease nor have there been any payments made in advance on account of the rentals or other sums to become due under the Lease. The Interim and Basic Rent payable under the Lease is sufficient to pay principal and interest due under this Note and Security Agreement in accordance with the terms hereof.
8. No Event of Default or event which with the passing of time or the giving of notice, or both, would constitute an Event of Default hereunder or under the Lease has occurred and is continuing.
9. There is no outstanding order, writ, injunction or decree of any court, government or governmental agency against or affecting the Debtor with respect to the Equipment, the Lease or this Note and Security Agreement.

Section 3. Covenants of the Debtor.

The Debtor hereby covenants and agrees for the benefit of the Lender as follows:

1. All payments to be made by the Lessee under the Lease shall be made on the payment date thereof by wire in immediately available funds to:

United States Trust Company of New York
114 West 47th Street
New York, NY 10021
ABA #021001318
Credit Account #04514800
Ref: Southern Pacific, Attn: Louis P. Young

All payments to be made by the Debtor hereunder shall be made on the payment date hereof by wire in immediately available funds to:

Dai-Ichi Kangyo Bank, Ltd.

New York Branch
One World Trade Center
Suite 4911
New York, NY 10048
ABA #026004307
Account #10740007818

or to such other address as the Lender designates in writing.

2. All right, title and interest of the Debtor in and to the Collateral and any payments with respect thereto shall be expressly subject and subordinate to all of the right, title and interest of the Lender therein.
3. The Debtor shall not declare a default or exercise the remedies of Lessor under the Lease or modify, rescind, cancel or accept surrender of the Lease or waive or enforce any of the provisions thereof or give any consent with respect thereto or extend the time of payment for payments due thereunder and shall not sell, assign, or transfer its interest in the Lease or the Equipment or take any other action with respect thereto without the prior written consent of the Lender and will include in any documentation submitted to the Lender soliciting its consent to such sale or transfer a prohibition against any future transfer to any natural person or persons or entity which is not a permitted assignee under the Lease.
4. The Debtor shall keep the Collateral free and clear of all mortgages, pledges, liens, charges, security interests and other encumbrances whatsoever, except those created by this Note and Security Agreement, the rights of Lessee under the Lease and those caused by any act or omission on the part of the Lessee or required to be discharged by the Lessee under the terms of the Lease. The Debtor shall pay all charges, including without limitation, all taxes and assessments levied or assessed against the Debtor, which if unpaid would constitute a lien on the Collateral or any portion thereof, provided, however, that the Debtor shall pay charges required to be paid or discharged by the Lessee under the terms of the Lease only to the extent that the Debtor shall have received funds from the Lessee allocable to such charges. The Debtor shall not be required to pay or discharge any such charges, taxes or assessments so long as it shall in good faith and by appropriate legal proceedings being diligently prosecuted, contest the validity thereof in any reasonable manner which will not endanger the Lessee's right of quiet enjoyment and use of the Equipment under the Lease or the Lender's security interest in the Collateral pursuant to this Note and Security Agreement.
5. Only the duplicate original of the Rental Schedule stamped "COUNTERPART NO. 1" and that has been delivered to the Lender constitutes chattel paper for purposes of perfecting an interest therein. The Debtor will not relinquish possession and control of any duplicate originals held by it (each of which has been stamped "Lessor's Original" on the signature page thereof) to any person without the prior written consent of the Lender. Debtor represents that there exists only one duplicate original of the Rental Schedule stamped "COUNTERPART NO. 1" and covenants not to execute any

additional duplicate original of the Rental Schedule stamped "COUNTERPART NO. 1".

6. The Debtor shall execute and deliver any and all papers or documents which the Lender may reasonably request from time to time in order to carry out the purposes hereof and of the Lease, or to facilitate the collection of monies due or to become due from the Lessee under the Lease.
7. The Debtor shall not permit the Equipment to be relocated to a jurisdiction outside the contiguous United States and Debtor shall promptly notify Lender if any item of Equipment is removed from its current jurisdiction to another within the United States, except as permitted by the Lease.
8. The Debtor shall promptly notify the Lender upon obtaining knowledge of any Event of Default or event, which with the giving of notice or passage of time or both would constitute an Event of Default, hereunder or under the Lease.
9. The Debtor shall allow the Lender and its representatives free access and right of inspection, as provided for in the Lease, of the Equipment at its location, and in the event of loss or damage to the Equipment shall send prompt written notice thereof to the Lender, all to the extent provided for in the Lease.
10. The Debtor shall, upon the request of the Lessee, provide the Lessee any and all consents, assistance and co-operation necessary for the Lessee to maintain property insurance and public liability insurance, showing the Lender as additional insured and loss payee, in amounts and with insurance companies satisfactory to the Lender, all to the extent required by and in accordance with the terms of the Lease.
11. The Debtor shall, upon the request of the Lessee, provided the Lessee any and all consents, assistance and co-operation necessary for the Lessee to keep the Equipment in good repair and operating condition without any costs or liability to the Lender, all to the extent required by and in accordance with the terms of the Lease.
12. The Debtor will maintain its records concerning the Lease at its principal place of business at 555 Flower Street, Los Angeles, CA 90071, Attn: Corporate Trust Administration or at United States Trust Company of New York, 114 West 47th Street, New York, NY 10021, and will not remove such records, except to a jurisdiction where the Uniform Commercial Code shall be in effect, and upon 30 days' prior written notice to the Lender.

Section 4. Covenants of the Lender.

The Lender hereby covenants and agrees for the benefit of the Debtor as follows.

1. So long as Lessee is not in default of any of its obligations under the Lease, the interest of the Lender in the Lease and the Equipment

shall be subject and subordinate to Lessee's leasehold estate in the Equipment and the Lender will not disturb Lessee's quiet use and possession of the Equipment.

2. The Lender shall, upon receipt of payments of Interim Rent or Basic Rent from Lessee, immediately apply such payments towards the satisfaction of principal and interest and any other amounts then due hereunder.
3. So long as Lessee is not then in default under the Lease, the Lender shall pay over to Debtor within twenty (20) days of receipt, and the Debtor may receive and retain notwithstanding any subsequent default hereunder, all sums received from the Lessee in payment of Interim Rent or Basic Rent due under the Lease to the extent such sums exceed the installment of principal and interest and any other amounts then due hereunder. The Lender shall pay over to Debtor within twenty (20) days of receipt from Lessee, and the Debtor may receive and retain notwithstanding any subsequent default hereunder, any payments made by the Lessee pursuant to its indemnification obligations under the Lease as compensation to the Debtor for costs, charges or losses incurred by Debtor. Such sums shall be forwarded to Debtor at 555 Flower Street, Los Angeles, CA 90071, Attn: Corporate Trust Administration, or deposited to such account as Debtor may direct.
4. The Debtor shall have the right, upon the giving of written notice to the Lender, to pay and perform for the account of the Lessee any obligation of the Lessee under the Lease (other than the payment of Interim Rent or Basic Rent or sums due upon the occurrence of an Event of Loss), in which case the Lender agrees that for purposes of the default provisions of this Note and Security Agreement an Event of Default shall be deemed not to have occurred on account of Lessee's nonperformance of the obligation, unless and until the Debtor shall have declared an Event of Default on account thereof. In the event the Debtor makes payments to the Lender on the account of Lessee, the Debtor shall be subordinated to the rights of the Lender with respect to such sums.

Section 5. Rights of the Lender.

The Debtor hereby irrevocably constitutes and appoints the Lender, and any officer thereof responsible for enforcing the terms of this Note and Security Agreement, Debtor's agent and attorney-in-fact to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purpose of this Note and Security Agreement. This power of attorney is a power coupled with an interest, shall be irrevocable and shall terminate only upon payment in full of the obligations set forth herein and the termination of this Note and Security Agreement. The powers conferred on the Lender hereunder are solely to protect the Lender's interests in the Collateral and shall not impose any duty upon it to exercise any such powers. Without limiting the generality of the foregoing, the Debtor hereby gives the Lender the power and right, on behalf of the Debtor and without notice to or assent by the Debtor, to do the following:

1. Receive directly from the Lessee all payments of Interim Rent, Basic Rent, Supplemental Rent, Additional Rent, Stipulated Loss Value, Fair

Market Value, and other sums due and to become due under the Lease and to exercise all rights, privileges and remedies of Lessor under the Lease, including without limitation, the right to grant waivers or consents of any character.

2. Endorse any loss payment or returned premium check and to make, settle and release any claim under any insurance policy with respect to the Equipment.
3. File any claim or take any other action or proceeding in any court of law or equity for the purpose of collecting any and all monies due under the Lease.
4. File financing statements signed only by the Lender with respect to this Note and Security Agreement in accordance with the Uniform Commercial Code or signed by the Lender as attorney-in-fact for the Debtor.

The Debtor hereby ratifies all that the Lender may do pursuant to such power.

The Lender shall be accountable only for the amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees or agents shall be responsible to the Debtor for any action taken or omitted to be taken in good faith or in reliance on the advice of counsel except for its own gross negligence or willful misconduct.

Section 6. Event of Loss.

Upon the occurrence of an Event of Loss under and as defined in the Lease and if Lessee shall not have elected to replace the affected Equipment with a Replacement Item or Items under and as defined in Section 11 of the Lease, all or a portion of the unpaid principal under this Note and Security Agreement shall become due and payable, together with accrued interest thereon, on the date on which the Stipulated Loss Value is required to be paid by Lessee under the Lease. The amount of principal to be prepaid shall be calculated by multiplying the outstanding principal balance by a fraction (the "Prepayment Factor") determined by dividing the original cost for the item or items of Equipment suffering the Event of Loss by the original cost for all items of Equipment subject to the Rental Schedule immediately prior to the Event of Loss. Each remaining installment of principal and interest due hereunder shall be reduced by an amount equal to the amount obtained by multiplying the debt service payment due before the prepayment by the Prepayment Factor.

Otherwise, there shall be no prepayment of this Note and Security Agreement without the prior written consent of the Lender.

Section 7. Late Payment Rate.

Any payment past due hereunder shall be payable on demand with interest computed from the day payment was due at the rate of .75% per month, or if such rate shall exceed the maximum rate of interest allowed by law, then at such maximum rate (the "Late Payment Rate").

Section 8. Right of Lender to Perform for Debtor.

If the Debtor defaults in its obligations hereunder, the Lender may, at its option, effect insurance and pay all taxes, assessments and charges levied on the Equipment or for the storage, maintenance or repair thereof. Any insurance premiums, taxes, assessments and charges so paid shall be secured by this Note and Security Agreement and shall be added to the principal due hereunder and shall be repayable from the Collateral.

Section 9. Limitations of Liability.

Principal and interest due hereunder is and shall be repayable from the Collateral only, and the Lender shall have no further recourse against the Debtor or U.S. Trust personally; provided, however, and subject to Section 10 hereof, that the Lender shall have recourse against the Debtor personally for any claims arising out of the breach by the Debtor of any of its representations, warranties, covenants and undertakings (other than the payment of principal and interest due under this Note and Security Agreement) set forth herein.

Section 10. Participation of Trustee.

It is expressly understood and agreed by the Lender, anything herein to the contrary notwithstanding, that all of the representations, warranties, undertakings, covenants and agreements in this Note and Security Agreement on the part of the Debtor (but not the representations and warranties of the Trustee set forth in paragraphs 2, 3 and 4 of Section 2 hereof) are each and every one of them made and intended not as personal representations, warranties, undertakings and agreements by the Trustee, or for the purpose or with the intention of binding the Trustee personally, but are made and intended for the purpose of binding only the Trust Estate (as defined in the Trust Agreement), and this Note and Security Agreement is executed and delivered by the Debtor, solely in the exercise of the powers expressly conferred upon it as Trustee under the Trust Agreement; and that no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against the Debtor (except for breach of those representations and warranties of Debtor set forth in Section 2 and except for Debtor's gross negligence or willful misconduct resulting in a breach of Debtor's covenants hereunder) or against the Trustee (except for breach of those representations and warranties of the Trustee set forth in paragraphs 2, 3 and 4 of Section 2), all such personal liability, if any being expressly waived and released by the Lender; however, it is agreed that the Lender may look to that portion of the said Trust Estate set forth and described as Collateral in Section 1 hereof for the satisfaction of same.

Section 11. Events of Default.

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

1. The Debtor shall fail to make any payment due hereunder within ten (10) days after the Debtor's receipt of written notice of the nonpayment thereof.
2. An Event of Default under and as defined in the Lease shall have occurred and be continuing unremedied to the satisfaction of the Lender.

3. There shall be imposed upon the Collateral or any part thereof any claim, lien, security interest, encumbrance or charge which is prior to or on parity with the security interest granted hereunder, other than the Lease and liens expressly permitted by the Lease.
4. The Debtor shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by the Debtor hereunder or in any agreement or certificate furnished to the Lender in connection herewith and such failure shall continue unremedied for a period of (30) days after written notice thereof to the Debtor.
5. Any representation or warranty made by the Debtor herein or in any document or certificate furnished to the Lender in connection herewith shall have been incorrect in any material respect when made.
6. The Debtor shall (a) be generally not paying its debts as they become due within the meaning of Title 11 of the United States Code, (b) file, or consent by answer or otherwise to the filing against it of, a petition of relief or reorganization or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, (c) make an assignment for the benefit of its creditors, (d) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property, or (e) take corporate or comparable action for the purpose of any of the foregoing.
7. Any petition for any relief under any bankruptcy or insolvency law of any jurisdiction shall be filed against the Debtor and such petition shall not be stayed or dismissed within (60) days of the date of filing.
8. A court or governmental authority of competent jurisdiction shall enter an order (a) appointing, without consent by the Debtor, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or (b) approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or (c) ordering the dissolution, winding-up or liquidation of the Debtor.

Section 12. Remedies.

If an Event of Default hereunder shall have occurred, then, or at any time thereafter while such Event of Default is continuing, the Lender may declare the principal balance hereof and all accrued interest due and payable, whereupon it shall become immediately due and payable without notice or demand. It shall then be lawful for the Lender (and the Debtor hereby authorizes and empowers the Lender with the aide and assistance of any persons) to exercise any one or more of the following remedies:

1. Subject and subordinate to the rights of the Lessee under the Lease, to enter upon such place as the Equipment may be found and take possession of and carry away the Collateral, or any portion thereof (either with or without taking possession and without instituting any

legal proceedings whatsoever) with process of law at any time or times, and to dispose of the Collateral (at public auction or at private sale or sales, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Lender may determine, and the Lender may bid and become the purchaser at any such sale) and apply the proceeds thereof to the balance hereof or any other obligation arising hereunder, all to the extent permitted by and in accordance with law and with the Lease.

2. If any Event of Default has occurred and is continuing under the Lease, as assignee of the Lessor's interest in the Lease, to exercise any or all of the rights and powers and pursue any or all of the remedies provided for in the Lease.
3. To exercise any or all of the rights and powers and pursue any or all of the remedies that are available to a secured party under the Uniform Commercial Code or any other applicable law or in equity in respect to the Collateral.

The Debtor will reimburse the Lender for all fees of attorneys or collection agencies and all expenses, costs and charges paid or payable to third persons or suffered or incurred by the Lender in attempting or effecting protection or preservation of its security interest in the Collateral or the enforcement of any provision of this Note and Security Agreement. Costs of collecting the amounts secured hereby shall be added to the principal amount due hereunder and shall be secured by, and payable solely out of, the Collateral.

The proceeds of any sale of the Collateral or any part thereof or any interest therein and the proceeds of the exercise of any other remedy with respect to the Collateral, shall be applied by the Lender, first, to the payment of accrued but unpaid interest hereon, second, to the payment of any amount due hereunder other than principal and interest, third, to the repayment of the outstanding principal balance hereof, including costs and expenses incurred by the Lender or any person or party acting on behalf of the Lender in connection with the exercise of remedies hereunder and added to principal as hereinabove provided, and fourth, to whomever shall be lawfully entitled thereto.

All rights, remedies and options conferred upon the Lender hereunder or by law shall be cumulative and may be exercised successively or concurrently and are not alternative or exclusive of any other such rights, remedies or options. No express or implied waiver by the Lender of any default or event of default hereunder shall in any way be, or be construed to be, a waiver of any future or subsequent default or event of default. The failure or delay of the Lender in exercising any rights granted hereunder shall not constitute a waiver of any such right in the future and any single or partial exercise of any particular right by the Lender shall not exhaust such rights or constitute a waiver of any other right provided herein.

Section 13. Miscellaneous.

This Note and Security Agreement may not be amended, waived, or discharged, except by an agreement in writing by the party against which or whom enforcement of the amendment, waiver or discharge is sought. In case any one or more of the provisions contained in this Note and Security Agreement shall be invalid, illegal or unenforceable in any respect, the validity, legality and

enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby in such jurisdiction, nor shall such provision be invalid, illegal or unenforceable in another jurisdiction to which the holding thereof shall not apply. Time and exactitude are of the essence hereof.

All notices to be made hereunder shall be in writing and (a) if to Debtor, addressed to it at 555 Flower Street, Los Angeles, CA 90017, Attn: Corporate Trust Administration, and (b) if to the Lender, addressed to it at 777 West Putnam Avenue, Greenwich, Connecticut 06830 Attn: Mr. William H. Besgen, with a copy to United States Trust Company of New York, 114 West 47th Street, New York, NY 100214, Attn: Corporate Trust and Agency Division, Louis P. Young, Vice President. Either party hereto may change the address to which notice to such party shall be sent by giving written notice of such change to the other party to this Note and Security Agreement.

It is the intention of the parties that the provisions of this Note and Security Agreement shall be governed by the laws of The Commonwealth of Massachusetts.

All interest due hereunder shall be computed on the basis of a 360 day year.

Section headings and captions are inserted for convenience only and shall not affect any construction or interpretation of this Note and Security Agreement. The words "herein", "hereof", "hereby", "hereto", "hereunder", and words of similar import refer to this Note and Security Agreement as a whole and not to any particular section, subsection, paragraph, clause or subdivision hereof. Capitalized terms used herein and not otherwise defined shall have the meaning ascribed to them in the Lease.

IN WITNESS WHEREOF, each of the parties hereto, pursuant to due corporate authority, has caused this instrument to be duly executed in its corporate name by its officers, thereunto duly authorized, as of the date first above written, and each of the undersigned signatories hereto declares pursuant to 28 U.S.C. 1746 under penalty of perjury that the foregoing is a true and correct document and was executed on the date indicated below its signature.

Attached hereto as Exhibit A is a true and complete copy of the Rental Schedule.

U.S. TRUST COMPANY OF CALIFORNIA, N.A.,
not in its individual capacity except
as expressly stated, but solely as
Owner Trustee

HITACHI CREDIT AMERICA CORP.

By: 

By: 

Title: Authorized Signatory

Title: SVP + C.O.O.

Executed on June 28, 1993

Executed on June 29, 1993

STATE OF New York }
COUNTY OF New York } SS:

On this 28 day of June 1993, before me personally appeared Louis P Young, to me personally known, who, being by me duly sworn, did say that he/she is the Authorized Signatory of U.S. Trust Company of California, N.A., a national banking association described in and who executed the foregoing instrument as Owner Trustee; and that he/she signed his/her name thereto by order of the Board of Directors of said corporation.

(seal)
Thomas Mc Cutchen
Signature of Notary Public

My Commission Expires: _____

THOMAS M. CUTCHEN
NOTARY PUBLIC, State of New York
No. 4960789
Qualified in Nassau County
Commission Expires April 16, 1994

STATE OF Connecticut }
COUNTY OF Fairfield } ss:

On this 29 day of June 1993, before me personally appeared William S. Beagan, to me personally known, who, being by me duly sworn, did say that he/she is the E.U.P. + C.O.O. of Hitachi Credit America Corp. described in and who executed the foregoing instrument as Lender; and that he/she signed his/her name thereto by order of the Board of Directors of said corporation.

(seal)

Yvonne A. Flynn
Signature of Notary Public

YVONNE A. FLYNN
NOTARY PUBLIC

My Commission Expires:
MY COMMISSION EXPIRES AUG. 31, 1997

EXHIBIT A**LEASE SUPPLEMENT NO. A-2**

This LEASE SUPPLEMENT between U.S. TRUST COMPANY OF CALIFORNIA, N.A., not in its individual capacity but solely as Owner Trustee (the "Lessor") and SOUTHERN PACIFIC TRANSPORTATION COMPANY, a Delaware corporation (the "Lessee");

W I T N E S S E T H:

The Lessor and the Lessee have heretofore entered into that certain Equipment Lease dated as of March 31, 1993 (the "Lease"). The capitalized terms used herein have the meanings specified in the Lease unless elsewhere defined herein.

The Lease provides for the execution and delivery of a Lease Supplement substantially in the form hereof for the purpose of evidencing the lease, delivery and acceptance of Items of Equipment under the Lease.

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, the Lessor and the Lessee hereby agree as follows:

1. The Lessor hereby leases to the Lessee and Lessee hereby leases from the Lessor the Items of Equipment described on Appendix I to this Lease Supplement ("Items of Equipment") on and subject to the terms and conditions set forth herein and in the Lease.

2. The Lessee represents to the Owner Trustee and each Owner Participant (a) that the Lessee has caused each such Item of Equipment to be inspected by its qualified inspector, (b) that each such Item of Equipment complies with all the specifications of the work orders relating to its rebuilding by General Motors Corporation (Electro-Motive Division) and complies with all the requirements of Section 6 of the Lease and (c) that each such Item of Equipment has been accepted for lease hereunder.

3. This Lease Supplement hereby incorporates by reference all the terms and conditions of the Lease.

4. Appendix II hereto sets forth the dates for the Interim Term and the Basic Term of the Lease and the dates and amounts of Interim Rent and Basic Rent payable for the Items of Equipment, and Appendix III hereto sets forth the Stipulated Loss Value payable in respect of an Event of Loss for the Items of Equipment.

5. Attached hereto as Appendix IV is a copy of a letter from the Lessee's insurance broker.

6. This Lease Supplement and the Lease constitute the entire agreement between the Lessor and the Lessee with respect to the Items of Equipment. This Lease Supplement may be executed in counterparts, all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties hereto, pursuant to due corporate authority, has caused this instrument to be duly executed in its corporate name by its officers, thereunto duly authorized, as of the date first above written, and each of the undersigned signatories hereto declares pursuant to 28 U.S.C. 1746 under penalty of perjury that the foregoing is a true and correct document and was executed on the date indicated below its signature.

U.S. TRUST COMPANY OF CALIFORNIA, N.A., not in its individual capacity but solely as Owner Trustee under the Trust Agreement

by


Its Authorized Signatory

Executed on 4/6, 1993.

SOUTHERN PACIFIC TRANSPORTATION COMPANY,

by

Its Vice President
Transportation-Quality

Executed on , 1993.

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4. Appendix II hereto sets forth the dates for the Interim Term and the Basic Term of the Lease and the dates and amounts of Interim Rent and Basic Rent payable for the Items of Equipment, and Appendix III hereto sets forth the Stipulated Loss Value payable in respect of an Event of Loss for the Items of Equipment.

5. Attached hereto as Appendix IV is a copy of a letter from the Lessee's insurance broker.

6. This Lease Supplement and the Lease constitute the entire agreement between the Lessor and the Lessee with respect to the Items of Equipment. This Lease Supplement may be executed in counterparts, all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties hereto, pursuant to due corporate authority, has caused this instrument to be duly executed in its corporate name by its officers, thereunto duly authorized, as of the date first above written, and each of the undersigned signatories hereto declares pursuant to 28 U.S.C. 1746 under penalty of perjury that the foregoing is a true and correct document and was executed on the date indicated below its signature.

U.S. TRUST COMPANY OF
CALIFORNIA, N.A., not in its
individual capacity but solely
as Owner Trustee under the
Trust Agreement

by

Its Authorized Signatory

Executed on , 1993.

SOUTHERN PACIFIC
TRANSPORTATION COMPANY,

by 
Its Vice President,
Service Planning and
Design

Executed on April 5 , 1993
in Oak Park, Illinois.

APPENDIX I
(to Lease Supplement NO. A-2)

DESCRIPTION OF ITEMS OF EQUIPMENT

<u>UNITS</u>	<u>DESCRIPTION OF UNITS</u>	<u>SELLER</u>	<u>UNIT NUMBERS</u>	<u>EQUIPMENT COST PER ITEM</u>	<u>TOTAL EQUIPMENT COST</u>
5	Model SD-45-T2 3600 Horsepower Six Motor Diesel Electric Locomotives	General Motors	9308 9328 9337 9345 9347	\$400,000	\$2,000,000 \$2,000,000

SUMMARY OF LEASE TERMS

Lessee: SOUTHERN PACIFIC TRANSPORTATION COMPANY

Lessor: U.S. TRUST COMPANY OF CALIFORNIA, N.A.

Interim Term

Commencement Date: March 31, 1993

Expiration Date: September 30, ¹⁹⁹³~~1998~~ *epw.*

Interim Rent quarterly: \$108,746.00

Number of Payments: 2

Payment Dates: June 30 and September 30

Basic Term

Commencement Date: October 1, 1993

Expiration Date: September 30, 1998

Payment frequency: Quarterly

Advance/arrears: Arrears

Basic Rent quarterly: \$108,746.00

Basic Rent (%): 5.4373%

Number of Payments: 20

Total Equipment Cost: \$2,000,000.00

Closing effective as of: March 31, 1993

APPENDIX III
(to Lease Supplement No. A-2)

STIPULATED LOSS VALUE

(Stated as a Percentage of Equipment Cost)

<u>ON RENT PAYMENT DATE NO</u>	<u>STIPULATED LOSS VALUE</u>
Prior to 1	112.00
1	109.98
2	107.89
3	105.73
4	103.51
5	101.21
6	98.84
7	96.40
8	93.88
9	91.29
10	88.61
11	85.85
12	83.01
13	80.07
14	77.05
15	73.94
16	70.73
17	67.43
18	64.03
19	60.53
20	56.92
21	53.21
22	50.00

[P930071/S03b.WPF/17A/WPC]

APPENDIX IV
(to Lease Supplement No. A-B)

INSURANCE BROKER LETTER

Marsh & McLennan, Incorporated
Three Embarcadero Center
Post Office Box 193880
San Francisco, CA 94119-3880
Telephone 415 393 5000
Telefax 415 393 5409

MARSH &
MCLENNAN

April 7, 1993

Southern Pacific Transportation Company
One Market Plaza, Room 200
San Francisco, California 94105

Attn: Dale Wydman
Director of Risk Management

Re: EQUIPMENT LEASE DATED AS OF MARCH 31, 1993
BETWEEN SOUTHERN PACIFIC TRANSPORTATION COMPANY (LESSEE)
AND U.S. TRUST COMPANY OF CALIFORNIA, N.A. (OWNER TRUSTEE)

Dear Dale:

As requested, this is an opinion letter concerning coverages provided to Southern Pacific Transportation Company.

The following coverages--all risk property insurance and public liability insurance--in my opinion conform with the Insurance Section 10(b) of the above referenced Equipment Lease provided to our office by Southern Pacific Transportation Company.

The insurance companies used are markets generally used in our normal business transactions for Class I railroads.

Sincerely,

Arthur A. Goepf III
Senior Vice President

CERTIFICATION

I, LOUIS E. GITOMER, have compared this copy of the original Note and Security Agreement No. 2 dated as June 30, 1993, and found the copy to be complete and identical in all respects to the original document. I declare under penalty of perjury that the foregoing is true and correct.



Louis E. Gitomer

June 30, 1993