1948 HB&T OPERATING AGREEMENT.

Agreement, Made as of November 15, 1948, between HOUSTON BELT & TERMINAL RAILWAY COMPANY (Belt), CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD COMPANY (Rock Island), FORT WORTH AND DENVER CITY RAILWAY COMPANY (Denver), GULF, COLORADO AND SANTA FE RAILWAY COMPANY (Santa Fe), BURLINGTON-ROCK ISLAND RAILROAD COMPANY (BRI) and GUY A. THOMPSON, as Trustee of the properties of (1) THE BEAUMONT, SOUR LAKE & WESTERN RAILWAY COMPANY (Beaumont or Beaumont Trustee), (2) THE ST. LOUIS, BROWNSVILLE AND MEXICO RAILWAY COMPANY (Brownsville or Brownsville Trustee), (3) INTERNATIONAL-GREAT NORTHERN RAILROAD COMPANY (I-GN or I-GN Trustee), and (4) SUGAR LAND RAILWAY COMPANY (Sugar Land or Sugar Land Trustee), the above named Railroads being hereinafter sometimes referred to by the terms in parentheses immediately following their respective names:

RECITALS:

(1) *Organization of Belt; "Proprietary Lines" Defined.* Beaumont, Brownsville, Santa Fe, and Trinity and Brazos Valley Railway Company [whose name was subsequently changed to Burlington-Rock Island Railroad Company (BRI), and whose stock is owned in equal shares by Rock Island and Denver], hereinafter collectively called Proprietary Lines, caused the Belt to be organized on August 31, 1905; and each of the Proprietary Lines acquired in its own name 60½ of the 250 shares of

$100 par value stock issued by the Belt and also acquired two shares in the respective names of the two Directors which, under cumulative voting, they respectively had the right to nominate and elect.

(2) *Santa Fe Lease.* Under date of July 1, 1907, Belt leased from Santa Fe certain property and railroad facilities in and adjacent to the City of Houston, Texas, for a term of ninety-nine (99) years beginning January 1, 1908 by an instrument, hereinafter called Santa Fe Lease, and concurrently and subsequently acquired other property.

(3) *Original and 1937 Belt Mortgages and Bonds.* As of July 1, 1907, the Belt executed a first mortgage covering its properties then owned or to be thereafter acquired, including its interest in the Santa Fe Lease, securing an issue of $5,000,000 principal amount of thirty (30) year 5% bonds with a $50,000 annual sinking fund. The original bonds were paid off at and before maturity, June 30, 1937, in part with funds provided by sale at par of $3,600,000 out of an authorized issue of $5,000,000 principal amount of thirty (30) year 3½% bonds, dated July 1, 1937, issued under a mortgage providing for a fixed annual sinking fund of $50,000 payable to the Trustee under the mortgage on June 1, 1938, and on June 1 of each subsequent year to and including June 1, 1967.

The issuance of the new bonds was approved by the Interstate Commerce Commission (221 I. C. C. 481) and the bonds were sold at par to Metropolitan Life Insurance Company, which still holds them. These bonds are callable at 105 and accrued interest on any interest day (January 1 and July 1) upon not less than 60 days' notice. The mortgage trustee is required to apply the sinking fund installments to acquisition of bonds, either by purchase at prices not exceeding 105% of par or by calling them, and to retire the bonds so acquired.

(4) *Original Operating Agreement and 1937 Amendments; "Operating Agreement" Defined.* Concurrently with the execution of the original mortgage, the Proprietary Lines entered into an agreement with the Belt and the mortgage trustee dated July 1, 1907, hereinafter called Operating Agreement, covering the control, financing, maintenance, operation, management and use of the Belt and its facilities and the making of additions and betterments thereto and extensions thereof. The Operating Agreement specifically provided for payment by the Proprietary Lines direct to the mortgage trustee of the interest and sinking fund installments with respect to the bonds issued under the original mortgage.

Under date of July 1, 1937, the Operating Agreement was amended to make the Beaumont Trustee and the Brownsville Trustee parties thereto, and to provide among other things that they, together with BRI and Santa Fe, would pay the interest directly to the mortgage trustee under the 1937 mortgage and to the Belt the sinking fund installments with respect to bonds issued under said mortgage; also, that the sinking fund installments so paid should constitute contributions to the capital of the Belt and that, at the request of any Proprietary Line and subject to the approval of any public authority having jurisdiction, the Belt would issue stock to the Proprietary Lines in the amount of their respective contributions.

(5) *Original Stock Trust Agreement and 1937 Amendments Thereto; "Stock Trust Agreement" Defined.* Concurrently with the execution of the original mortgage and Operating Agreement the Proprietary Lines each pledged the 60½ shares of capital stock held in their respective names with the mortgage trustee under an agreement, hereinafter called Stock Trust Agreement, dated July 1, 1907. By a supplement dated July 1, 1937, the Stock Trust Agree-

ment was amended by making the Beaumont Trustee and the Brownsville Trustee parties thereto and by specifically providing that any additional stock issued to the Proprietary Lines would upon issuance be pledged under the Stock Trust Agreement as amended.

(6) *I-GN Passenger Station Agreement.* Under date of September 29, 1921, an agreement was entered into between Belt and the Receiver of the International & Great Northern Railway Company, whose name was afterward changed to International-Great Northern Railroad Company, covering, among other things, use by I-GN passenger trains of the Belt passenger station and tracks leading thereto, and for use by Belt of the so-called Magnolia Park Branch of I-GN; and such agreement was amended June 18, 1929. Cancellation of said agreement as amended is hereinafter provided for.

(7) *Admission to Belt of I-GN and Sugar Land and of Denver and Rock Island in Substitution for BRI.* Sugar Land connects with I-GN at House Junction, approximately thirty (30) miles southerly of Houston and from that point operates over the line of the I-GN into Houston where it has the right to use the I-GN terminal facilities. It has been proposed, and all the parties hereto are willing, that I-GN and Sugar Land, without acquiring any shares of Belt Stock, be admitted to the use of the Belt, including the New Yard, and be permitted to avail themselves of its services, including those to be performed by Belt in the New Yard and on the I-GN leased facilities referred to in Recitals (9) and (10) upon the terms and conditions hereinafter set forth.

For many years the BRI north of Teague has been leased to Denver and Rock Island, but south of Teague the BRI has operated as a separate common carrier. In Finance Docket No. 14400, decided March 22, 1945, 261 I. C. C. 815, the Interstate Commerce Commission authorized the Denver and Rock Island to lease that portion of the BRI south of Teague upon condition that they arrange in effect to substitute themselves for BRI in the joint control of the Belt and the joint use of its facilities. Such an arrangement is hereinafter provided for.

(8) *"New Proprietary Lines", "Missouri Pacific", and "Using Lines" Defined.* Beaumont, Brownsville, Denver, Rock Island and Santa Fe are hereinafter sometimes referred to as New Proprietary Lines.

Beaumont, Brownsville, I-GN and Sugar Land are hereinafter sometimes collectively called Missouri Pacific.

Beaumont, Brownsville, I-GN, Sugar Land, Denver, Rock Island and Santa Fe are hereinafter sometimes called Using Lines.

(9) *Lease of I-GN Facilities.* I-GN owns and operates separate freight train yards and other terminal facilities at Houston, together with extensive industrial, lead and spur tracks, on which are located a large number of industries.

Belt desires and I-GN is willing to lease to the Belt the I-GN Properties within its yard limits at Houston, with certain exceptions, upon the terms and conditions hereinafter set forth, which are acceptable to the New Proprietary Lines.

(10) *New Yard, Construction and Lease of; "Mechanical Facilities" and "New Yard" Defined:* It has been proposed and all parties hereto are willing under the terms and conditions hereinafter set forth that Beaumont acquire and construct and lease to Belt a new train yard, connecting tracks to Beaumont and Belt, a less-than-carload freight facility, and facilities (hereinafter called Mechanical Facilities) for the care, servicing and repair of

engines and cars and for furnishing fuel and water, engine and train supplies and refrigeration, which facilities, together with the right of way therefor and also any excess lands acquired as an incident to acquisition of such right of way, are hereinafter called "New Yard".

(11) *Exhibit A.* The map or sketch not drawn to scale, hereto annexed as Exhibit A, shows the general relative locations of the lines of the Belt, I-GN and their connections at and in the vicinity of Houston, including among other things, the following:

1. A line of the Belt extending from a connection with Santa Fe, a short distance south of the Southern Pacific's Harrisburg to San Antonio line, through the Belt yards designated as New South Yard and Old South Yard, past the Belt roundhouse, passenger station and freight house, to Belt Junction, and thence westerly to a connection with the BRI. That portion of the Belt is hereinafter called West Belt.

2. From Belt Junction the line of the Belt proceeds easterly across I-GN near Percival Junction to a connection with Beaumont, called Gulf Coast Junction. From Gulf Coast Junction the Belt extends in a general southeasterly direction to a point a short distance north of the Southern Pacific's Houston to New Orleans line, from which point the New Yard and its Belt connections are to extend northerly to connections with the line of the Beaumont.

3. From said last mentioned point the Belt extends southerly across the Southern Pacific's Houston to New Orleans line, past the Belt-Southern Pacific interchange track, to Basin Siding and a connection with the tracks of the Port Terminal Railroad Association. From just north of Basin Siding a branch of the Belt extends easterly to a connection with the line of the Houston North Shore Railway Company, which line is leased to and operated by Beaumont.

4. From Basin Siding the main line of the Belt extends in a general southwesterly direction across

I-GN (Magnolia Park Branch) to a connection with the West Belt between the Old and New South Yards of the Belt.

5. That portion of the Belt described in the foregoing Subdivisions 2, 3 and 4 of this Recital (11) is hereinafter referred to as East Belt.

6. I-GN enters Houston from the north and its northerly yard limits are at I-GN Mile Post 144.0, approximately 12,318 feet north of I-GN-East Belt crossing. From that point it extends in a general southerly direction easterly of and substantially parallel to the West Belt to its Commerce Avenue mechanical facilities and its Congress Avenue Yard.

7. From its Commerce Avenue mechanical facilities a line of the I-GN (Magnolia Park Branch) extends in a general easterly direction across the East Belt to a connection with the line of the Port Terminal Railroad Association and to the I-GN Booth Yard.

8. From its Congress Avenue Yard a line of the I-GN (Columbia Tap) extends in a general southwesterly direction to and across the Southern Pacific's Harrisburg to San Antonio line. Sugar Land operates into and out of Houston over said line. The portion thereof within the yard limits of Houston ends at I-GN Mile Post 7.16, approximately 1463 feet southerly of I-GN-Southern Pacific crossing (Pierce Junction).

9. The line of Brownsville connects with Santa Fe at Algoa, from which point Brownsville operates over Santa Fe via Alvin to a connection with the southerly end of the Belt; and BRI operates over Santa Fe between Galveston and Houston.

10. The line of the Galveston, Houston and Henderson Railroad Company, hereinafter called GH&H, whose capital stock is owned in equal amounts by I-GN and Missouri-Kansas-Texas Railway System, hereinafter called Katy, extends from a connection with the Katy a short distance northerly of I-GN Commerce Avenue mechanical facilities in a general southeasterly direction past the I-GN Congress Avenue Yard and across the East Belt to Galveston.

(12) *Belt to Serve GH&H Industries for I-GN.* Under a contractual arrangement in existence since prior to 1920 I-GN and Katy perform all the transportation service on GH&H, except switching at Galveston. Industries located or to be located on the GH&H within the switching limits of Houston are I-GN industries, as well as Katy industries, and each line switches its own cars thereto and therefrom. It is hereinafter provided that after the effective date of the lease referred to in Recital (9) Belt will switch I-GN cars to and from such industries upon the terms and conditions hereinafter set forth.

(13) *General Object and Purpose of this Agreement.* The general object and purpose of this agreement is to provide for enlargement of the facilities of the Belt and to set forth the terms and conditions upon which (a) the New Proprietary Lines shall jointly control the Belt, and (b) the Using Lines shall jointly use the facilities of the Belt and avail themselves of its services,—in short to unify the Houston terminal facilities and operations of the parties hereto.

I.

AGREEMENT:

Now, THEREFORE, the parties hereto, for the considerations herein expressed, agree as follows:

SECTION 1.1. *Admission of I-GN and Sugar Land to Joint Use, and of Denver and Rock Island to Joint Control and Use of Belt; "Effective Date" and "Stock Ownership Percentage" Defined; Denver and Rock Island Advances.* (a) From and after the effective date hereof provided for in Section 3.7, hereinafter sometimes called Effective Date, I-GN and Sugar Land, without acquiring any shares of Belt stock, shall be admitted to the use of Belt facilities, and permitted to avail themselves of the services of Belt, upon the terms and conditions hereinafter set forth.

(b) As of the Effective Date BRI shall sell and transfer to Denver and Rock Island and they each shall purchase from BRI 31¼ shares of Belt stock, being one-half of the 60½ shares of Belt stock owned by BRI and pledged under the Stock Trust Agreement, as amended July 1, 1937, as additional security for the existing bonds of Belt with Central Hanover Bank and Trust Company, Trustee, and the two Directors' qualifying shares standing in the names of the two Directors representing BRI on the Belt Board of Directors together with all indebtedness of Belt to BRI for advances, including indebtedness on account of sinking fund payments after conversion thereof to advances in accordance with Section 2.9. The ownership by Denver and Rock Island of said 60½ shares of Belt stock shall be subject to the Stock Trust Agreement, as amended July 1, 1937.

(c) As between BRI, Denver and Rock Island, it is agreed that the purchase price for such stock and indebtedness shall be paid in the case of Denver by applying the amount thereof in satisfaction of an equal amount of indebtedness of BRI for advances which, on or before the Effective Date hereof Denver shall acquire from The Colorado and Southern Railway Company; and in the case of Rock Island, by applying the amount thereof in satisfaction of an equal amount of indebtedness of BRI to Rock Island for advances.

(d) As a further consideration for such sale and transfer Denver and Rock Island shall each assume one-half of all obligations and liabilities of BRI with respect to Belt and its properties. Whereupon and upon the terms and conditions hereinafter set forth Denver and Rock Island shall control the Belt jointly with the other New Proprietary Lines and be permitted to use the Belt facilities and avail themselves of its services jointly with the other New Proprietary Lines and I-GN and Sugar Land, and BRI shall be released from all obligation and liability with respect to Belt and its properties.

(e) Acquisition by Denver and Rock Island of Belt stock from BRI will result in ownership of Belt stock by the New Proprietary Lines in the following proportions: Denver 12½%, Rock Island 12½%, Santa Fe 25%, Beaumont 25% and Brownsville 25%. Each such percentage is hereinafter referred to as Stock Ownership Percentage.

(f) Wherever herein indebtedness of Belt to Denver or Rock Island for advances is referred to, such indebtedness shall be deemed to be all advances made to Belt by Denver or Rock Island and all the Belt indebtedness to BRI for advances acquired by Denver or Rock Island from BRI as provided in paragraph (b) of this section.

Section 1.2. *New Yard to be Leased to Belt; "New Yard Lease" Defined.* Beaumont has acquired the right of way for and is constructing the New Yard referred to in Recital (10) substantially in accordance with the general plan, dated January 10, 1948, and map dated January 10, 1948 showing right of way for the New Yard which have been approved by the Engineering Committee of the New Proprietary Lines. Beaumont shall lease the New Yard to Belt, for a period beginning with the Effective Date and ending with the termination of this agreement unless sooner terminated under the provisions of the lease; such lease to be substantially in the form hereto annexed as Exhibit B, herein referred to as New Yard Lease, and upon the terms and conditions therein contained.

Section 1.3. *General Improvements.* Construction of the New Yard and leasing of the I-GN facilities by the Belt will necessitate the construction on or before completion of the New Yard of certain tracks and signalling therefor and the retirement of a connecting track, as follows:

1. Construction of a second track extending northerly from the present East Belt second track near the Southern Pacific interchange track to a connection with the New Yard and of a cross-over between the said second track and the present East Belt Main track a short distance south of the connection between the East Belt Main Track and the New Yard, hereinafter referred to as East Belt Second Track.

2. Construction of two connections between the East Belt and the I-GN (Magnolia Park Branch) at the point of their crossing, hereinafter called East Belt-I-GN connections.

3. Construction of a connection between the East Belt and GH&H at the point of their crossing, hereinafter referred to as East Belt-GH&H connection.

4. Construction of three connections between I-GN and Belt at or near Percival Junction, two of them being located between the existing main track of Belt and I-GN, one in the southeast and one in the northeast quadrant, and one of such connections being between the new second track of Belt provided for in Subdivision 5 of this Section and I-GN in the northeast quadrant, hereinafter referred to as Percival Junction Connections.

5. Construction of a new second track of Belt beginning at a point in its existing main track near Percival Junction and extending eastwardly to a connection with said existing main track near Gulf Coast Junction, a distance of approximately 1.5 miles, and a connection between the main track of Beaumont and said new second track near Gulf Coast Junction, said new second track and connection being hereinafter called Percival-Gulf Coast Second Track.

6. Retirement (made subsequent to December 31, 1947) of a connection belonging to I-GN between the Belt and I-GN near Belt Junction, hereinafter called I-GN-Belt Connection.

The approximate location of said tracks is shown on the map Exhibit A, and they are thereon designated by the names above set forth.

Each of the New Proprietary Lines shall advance to the Belt its Stock Ownership Percentage of the cost (estimated at $415,000) of constructing the East Belt Second Track, the Percival-Gulf Coast Second Track and the East Belt-I-GN connections, and those portions of the Percival Junction Connections between switch point and clearance point in the Belt Tracks, and also that part chargeable to investment account of necessary expenditures for installation or rearrangement of signals controlling the Belt switches at such new connections.

All the cost of the East Belt-GH&H connection and appurtenant signal work, and all the cost of the Percival Junction Connections, except that above provided to be borne by the New Proprietary Lines, shall be borne by I-GN and such cost shall not be added to the Basic Valuation of the Leased Property, as defined in Section 1.4 hereof, nor shall anything be deducted from such Basic Valuation on account of the retirement of the I-GN-Belt Connection; provided, however, that the portions of these connections paid for by I-GN shall be included in and subject to all other provisions of the I-GN Lease.

*SECTION 1.4. *"I-GN Lease", "Leased Property" and "Basic Valuation" Defined:* (a) I-GN shall lease to Belt by an instrument substantially in the form annexed hereto as Exhibit C, herein referred to as I-GN Lease, and upon the terms and conditions therein contained, the property hereinafter in this Section described and referred to as Leased Property, for a period beginning with the Effective Date and extending thereafter during the life of this agreement unless sooner terminated under the provisions of said lease.

* Additional property leased Supplemental Agreement d[ated] 11/9/55 and Supplemen[tal] Exhibit "C" approved 10/20/53.

The Leased Property is all of the real estate and fixed physical property of the I-GN within the yard limits of Houston, which end at I-GN Mile Post 144.0 on the north and I-GN Mile Post 7.16 on the south, including the Magnolia Park Branch, except the following properties, which are described in the I-GN Lease and are indicated on maps identified by the signatures of Chief Engineers of the New Proprietary Lines and I-GN and filed in their respective offices and in the office of the Belt, marked Exhibits 1, 2, 3, 4 and 5, respectively, and also bearing the following additional legend:

> "To contract dated November 15, 1948, between HB&T, CRI&P, FW&DC, GC&SF, B-RI, and Guy A. Thompson, Trustee of BSL&W, StLB&M, I-GN and Sugar Land."

A general description of said excepted properties is as follows:

1. The Booth Yard creosote and fuel oil storage facilities shown on Map Exhibit 1.
2. The present I-GN freight house property shown on Map Exhibit 2.
3. The mechanical facilities adjacent to the Percival Yard shown on Map Exhibit 3.
4. The Commerce Avenue mechanical facilities shown on Map Exhibit 4.
5. The central portion of the I-GN Congress Avenue Yard shown on Map Exhibit 5.

Detailed maps showing the location of the Leased Property together with an inventory thereof, with appropriate references to the I-GN Lease thereon shall be prepared and filed in the offices of the New Proprietary Lines, I-GN and the Belt, and shall be identified by signatures of the Chief Engineers of the New Proprietary Lines and I-GN.

As herein used, the term Basic Valuation means the value of the Leased Property as of December 31, 1947, which value is hereby agreed to be $3,772,000.

I-GN will remove the tracks and facilities located on the Percival Yard property which are not included in the I-GN Lease as soon as reasonably necessary to permit use and development of the property by the Belt, and shall retain the salvage therefrom. The Percival Yard tracks to be leased are shown on the map marked Exhibit 6 and further identified by the signatures of the Chief Engineers and the additional legend provided for above in this Section in the case of Exhibits 1, 2, 3, 4 and 5 and filed in the same manner.

If, prior to the Effective Date any portion of the Leased Property, not required for railroad purposes is sold, which I-GN hereby reserves the right to do, the Basic Valuation thereof shall be adjusted by subtracting therefrom the value at which such property so sold was included in the Basic Valuation. Except as otherwise provided in the last paragraph of Section 1.3 with respect to the Leased Property, the Basic Valuation shall be further adjusted by adding thereto or subtracting therefrom an amount equal to the amount, if any, by which the cost of any additions or betterments made by I-GN between December 31, 1947, and the Effective Date (1) that cost no more than $10,000 in each instance, or (2) that are required by law or any public authority having jurisdiction, or (3) that cost more than $10,000 in each instance and are approved in writing by all the New Proprietary Lines, shall be more or less than the value included in the Basic Valuation for any property retired between December 31, 1947 and the Effective Date.

The following addition and betterment projects, each estimated to cost in excess of $10,000, are hereby approved by the New Proprietary Lines so far as work done or expenditures made subsequent to December 31, 1947 are concerned: Construction of industrial lead tracks for Damon Wells Industrial Area, I-GN A.F.E. 7081; construction of industrial lead tracks near Pierce Junction, I-GN A.F.E. 8046; reinforcing piers to Buffalo Bayou Bridge, I-GN A.F.E. 8030; and paving Commerce Avenue, I-GN A.F.E. 7923.

As soon as the Basic Valuation of the Leased Property, adjusted as above in this Section provided, is agreed upon in accordance with the provisions of Section Second of the I-GN Lease an instrument evidencing such agreement shall be executed by Belt and I-GN as provided in said Lease.

(b) Any and all contracts of I-GN pertaining exclusively to the Leased Property, other than contracts for exploration, development and production of oil, gas and minerals therefrom, that are in effect on the Effective Date and that are assignable are, as of the Effective Date, hereby assigned to Belt for the period this agreement remains in effect; and I-GN hereby agrees (1) to deliver all such written contracts to Belt; and (2) to execute specific instruments of assignment as to any such contracts if requested by Belt so to do. It is further agreed that as to any other contracts pertaining exclusively to the Leased Property that are not assignable, the parties shall cooperate with each other in endeavoring to effect a transfer thereof to Belt. Belt from and after the Effective Date shall perform all obligations, assume all liabilities and be entitled to receive all benefits thereafter accruing under I-GN contracts so assigned or transferred.

I-GN shall, up to the Effective Date, perform all obligations and assume all liabilities under all of its contracts that pertain to the Leased Property that are hereby assigned or that are otherwise transferred as above in this Section provided, including all obligations and liabilities arising out of transactions thereunder previous to the Effective Date; and I-GN shall be entitled to receive all benefits under said contracts accruing up to the Effective Date and as to contracts which are not hereby assigned or are not otherwise transferred, I-GN shall continue after the Effective Date to perform all obligations and be entitled to receive all benefits thereunder.

As to any contracts of I-GN that pertain in part to the Leased Property and in part to other I-GN property, it is agreed that I-GN and Belt will cooperate in arranging for new contracts which will separate the rights and obligations of the parties as between the Leased Property and other property of I-GN, or in having them changed or amended so as to exclude therefrom the Leased Property, or that such other action with respect thereto shall be taken as may be fitting and proper to carry out the intentions of the parties as expressed in this agreement; also that the rights and obligations pertaining to the Leased Property and other I-GN property that remain in effect shall be divided or apportioned between I-GN on the one hand and Belt on the other hand as of the Effective Date.

Any and all lawful claims, demands or liabilities, including all Taxes as defined in Section 2.6, arising out of operation by I-GN of, or levied or assessed upon, the Leased Property up to the Effective Date, or properly assignable to such period, shall be paid or satisfied by I-GN, and all those arising thereafter or properly assignable to the subsequent period shall, during the life of the I-GN Lease, be paid or satisfied by Belt.

(c) The Western Union Telegraph Company owns certain pole and wire lines, conduits and cables on or along certain portions of the I-GN right of way, on which are located certain communication and signal wires of Western Union and/or I-GN. The I-GN Lease is made subject to the rights of Western Union under its contract dated July 19, 1917, with Beaumont, Brownsville and other Missouri Pacific Lines, which among other things covers construction, maintenance, operation and ownership of communication lines on and along the I-GN, and to the rights of I-GN to own, operate, maintain, renew, add wires to and reconstruct its existing lines, conduits and cables, and to provide as required in the conduct of Missouri Pacific business additional pole lines, conduits and cables, and to enter on the Leased Property for such purposes. Certain telephone and signal wires owned or controlled by I-GN are used for local operation within the limits of the I-GN Lease; and use of such wires will or may be needed by the Belt after the I-GN Lease becomes effective. I-GN agrees to use its best efforts to secure for the Belt the right to use them, and if such right is secured, the Belt agrees to assume the cost of maintaining such wires and a proper proportion of the cost of maintaining the pole line.

SECTION 1.5. *Switching by Belt of I-GN Industries on GH&H and of Using Lines Industries located outside of Terminal but within Houston Switching Limits.* (a) I-GN has negotiated an agreement with GH&H, a copy of which is hereto attached as Exhibit D, and I-GN agrees to use its best efforts to procure execution of such agreement, substantially in the form attached, and to file an executed copy thereof with Belt. Pursuant to such agreement, if executed, I-GN hereby designates the Belt as its agent to switch the cars of I-GN to and from any industry now or hereafter located on the GH&H within the switching limits of Houston and Belt hereby assumes, as between Belt and GH&H, all obligations and liabilities provided for by Paragraphs 4 and 5 of said Exhibit D agreement. Belt also agrees to switch the cars of I-GN to and from any industry now or hereafter located on GH&H within the switching limits of

Houston so long as this agreement and said GH&H-I-GN agreement both are in effect.

I-GN shall pay the Belt the cost of performing such switching service and I-GN shall indemnify and hold harmless the Belt from any expense and liability resulting from the foregoing assumption of liability and obligation by Belt to GH&H with respect to such switching service.

In the event I-GN does not procure execution of said agreement with GH&H, Belt shall nevertheless, in so far as legally permissible, switch the GH&H industries as agent for I-GN but I-GN shall pay the cost of such service and indemnify Belt against any liability incurred by it as a result of the performance of such service.

(b) In the event the present switching limits at Houston are or shall be extended beyond the limits of the Terminal, as defined in Section 2.1(a), the Belt, on request of any Using Line or Lines, shall furnish as agent therefor, switching service for any of its or their exclusive industries located within the switching limits but beyond the Terminal limits, but any Using Line or Lines making any such request shall pay the Belt the cost of performing such service.

SECTION 1.6. *I-GN Retroactive Adjustment; Termination of I-GN Passenger Station Contract.* For the period of one year immediately preceding the Effective Date the amount of operating expenses which I-GN would have paid the Belt for the operation of its passenger trains into and out of the Terminal on the basis of the original Operating Agreement as amended in 1937, had I-GN been a party thereto shall be ascertained, and I-GN shall pay the Belt the difference between that amount and the amount actually paid by I-GN under the contract described in Recital (6) hereof for such period. The Belt shall then apportion and pay such amount to the Proprietary Lines on the basis of the amount of operating expenses paid by them respectively during such period on account of use by them of those portions of the Terminal used by I-GN.

As of the Effective Date the agreement described in Recital (6) is hereby terminated and cancelled.

SECTION 1.7. *Average Demurrage Agreements.* In the interests of better service to the public and of economy in operation, it is agreed as follows:

1. Belt, acting as agent for the Using Lines, shall make in its own name single average demurrage agreements with each shipper, receiver or industry on its lines desiring an average demurrage agreement, and each such agreement shall cover cars switched by Belt under its tariffs in intra and inter terminal movement and T&NO and Katy line haul cars switched by Belt under its tariffs, and also cars of the Using Lines switched by Belt as agent under their respective tariffs.
2. Belt shall continue to interchange its cars with T&NO and Katy, respectively, and to make per diem reclaim on T&NO and Katy in accordance with applicable Per Diem and Switching Reclaim Rules.
3. The cars of the Using Lines switched by Belt as agent under their tariffs shall remain in the accounts of the respective Using Lines for the purpose of making per diem settlements with the owners of foreign line cars and each Using Line shall continue to make such settlements as heretofore. But such cars shall not be interchanged with Belt, and no per diem reclaim shall be made by Belt on the Using Lines, thus avoiding the expense which otherwise would be involved in keeping interchange and per diem reclaim records and accounts; and the demurrage on such cars collected by Belt shall be pooled and divided between the Using Lines on the basis provided for in Section 2.1(c), and applied in reduction of the amount of Operating Expenses, as defined in Section 2.1(a) which otherwise would be payable by the Using Lines respectively.

II.

SECTION 2.1. *"Terminal", "Operating Expenses" and "User Basis" Defined; Apportionment of Operating Expenses and Revenues.* (a) The railroad and terminal facilities and all other property constructed, leased or otherwise acquired by the Belt and all additions and betterments, extensions and improvements made or to be made therein or thereto are herein called Terminal.

The term Operating Expenses as herein used shall include all expenses incurred by Belt in the management, operation, maintenance, renewal and repair of the Terminal, including all salaries, cost of labor, materials and supplies, any and all payroll, sales, use and similar taxes, licenses or other taxes for or with respect to vehicles, equipment or tools, excise taxes other than capital stock taxes, cost of bonds and insurance, and rentals for equipment, other than locomotives, and for tools; and also including all other expenses not provided for in other sections of this agreement that are chargeable to Operating Expenses under the accounting regulations of the Interstate Commerce Commission from time to time in effect; provided, however, that depreciation accrued on depreciable property and retirements of non-depreciable property, except land, not replaced, and in case of replacement with property costing less than the ledger value of the property retired, the excess ledger value retired, shall not be included in Operating Expenses. *

* . "Provided, however, the term Operating Expenses as herein used shall not include any Federal Income taxes." added per 12/13/65 Supplemental Agreement ("1965 Agreement").

The term User Basis, as herein used, means the basis or method presently used or from time to time adopted by unanimous agreement of the Using Lines or arbitration for apportioning Operating Expenses or other charges between the Using Lines or the New Proprietary Lines, or any of them, in the proportions that correspond as nearly as practicable with the use of the Terminal or any part thereof made by them respectively, or the services performed for them respectively by the Belt as agent.

Subject to Section 2.8, all Operating Expenses of the Belt, except those incurred in switching for the exclusive industries referred to in Section 1.5, shall be apportioned to and borne by the Using Lines on a User Basis.

For the purposes of apportioning Operating Expenses and other charges or payments in accordance with the provisions of this agreement, the use of the Terminal or any part thereof by Belt in the performance of any service for any of the Using Lines as the agent thereof shall be deemed to be use of the Terminal or such part thereof by the Using Line or Lines for which such service is performed by the Belt.

The cost of fuel, water, materials or supplies, including train and engine supplies, and the cost of services furnished or rendered by Belt to or for any Using Line or Lines for the use and benefit of any such Line or Lines and not for the common benefit of all the Using Lines, shall to the extent practicable be billed directly against the Using Line or Lines to or for which the same are furnished or rendered.

At the close of each calendar year so much of the monthly Operating Expenses paid by the Using Lines during that year as are chargeable to Maintenance of Way and Structures shall be readjusted so that each Using Line will bear and pay its User Basis proportion thereof * on an annual instead of a monthly basis, except that for the calendar year in which this agreement becomes effective such adjustment shall be made as of December 31 on the basis of the period of that year during which this agreement has been in effect.

* Executive Committee app Memorandum Agreement dated 1 regarding North Zone. South car counting and payment of Basis proportion amended t: year basis approved 10/2 Six year basis amended to a basis approved 5/9/84.

For the purpose of determining the share of Operating Expenses to be paid by the Using Lines, the Terminal shall be divided into zones, it being understood and agreed that the present plan of zoning shall be continued so far as reasonably and equitably possible, except that the Old and New South Yards shall be placed in a separate zone or zones, the I-GN property leased to Belt shall be placed in a separate zone, and three zones shall be established in the New Yard, one zone to consist of the Mechanical Facilities, one to consist of the less-than-carload freight facility, and one to consist of train yard tracks and connections and all unoccupied lands.

Not later than one year after the Effective Date a joint study shall be made under actual operating conditions to determine if the plan of zoning established as aforesaid and distribution of Operating Expenses in accordance with said plan is equitable to the Using Lines, and, if not, what other plan would be equitable; and if the Using Lines are unable to agree, the matter in dispute shall be submitted to arbitration.

If it is determined that the plan initially adopted is not equitable and a new plan is adopted, then the shares of Operating Expenses previously paid by the Using Lines respectively shall be adjusted retroactively to the Effective Date to the extent practicable; provided, however, that at any time or times after any new plan is adopted, but not oftener than once a year, any Using Line or Lines may, by written notice to the other Using Lines and Belt, effective on a date to be therein stated, but not less than 30 days after service, request a revision of such plan, and thereupon in each instance it shall be determined by unanimous agreement or arbitration whether any change is necessary in order that Operating Expenses may be fairly distributed on a User Basis; and if it is so determined that changes should be made, then the plan as changed shall be applied retroactively to the effective date of the request and such changed plan, or the plan previously in effect if it is determined that no change should be made, shall remain in effect for a period of at least one year and thereafter unless and until changed pursuant to a subsequent request.

(b) Gross revenues derived from baggage storage charges, Red Cap collections and other miscellaneous passenger station revenue, except rentals, shall be applied by the Belt to reduction of the passenger station Operating Expenses for the month in which such revenues are received.

(c) All revenues received by the Belt for switching pursuant to and at rates contained in its published tariffs, demurrage, and per diem reclaims, less per diem payments made by Belt, shall be credited to each Using Line in the proportion that the number of its loaded road-haul industry cars switched to or from industries served by Belt, except the exclusive industries referred to in Section 1.5, bears to the total number of loaded roadhaul industry cars of all Using Lines so switched.

* Amended to read "...credited to each Using Line in discharge of its liability to the Belt for Operating Expenses in the proportion..." per 1965 Agreement.

(d) From the total of all rentals or payments received by the Belt for the use of property, and from any other revenues not referred to in Paragraphs (b) and (c) of this Section, there shall first be deducted all of the Operating Expenses directly incurred in earning such revenues, and the remainder shall then be paid to the New Proprietary Lines on a Stock Ownership Percentage basis, provided that so long as Missouri Pacific is the sole user of the New Yard all rentals derived from facilities constructed therein or from New Yard land shall be paid to Beaumont; it being understood and agreed that occasional or incidental use made of the New Yard by Denver, Rock Island and/or Santa Fe, as referred to in Section 2.7(c) hereof, shall not change the status of Missouri

* Amended to read "...and the remainder, after Federal Income taxes, shall then be credited, on a Stock Ownership percentage basis, to the New Proprietary Lines in discharge of their respective liability to the Belt for Operating Expenses, provided that so..." per 1965 Agreement.

* Amended to read "...shall be credited to Beaumont in discharge of its liability to Belt for Operating Expenses; it being understood..." per 1965 Agreement.

Proprietary Lines on a User Basis, adjusted as provided by Section 2.2, and the depreciation so charged to the New Proprietary Lines, respectively, shall be applied in the same amount as charged to each of them in reduction of Belt indebtedness for advances made by them respectively.

(b) Road depreciation has been accrued by the Belt and charged to the Proprietary Lines on a cars in and out of terminal basis. All depreciation which shall have been charged to each of the Proprietary Lines up to the Effective Date shall be applied in the same amount as so charged in reduction of Belt indebtedness to it for advances made by it.

From and after the Effective Date of this agreement Belt shall continue to accrue depreciation on depreciable road property owned by it and such depreciation accrued by the Belt shall be charged to the New Proprietary Lines on the basis used for apportionment of maintenance expense, adjusted in accordance with Section 2.2, and the amounts so charged to the New Proprietary Lines, respectively, shall be applied in the same amount as charged to each of them in reduction of Belt indebtedness for advances made by them respectively.

(c) When non-depreciable property owned by Belt, other than land, whether located on land owned or leased by Belt, is retired and not replaced the ledger value thereof, or in the case of replacement with property costing less than the ledger value of the property retired, the excess ledger value retired, shall be charged to each of the New Proprietary Lines in the proportions in which the funds for the construction of the property retired were provided by them therefor. The amount so charged to each New Proprietary Line shall be applied in the same amount as charged in reduction of the Belt indebtedness to it for advances made by it.

The salvage, if any, recovered from any such retirement shall be retained by Belt and the New Proprietary Lines shall be allowed credit on monthly bills for Operating Expenses in the same proportions as the ledger value was charged against them. In all such cases the cost of dismantling such property and recovering salvage therefrom shall be included in Operating Expenses and charged to the New Proprietary Lines in the same proportions as the salvage is credited.

* All amounts received by the Belt from the sale of lands, less any expenses incurred by Belt in connection with such sale, shall be apportioned and paid to the New Proprietary Lines in the proportion in which the funds for the acquisition of said lands were provided by them therefor.

* Paragraph amended per 19 Agreement to include "air right easements. minerals and miner rights" and permit retainage a reinvestment of proceeds by Be or credit against Belt Liability for advances.

Funds shall be deemed to have been provided by the New Proprietary Lines to the extent that they either have advanced them or assumed obligation or liability with respect to bonds, the proceeds of which were used for construction purposes.

It is agreed that Beaumont, I-GN and Santa Fe shall each have the right from time to time to change its lease to the Belt in such manner, if necessary, as to enable it to deduct for tax purposes depreciation or retirements of its leased property; provided, however, no lease shall be so changed as to increase the payments or diminish the rights of Belt thereunder.

SECTION 2.4. *Acquisition of and Rentals of Locomotives.* Heretofore the cost of locomotives purchased by Belt has been advanced by the Proprietary Lines on an equal basis, and interest on deferred installments has been paid by them as rental to the Belt on the same basis.

All new locomotives purchased on and after Effective Date hereof, either for cash or on the installment basis with interest on unpaid balances, shall be paid for by the

New Proprietary Lines on a User Basis, adjusted as provided in Section 2.2. Each of the New Proprietary Lines shall advance to the Belt its estimated percentage of the cost and pay as rental to the Belt its estimated percentage of the interest, if any, during the first year to be determined in accordance with the User Basis heretofore mentioned. At the end of the first year and each succeeding year over a six-year period such percentages shall be so adjusted that such advances shall have been made and such interest shall have been paid by each New Proprietary Line in the proportion that its total use bears to the total use of all New Proprietary Lines during such six-year period; and any unpaid installments of principal or interest remaining at the end of such six year period shall be advanced or paid to the Belt by the New Proprietary Lines on the basis of such six-year percentage. Such six-year period shall in each instance begin with the calendar month in which the locomotive is delivered.

The Belt has heretofore purchased and received ten (10) Diesel switch locomotives under conditional sales agreements, payments on one of which have been completed. The balance of principal and interest on said Diesel locomotives remaining unpaid on the Effective Date shall be advanced to the Belt by the New Proprietary Lines on a Stock Ownership Percentage basis, and any interest on any deferred installments shall be paid by them as rental to the Belt on the same basis.

Each of the Using Lines shall have the right to furnish under lease to Belt approximately its User Basis proportion of all switch locomotives needed by Belt over and above those owned by it, which locomotives so furnished shall, to the extent practicable, be of the Diesel type; provided, that Missouri Pacific shall have the right to furnish under lease to Belt and to maintain the switch locomotives performing the principal service in the New Yard.

All locomotives so furnished shall be leased to Belt on fair and equitable equipment rental terms and the rentals shall be apportioned monthly to the Using Lines on a User Basis.

SECTION 2.5. *Additions and Betterments.* (a) Except as provided by Paragraph (b) of this Section, Belt shall construct or acquire all additions and betterments to the Terminal, as defined in Section 2.1(a), including equipment, that are approved by the affirmative vote of seven of its directors. Except as provided in Section 1.3 and in Paragraphs (b) and (c) of this Section, the cost of each such item of additions and betterments, less retirements for property replaced, which is chargeable to the investment account of the Belt, shall be advanced to Belt by the New Proprietary Lines on a User Basis measured in such manner as may be appropriate and, if any property is paid for by installments, any interest on unpaid balances shall be paid to the Belt by the New Proprietary Lines as rental on the same basis. If depreciable property is retired and replaced, the amount of the service loss from such retirement charged to the depreciation reserve by Belt shall also be advanced to Belt by the New Proprietary Lines on the same basis in order to provide Belt with funds for the construction of the new facility.

In determining the extent of use with respect to additions and betterments to fixed physical property, the method employed for allocating track maintenance in the zone in which the track is located, adjusted in accordance with Section 2.2, shall be used for all additional tracks; and for structures and other additions, except tracks, the method employed for allocating the expense of maintaining similar facilities, adjusted in accordance with Section 2.2 shall be used. When new facilities are of a special nature, separate zones shall be established, which shall include any tracks pertaining thereto.

In determining extent of use with respect of additional equipment (other than locomotives) including portable machines, roadway machines and tools, freight house equipment, furniture and fixtures, shop machinery, automobiles, and other similar items, the User Basis applicable to the zone or facility for which such equipment is to be acquired, adjusted in accordance with Section 2.2, shall be used. It is the intention that any such equipment purchased shall be used for the purposes for which it is purchased so long as it is required for that purpose.

Except in the case of industry tracks constructed pursuant to Paragraph (d) of this Section, the net cost of each such item of additions and betterments to be constructed or acquired by Belt shall be initially advanced to Belt by the New Proprietary Lines based on an estimate in each instance of their User Basis proportions. At the end of the * first year and each succeeding year over a six-year period, such User Basis proportions shall be so adjusted that such advances shall have been made and such interest shall have been paid by each New Proprietary Line in * the proportion that its use during such six-year period bears to the total use by all New Proprietary Lines determined in accordance with the applicable User Basis, * adjusted in accordance with Section 2.2, during such six-year period with respect to the appropriate zone, or facility; provided, however, that, except in the case of industry tracks constructed pursuant to Paragraph (d) of this Section, for each such item of additions or betterments for * which the advances by the New Proprietary Lines do not exceed $5,000, all such advances shall be adjusted on the basis of a one-year period only in the manner above provided. All such one or six-year periods shall in each instance begin with the first day of the calendar month in which the item involved is completed or acquired.

* Amended 5/9/84 to change six-year period to five-year period.

* $5,000 amended to $10,000 approved 12/12/73. $10,000 amended to $5,000 approved 5/9/84.

(b) All additions and betterments to the Mechanical

Facilities in the New Yard shall be constructed or acquired by Beaumont at its cost; and all additions and betterments to the train yard and less-than-carload freight facility zones shall be constructed or acquired by Beaumont at its cost until such time as the Denver, Rock Island and/or Santa Fe make use of either or both thereof as provided in Section 2.7(b), and the net cost of said additions and betterments shall be included in the value on which rental is required to be paid for the New Yard.

(c) Any additions and betterments to the New Yard, except the Mechanical Facilities, made necessary by the use thereof by Denver, Rock Island and/or Santa Fe pursuant to Section 2.7(b) shall be made by Belt with funds advanced to it by Beaumont and Brownsville, and the other using New Proprietary Line or Lines in proportion to their respective Stock Ownership Percentages.

(d) It is agreed, however, that if any New Proprietary Line or Lines shall, by written notice served on the Belt and the other New Proprietary Lines, request that an industry or an industrial lead track be constructed at a location and in accordance with specifications set out therein Belt shall construct the same with funds advanced to it by the requesting Line or Lines, provided the construction and operation of such track will not unreasonably interfere with the use of the Terminal; and in event of disagreement, the question of whether such interference would result may be submitted to arbitration. Upon receipt by Belt of the advance of the necessary funds, the Belt shall proceed with reasonable diligence and dispatch to construct and complete the track in accordance with the request of such requesting Line or Lines. Upon completion of the track it shall be owned by the Belt and operated as a part of the Terminal for the benefit of all Using Lines.

The advances for the cost of each such industrial track shall be adjusted at the end of the first year after completion and at the end of each succeeding year over a six-year period on a User Basis determined by the number of loaded road-haul industry cars of each New Proprietary Line, adjusted in accordance with the provisions of Section 2.2, switched by Belt on or over such track so that each New Proprietary Line shall have advanced such proportion of the cost of such track as the number of its loaded road-haul industry cars so switched bears to the total number of all such cars of all New Proprietary Lines so switched, adjusted in accordance with the provisions of Section 2.2, during such six-year period; and at the end of each such yearly period all payments necessary to effectuate such adjustment shall be made.

The I-GN shall have the same right as any of the New Proprietary Lines to request and have constructed by Belt such industry tracks and in the event of any such request by I-GN the funds necessary for construction of the track shall be advanced by I-GN to Beaumont and Brownsville and they in turn shall advance such funds to Belt.

SECTION 2.6. *Taxes.* The term Taxes, as herein used, means all taxes, rates, levies, benefits, assessments and *other governmental charges of every kind, including capital stock taxes, that in any manner during the period this agreement remains in effect may be imposed upon or accrue against the said Terminal, or any part thereof, including property covered by the I-GN Lease, New Yard Lease and Santa Fe Lease, or which may become due and payable by the Belt, except payroll, sales, use and similar taxes, licenses or other taxes for or with respect to vehicles, equipment or tools, and excise taxes other than capital stock taxes, which are included in Operating Ex*penses as provided for in Section 2.1(a).

* Amended per 1965 Agreement to exclude Federal Income taxes from definition of Taxes and to add the following sentence: "Any Federal Income Taxes are to be assumed and paid by the Belt."

The New Proprietary Lines shall advance to Belt sums equal to all Taxes chargeable by Belt to its Investment Account, and shall pay to Belt as rental sums equal to all other Taxes, as follows:

Each of the New Proprietary Lines shall advance or pay to Belt its Stock Ownership Percentage of sums equal to all Taxes, except Taxes assignable to the New Yard, and its User Basis proportion, adjusted as provided in Section 2.2, of Taxes assignable to the New Yard; provided, however, that the following Taxes chargeable to Investment Account and assignable to the New Yard Zones shall be paid by Beaumont and added to the interest rental base provided for by Paragraph (a) of Section 2 of the New Yard Lease: (1) all such Taxes assignable to the Mechanical Facilities, as defined in Recital (10); and (2) all such Taxes assignable to the freight facility zone and/or the train yard zone prior to the use thereof by Denver, Rock Island and/or Santa Fe pursuant to Section 2.7(b).

In case any of the New Proprietary Companies shall default in making the payments on account of Taxes as hereinbefore provided for, then the sum which it fails to pay or advance shall be apportioned and paid as provided in Paragraph (a) of Section 2.9 hereof in case of default in making advances or payments with respect to bonds issued and outstanding under Belt's existing First Mortgage.

SECTION 2.7. *Operation of New Yard and Use Thereof by Non-Missouri Pacific Lines.* (a) All the New Yard facilities, except the Mechanical Facilities, shall be operated by Belt; and, so long as fifty per centum (50%) or more of the Operating Expenses of the New Yard less-than-carload freight facility and train yard zones is paid by the Missouri Pacific, the General Yardmaster at the New Yard and the agent to be in charge of the said freight facility in the New Yard may be selected by the Missouri Pacific.

(b) Denver, Rock Island and/or Santa Fe shall have the right to make use of the train yard and less-than-carload freight facility zones of the New Yard for purposes in addition to those specified in Paragraph (c) of this Section, but use of only a part of either or both of such zones shall be deemed to be use of the whole thereof; and during any such use Denver, Rock Island and/or Santa Fe shall pay a User Basis proportion of Operating Expenses and also a User Basis proportion, adjusted as provided in Section 2.2, of New Yard interest rental and Taxes, applicable to the zone or zones so used; provided, however, that neither Denver, Rock Island nor Santa Fe shall use the New Yard for freight train yard purposes unless all three of them agree that the same may be so used.

(c) Denver, Rock Island and/or Santa Fe may make occasional or incidental use of the train yard or freight facility zones in the New Yard for interchanging cars of Denver, Rock Island and Santa Fe to I-GN, or in serving industries, or in emergencies or for any other purpose hereafter agreed to constitute only incidental use. No charge, either for Operating Expenses, New Yard Lease interest rental or Taxes, shall be made for the use of the train yard zone by Santa Fe, Denver and Rock Island in interchanging their cars to I-GN, but for such industrial, emergency, or other agreed incidental use of the New Yard freight facility or train yard zones Denver, Rock Island and/or Santa Fe shall pay a User Basis proportion of the charges referred to in Paragraph (b) of this Section.

(d) Missouri Pacific is hereby authorized to maintain and operate the New Yard Mechanical Facilities with their own forces; provided, however, that if requested, Missouri Pacific shall service and make repairs, of a kind that the Mechanical Facilities are equipped to perform, to the locomotives and cars owned by Belt or by any of the other

New Proprietary Lines at cost. Missouri Pacific is also hereby authorized to grant to others such user rights or licenses as may be necessary and appropriate to provide for the maintenance and operation of the Mechanical Facilities.

* SECTION 2.8. *Interchange Between Using Lines.* Belt, as agent for each of the Using Lines, shall, at the expense of the respective Using Lines, deliver freight cars in interchange at the point in the Terminal from time to time designated by the receiving Using Line, except that cars to be delivered to Beaumont and Brownsville by Denver, Rock Island and Santa Fe shall be interchanged to Beaumont and Brownsville at the New or Old South Yard. No portion of the Old or New South Yard Operating Expenses shall be charged against interchange movements referred to in this Section, nor, as provided in Paragraph (c) of Section 2.7, shall any portion of the New Yard Operating Expenses, interest rental or Taxes be charged against such movements.

* Interchange Agreement entered into dated April 1, 1955, effective until terminated by any party.

SECTION 2.9. *Advances and Payments by New Proprietary Lines in Connection with Bonds Issued Pursuant to Belt's First Mortgage.* (a) Each New Proprietary Line shall from time to time advance to the Belt its Stock Ownership Percentage of funds sufficient to enable Belt to meet all bond maturities under Belt's First Mortgage dated July 1, 1937, and all sinking fund installments, exclusive of bond premium, and shall pay as rental to or for account of Belt its Stock Ownership Percentage of all bond premium and installments of interest on the bonds issued and outstanding under said First Mortgage; provided that all payments with respect to installments of interest on the said bonds shall be made direct to the Trustee under the Mortgage securing such bonds.

In case any of the New Proprietary Lines shall default in making any of the payments or advances hereinbefore in this subdivision (a) provided for, then any sum which any defaulting New Proprietary Line fails to pay or advance shall be apportioned to and paid or advanced by the New Proprietary Lines not in default in the proportion that their respective Stock Ownership Percentages bear to their total Stock Ownership Percentages, and each of the non-defaulting New Proprietary Lines shall pay or advance such sum forthwith upon demand of the Belt, or if the Belt be in default under its said First Mortgage, then upon demand of the Trustee thereunder with respect to payments provided for thereby, and if all but one of the New Proprietary Lines default, then the one not in default shall make all such payments and advances.

(b) The Belt and the New Proprietary Lines agree that from and after the Effective Date all payments theretofore made by Beaumont, Brownsville, Santa Fe and BRI, as well as all payments thereafter made by the New Proprietary Lines, to enable the Belt to comply with its sinking fund obligations under said existing First Mortgage except the amount thereof used by Belt to pay bond premium, shall constitute loans or advances, and that the Belt is hereby relieved of any obligation to issue and shall not issue stock in satisfaction of any such payments.

SECTION 2.10. *Employe Claims.* Any and all amounts paid by Belt or any Using Line or Lines on account of any dismissal or displacement claims of Belt or Missouri Pacific employes on account of any transaction provided for herein, including construction and operation of the New Yard and leasing by the Belt of the properties herein provided to be leased and the subsequent operation thereof, whether any such claims are made pursuant to conditions imposed by the Interstate Commerce Commission or pursuant to any agreement made with employe representatives in lieu of such conditions, shall be borne by the Using Lines in the proportions that the total Operating Expenses paid by said Using Lines, respectively, bears to the total Operating Expenses of Belt during each yearly period within which any such payments are made.

SECTION 2.11. *Belt Officers and Directors.* The following officers of the Belt shall be independent of and not hold office with any of the Using Lines, shall be elected by the affirmative vote of at least seven Directors, and shall not be subject to removal except by the affirmative vote of at least seven Directors: President, or President and General Manager if said offices are combined, General Manager, Chief Engineer, Auditor, Industrial Commissioner, Purchasing Agent,* or any officer otherwise designated performing the duties ordinarily performed by a person holding any of such offices. By unanimous vote the Directors of the Belt may elect an officer of one or more of the Using Lines to any other office of the Belt, but any such non-independent officer so elected shall be removed from office at once whenever any member of the Board of Directors of the Belt so requests in writing, and any non-independent officer with respect to whom such a request is made shall have no power to act for the Belt after a copy of such request is served upon him.

* Purchasing Agent deleted per 6/1/75 Supplemental Agreement approved 5/24/76. Auditor deleted and Controller and Director of Finance added per amendment adopted 8/11/82.

The by-laws of the Belt shall be amended (1) to conform to the foregoing provisions of this agreement; (2) to provide for a Board of nine Directors, of which the independent President shall be one; (3) to provide for an *Executive Committee of five members, consisting of one Director representing each of the New Proprietary Lines, which, when the Board is not in session, shall have all the powers of the Board; (4) to provide that no action shall be taken (a) by the Board of Directors except pursuant to the affirmative votes of seven Directors; or (b) by the Executive Committee except pursuant to the affirmative

* Executive Committee on 5/11/83, amended Section 2.11 to add HB&T's President, as a non-voting member, to the Executive Committee.

votes of four of its members; and (5) to provide that at any time if the General Attorney is a non-independent officer and shall have been served with a copy of the notice below in this Section provided for he shall have no power to handle for the Belt any matter in which the contentions or interests of the Using Line or Lines by which he is employed are in conflict with the contentions or interests of any other Using Line or Lines; and whenever a written notice is served on the President of the Belt and its non-independent General Attorney by any Using Line or Lines that in its or their opinion such a conflict exists with respect to any such matter, the President of the Belt shall employ independent counsel to represent the Belt with respect to such matter.

In order to provide a qualifying share of Belt stock for the independent President, arrangements shall be made for withdrawal from under the Stock Trust Agreement of one-fourth of a share of Belt stock from each lot of 60½ shares heretofore pledged by Beaumont, Brownsville, Santa Fe and BRI.

The New Proprietary Lines shall vote their stock in favor of two directors nominated by Beaumont, two directors nominated by Brownsville, two directors nominated by Santa Fe, one director nominated by Denver and one director nominated by Rock Island; and also in favor of one director, who shall be the independent President, nominated by not less than six of the eight directors so nominated by the New Proprietary Lines.

SECTION 2.12 *Removal of Belt Employes.* At the written request of any Using Line or Lines, for cause, Belt shall remove from service any of its employes, but if any employe so removed recovers damages or is reinstated by competent authority, with allowance for time lost, then any such damages and/or allowance, together with any expenses incurred in connection with litigation or proceedings incident to such removal from service, shall be borne by the Using Line or Lines making such request; provided, however, that Belt shall not be required to remove any employe from its service if prevented from so doing by any law or regulation of a public authority having jurisdiction, or by any contract with respect to removal from service.

SECTION 2.13. *General Provisions.* (a) *Joint Use of Terminal.* Belt hereby gives and grants to each Using Line and it is hereby agreed that each Using Line shall have, upon the terms and conditions set forth in this agreement and during the period it remains in effect, the equal right and privilege to use the Terminal in common with Belt and with the other Using Lines.

(b) *Terminal Facilities Provided for Use and Benefit of Belt and Using Lines.* The train yards, team tracks, less-carload freight facilities, passenger station, and all other facilities of the Belt are for the use and benefit of Belt and the Using Lines, as distinguished from other railroads, and are provided in order to enable Belt and the Using Lines to perform common carrier services for the public under and pursuant to their respective published tariffs; and Belt shall not, except by unanimous consent in writing of all the Using Lines not then in default, grant to any other railroad the right to use the Terminal or any part thereof, or switch either interstate or intrastate shipments on which none of the Using Lines receive a line haul to or from the Belt team or public delivery tracks or facilities or to and from Belt industries, to any greater extent or on any different basis, either as to service or charges, than shipments on which the Using Lines receive a line haul but which do not originate at or are not destined to points on or facilities of the Belt, are switched by other Houston railroads.

All services performed by Belt for account of the Using Lines shall be performed by Belt as agent for the Using Lines, and under their respective tariffs to the extent tariffs covering the performance of such services are required by law.

(c) *Belt to Manage, Control and Operate the Terminal and Perform Certain Services.* Subject to the provisions of Sections 2.5 and 2.7, Belt shall have the exclusive management and control of the operation, maintenance, repair and renewal of the Terminal and every part thereof, except the Mechanical Facilities in the New Yard; shall establish rules and regulations governing the operation of trains within and upon the Terminal and the use and enjoyment thereof in all other respects; provided always that such rules and regulations shall be fair and equitable and shall apply equally and without discrimination to all Using Lines, and each Using Line agrees with the other and with the Belt to comply and cause their employes to comply with such rules and regulations.

Subject to the provisions of Section 2.7 hereof, Belt shall perform all freight and passenger switching service within the Terminal; shall operate the passenger and freight stations and appurtenant facilities, roundhouses, water and fuel stations, and shops and facilities for the care and repair of both locomotives and cars; shall maintain, repair, renew and reconstruct the Terminal and at all times keep the same in good order, condition and repair; and generally shall do and perform any and all things usually and ordinarily done and performed in the maintenance, repair, operation and renewal of a joint freight and passenger terminal.

Insofar as it can conveniently do so without unreasonably interfering with the performance of the classes of work or furnishing materials and supplies of the kind and character required by all the Using Lines, and to the extent that it has facilities to do so Belt shall, upon request and at the sole cost and expense of any Using Line and as agent therefor, perform services or furnish materials or supplies of a kind and character not required by all the other Using Lines, but which are necessary to enable the requesting Using Line to perform its duties and obligations as a common carrier.

(d) *Fidelity Bonds and Insurance.* Belt will bond in a reasonable amount, at the request of any Using Line or Lines, any of Belt's employes who handle funds, and all such bonds shall be so written as to protect the Belt and Using Lines as their respective interests may appear.

Belt shall keep the Terminal buildings and structures, whether owned or leased by Belt, insured against loss or damage by fire, windstorm, or other casualty, to the extent that property of similar character is customarily insured by railroad companies operating in the general area of Houston, Texas, and the amount of such insurance shall be adequate to cover the reasonable insurable value of such facilities at the time insured; provided, however, that Missouri Pacific, at its election and at its cost, may provide such insurance on the New Yard Mechanical Facilities. Insurance policies shall be so written as to protect the Belt and the Using Lines as their respective interests may appear and, if and to the extent required, the loss shall be made payable to the Trustee under the existing or any future Mortgage of Belt. The premiums on such insurance shall be included in Operating Expenses as provided in Section 2.1(a). If at any time or times any of the Using Lines shall be of the opinion that the kind, character, or amount of insurance which Belt provides or proposes to provide does not conform to the requirements above in this Section set forth, such Using Line or Lines shall have the right to submit such question to arbitration as provided in Section 3.2.

In the event that any insured building or structure, except the Mechanical Facilities, shall be damaged or destroyed by fire or other casualty covered by insurance, and the same or a similar facility is necessary for Terminal operations, Belt shall repair and restore or rebuild the same, or construct another facility for the same use or service, in accordance with plans which shall be approved by the Using Lines, and Belt shall apply all insurance monies received from such insurance or such portion thereof as may be necessary, to such repair, restoration, rebuilding or construction. Any amounts in excess of such insurance monies received by Belt which are necessary for the repair, restoration or rebuilding of any such facility, if chargeable to Operating Expenses, shall be apportioned to the Using Lines in accordance with Section 2.1(a), and if chargeable to additions and betterments shall be advanced by the New Proprietary Lines on the basis provided for in Section 2.5.

Any insurance proceeds received by Belt for damage to or destruction of any of the Terminal property which are not expended by Belt for the repair, restoration or rebuilding of the facility destroyed, shall be used for other additions and betterments, and the advances of the New Proprietary Lines therefor shall be diminished by the amount of such excess proceeds, which shall be apportioned to them in the same proportions that the funds for construction of the facility damaged or destroyed were provided by them.

(e) *No Unnecessary Interference by any Using Line with use of Terminal by Others or by Belt.* None of the Using Lines shall have the right to use any part of the Terminal for the storage or standing of cars except as may be necessary for the receipt and delivery of passenger and freight traffic in the usual course of business; nor shall any Using Line in any way obstruct or interfere with access to or use of Terminal or any part thereof by the parties hereto having the right to use the same, or in any way obstruct or interfere with the execution or enforcement of any reasonable rule or regulation that may be established by Belt covering the use of the Terminal or any part thereof.

Each Using Line shall have the right to arrange its own schedules and time tables, but this right shall be judiciously, fairly and equitably exercised by each so as not to produce unnecessary inconveniences to any other Using Line or to Belt in its use of the Terminal. Should a dispute arise between any two or more of the Using Lines or between any of them and the Belt as to the arrangement of trains, the use of the Terminal or the time table of train schedules of any Using Line, such dispute shall be determined by arbitration in the manner provided in Section 3.2 hereof.

(f) *Belt to make Payments and Otherwise Comply with this Agreement.* Belt, with funds secured as herein provided, will pay or cause to be paid the interest and principal of all mortgage bonds or evidence of bonded indebtedness lawfully issued and outstanding under any mortgage of Belt now or hereafter existing; will make all sinking fund payments due and payable under any such mortgage; will pay any and all rents and make all other payments and comply with all its other agreements and undertakings as set out in the Santa Fe Lease, I-GN Lease, New Yard Lease, and each of them; will pay or cause to be paid all Taxes as herein defined, as well as all sums equal to the taxes, levies, assessments, special assessments for local benefit levied upon, assessed against or in respect of any and all properties included within the Santa Fe Lease, the I-GN Lease, New Yard Lease and each of them, as required by said leases; and will pay any and all other sums or debts which may at any time or from time to time become due and payable by Belt; provided, however, that Belt shall not be required to make any of the foregoing payments which other parties hereto are or may hereafter be required by other provisions of this agreement or any amendment thereof to make direct or to relieve them from any such obligation.

(g) *Belt to Maintain Corporate Existence and Rights, Privileges and Franchises.* Belt shall not do or omit to do any act when such doing or omission would operate directly or indirectly to forfeit any of its rights, privileges and franchises under its Charter or Articles of Incorporation before the expiration of the same as now limited by law or which will, in any manner, impair the value of any of the privileges, rights or property, the right to use which is hereby granted each Using Line. Belt will, at the expiration of the present term of its corporate existence, cause the same to be renewed and extended in manner and form as may then be provided by law and will cause similar renewals and extensions to be made from time to time as the same shall be necessary to maintain the existence and power with which it is now vested.

(h) *Belt to Exert Corporate Powers on Request.* Belt shall and will at all times and from time to time during the term hereof, when requested by the Using Lines or any of them put forth and exercise each and every corporate power and do each and every corporate act which Belt might now or may at any time hereafter lawfully put in force or exercise to enable the Using Lines and each of them to enjoy and avail themselves of every right, franchise and privilege hereby granted and the proper management and operation of the Terminal according to the terms hereof.

(i) *Upon Failure of Belt to Make Required Demands, They May be Made by Any Adversely Affected Using Line.* If Belt shall fail at any time to give any notice or statement to or make any demand upon any of the Using

Lines which is required by this agreement, any other Using Line whose obligations or rights are adversely affected by such failure may give such notice or statement or make such demand in the same manner in which Belt is required to give or make the same and with the same effect as if the same had been given or made by Belt.

(j) *Exclusion of Any Defaulting Line.* So long as each Using Line makes the payments herein required to be made by it, and complies with all its other obligations as herein provided, it shall have peaceable and quiet possession and full enjoyment of Terminal and each part thereof in common with Belt and the other Using Lines; provided, however, that if any Using Line shall make default by failing to pay any sum payable by it on or before the date when the same shall become due, or by failing to perform or comply with any other covenant or condition by it to be performed or complied with hereunder, and such default shall continue for a period of ninety days after written demand for such payment, performance or compliance shall have been made upon such Using Line by Belt or by any other Using Line, then and in such case Belt shall have, and is hereby given the right at its election, but subject to the approval of any public authority then having jurisdiction, to exclude such Using Line from the use of Terminal and each part thereof, and upon giving written notice of such election to such Using Line, all rights of such Using Line to use the Terminal and each part thereof, except the right of the Missouri Pacific to use property of I-GN and Beaumont leased to Belt and except the right of Santa Fe to use its property leased to Belt, shall thereupon, by such notice be terminated, and Belt may thereupon take such steps, as may be necessary and appropriate to effect such exclusion of such Using Line from use of the Terminal and each part thereof. Nothing herein done or attempted shall release or relieve any such Using Line of or from any liability that may have accrued prior to the date of such termination or deprive any party hereto of the right to enforce such liability; nor shall any such termination release, relieve or affect the rights or obligation of any other Using Line having the right to use the Terminal or any part thereof whose rights have not been so terminated.

In the event any default as specified above shall continue for a period of ninety days after demand as aforesaid. then and in such event, whenever so requested in writing by any Using Line having the right to use the Terminal or any part thereof not itself in default hereunder, it shall be and become the duty of Belt to elect and to proceed, but subject to the approval of any public authority then having jurisdiction, to effect such exclusion from the Terminal and each part thereof of such defaulting Using Line.

No Using Line shall be deemed or considered in default if it, within sixty days from receipt of any bill, statement or monetary demand from Belt shall in writing notify Belt that it contests the correctness of any specified item or items of such bill, statement or demand and shall pay to Belt within the time provided all sums other than the item or items so specified and, if demanded by Belt, shall furnish adequate security for the contested item or items, so long as such Using Line in good faith contests such specified item or items and with dispatch attempts to settle or conclude such contest, which shall be settled, if demanded by either party to the contest, by arbitration as provided in Section 3.2 hereof.

The agreements of the New Proprietary Lines to make payments with respect to bonds, as provided by Section

2.9, and with respect to Taxes, as provided by Section 2.6, are absolute and unconditional and in case of the default of any of the New Proprietary Lines in making the advances or payments therein provided for the one or more other New Proprietary Lines which make such advances or payments shall be entitled to reimbursement of the amounts so paid or advanced, together with interest thereon at the rate of 6% per annum, from the defaulting Line or Lines, notwithstanding it or they shall have been excluded from the Terminal, pursuant to the foregoing provisions of this Paragraph (j).

(k) *Consent of Using Lines or New Proprietary Lines.* Whenever by this agreement it is provided that an act shall not be done except by the consent, acceptance or approval of each and all of the Using Lines or of each and all of the New Proprietary Lines, the consent, acceptance and approval of each and all shall be deemed to have been fully given by the concurrence of each whose obligations and rights under this agreement continue at the time in force, and it shall not be necessary to secure the consent, acceptance or approval of any Using Line or any New Proprietary Line which may have terminated or have had terminated its obligations under this agreement as in it provided. Any such consent, acceptance or approval shall be deemed sufficiently given when given in writing signed by a Trustee, Receiver, Chief Executive Officer, President, or such other officer as they respectively may designate, of such Using Line or New Proprietary Line.

Section 2.14. *Using Lines to Use Terminal.* Except for Beaumont's Houston-North Shore interurban passenger operations, each Using Line agrees to use the Terminal for all of its trains that originate or terminate at or pass through Houston, and to avail itself of the services herein provided to be performed by the Belt for it.

SECTION 2.15. *Apportionment of Lease Rentals.* The New Proprietary Lines shall pay as rental to Belt, from time to time during the term hereof, their respective Stock Ownership Percentages of all sums, other than Taxes provided to be paid by Section 2.6, which shall be payable by Belt under I-GN and Santa Fe Leases; and, except as to certain interchange movements as provided in Section 2.7 (c), they shall pay as rental to Belt, from time to time during the term hereof, their respective User Basis proportions, adjusted as provided by Section 2.2, of all sums, other than Taxes provided to be paid by Section 2.6, which shall be payable by Belt under the New Yard Lease.

SECTION 2.16. *Rendition and Payment of Bills.* Belt shall keep an accurate separate account of all Operating Expenses and on or before the last day of each calendar month shall render to each of the Using Lines a statement of the use of each Using Line and of the total use by all Using Lines and other companies during the preceeding calendar month. The Auditor of Belt shall render to the Auditor of each Using Line monthly statements showing all business done by Belt during the previous month. The books and accounts of Belt and so much of the books and accounts of the Using Lines as relate to the subject matter of this agreement, shall be open for inspection at all reasonable times during office hours by the accredited representatives of any of the parties hereto except BRI. Each Using Line covenants and agrees with Belt and with each other to pay to Belt all sums payable by such Using Line to Belt under this Agreement, the same to be payable within 60 days after rendition of bill therefor.

Any Using Line shall be liable directly to Belt for interest upon any amount due and payable by it at the rate of 6 per cent per annum from the date the same shall become due until the same shall be paid and such interest shall be payable to Belt whether the amount upon which such interest accrued is payable to Belt or to the Trustee under any mortgage of Belt.

Any error, mistaken estimate or omission in any such bill against the Belt or any Using Line shall be adjusted by suitable charges or credits on subsequent bills to be rendered as soon as discovered, but no exception to any bill shall be honored, recognized or considered if filed after the expiration of two years from the last day of the calendar month during which the bill is rendered, and no bill shall be rendered later than two (2) years after (a) the last day of the calendar month in which the expenditure covered thereby is incurred or (b) after the last day of the calendar month in which final expenditure is made under a particular Authority for Expenditure or Work Order for Additions and Betterments, or (c) in case of claims of third parties disputed as to amount or liability, after the amount is liquidated and/or the liability established. This provision shall not limit the retroactive adjustment of billing made pursuant to exceptions taken to original accounting by or under authority of the Interstate Commerce Commission, or other governmental agency having jurisdiction.

Inasmuch as no working fund has been provided for Belt, it is hereby authorized from time to time to draw sight drafts on the Using Lines for the estimated amounts due from them, and such sight drafts shall be honored upon presentation, subject to adjustment after actual amounts due are determined.

III.

Section 3.1. *Liability.* (a) All cost or expense which may be incurred by any of the Using Lines on account of loss or damage to property, or injuries to or death of persons, arising out of or in connection with their operations in the Terminal, or the performance of any service or operations by the Belt shall be borne as provided in this Section.

The term "cars", as used in this Section shall be deemed to include any vehicle, other than locomotives, customarily moved or moving along railroad tracks on its own wheels.

(b) The term Loss or Damage, as used in this Section, relates to loss or damage arising upon or adjacent to the Terminal, and embraces all loss or damage growing out of or arising from the death of or injury to persons, and all loss or damage growing out of or arising from loss, injury, or damage to property, including property belonging to Belt or any of the Using Lines or others, and including all cost or expense incident to such loss or damage.

(c) For the purpose only of establishing responsibility as between the parties hereto for Loss or Damage under this Section, it is understood by and between the parties hereto that,

(1) Belt employes and all other persons engaged in the maintenance, repair, renewal or operation of the Terminal or in making additions and betterments thereto for the joint use and benefit of all the Using Lines,

(2) All switch engines and work or wrecking trains, equipment and tools used in the maintenance, repair, renewal, or operation of the Terminal, or in clearing up wrecks thereon, or in the construction, mainte-

nance, repair or renewal of additions and betterments made for the joint use or benefit of all the Using Lines, as well as persons operating the same or assigned thereto, while so engaged, or while enroute thereto or returning therefrom,

shall while so engaged be deemed the joint employes, and the joint engines, trains, cars, equipment and tools (hereinafter in this Section collectively referred to as Joint Equipment) of the Using Lines.

Enginemen, trainmen and other employes of any Using Line shall, while engaged in its exclusive service, be deemed the sole employes of such party.

(d) Loss or Damage when due to

(1) the acts or omissions, negligent or otherwise, of the sole employe or employes of one of the Using Lines, and/or

(2) the concurring acts or omissions, negligent or otherwise, of a joint employe or joint employes and of a sole employe or employes of one of the Using Lines; and/or

(3) a defect in or failure of the exclusive equipment or appliances of one of the Using Lines,

shall be borne by the Using Line whose sole employe or employes, or whose exclusive equipment or appliances, so caused or concurred in causing such Loss or Damage, except any such Loss or Damage sustained by the property or employes of Belt arising under Subdivision (2) of this Paragraph (d) shall be included in Operating Expenses and apportioned to the Using Lines on the User Basis applicable to the zone or facility involved for the month in which the accident occurred.

(e) Loss or Damage when due to

(4) the concurring acts or omissions, negligent or other-

wise, of the sole employes of two or more of the Using Lines, and/or

(5) the concurring acts or omissions, negligent or otherwise, of a joint employe or joint employes, and the sole employe or employes of two or more of the Using Lines, and/or

(6) the concurring defects in or failure of exclusive equipment or appliances of two or more of the Using Lines,

shall be borne equally by the Using Lines concerned, except that each such Using Line shall bear all such loss or damage to its own exclusive property or of property in its custody or on its cars, and to its sole employes, passengers, or persons upon its locomotives, cars or trains, and any such Loss or Damage sustained by the property or employes of Belt arising under Subdivision (5) shall be included in Operating Expenses and apportioned to the Using Lines on the User Basis applicable to the zone or facility involved for the month in which the accident occurred.

(f) Loss or Damage when due to

(7) the acts or omissions, negligent or otherwise, of a joint employe or joint employes; and/or

(8) defect in or failure of any part of the Terminal or the Joint Equipment; and/or

(9) any other cause whatsoever not herein provided for shall be included in Operating Expenses and apportioned to the Using Lines on the User Basis applicable to the zone or facility involved for the month in which the accident occurred, except that each Using Line shall bear any such Loss or Damage to its own exclusive property or property in its custody or on its cars, and to its sole employes, passengers, or persons upon its locomotives, cars or trains

and all Loss or Damage due to grade crossing accidents in which any of its locomotives, cars or trains while being operated by its own employes are involved; provided, however, that in cases of accidents coming within the foregoing clauses (7), (8) and (9) in which the locomotives, trains, cars or sole employes and passengers of one or more of the Using Lines are concerned, then the liability and responsibility for the resulting injuries, death, loss or damage shall as to such persons and property and to third persons and their property be borne solely by the Using Line, if only one, or jointly and equally by the Using Lines, if more than one, whose locomotives, trains, cars or sole employes are concerned in the accident.

(g) Each of the Using Lines will assume and bear all losses resulting to it from defalcations or thefts of any joint employe or joint employes. If in case of any such defalcation or theft the ownership of any moneys or property lost cannot be determined, the loss shall be borne by the Using Lines, in proportion to the average amount of monthly cash receipts handled for their respective accounts by the joint employe or employes involved, during the six months preceding such defalcation or theft, and if such average amount is not ascertainable, then such loss shall be borne by the Using Lines in the proportion that the cash receipts handled by all Belt employes for them respectively during such period bear to the cash receipts so handled for all of them.

(h) For the purposes of this Section, passengers and other passenger train traffic and less-than-carload freight shall be deemed in the custody of the Using Line over whose line of railroad the same are to be or have been transported, except that in the event of an interline movement, custody shall pass to the receiving Using Line when a passenger shall have safely alighted on the platform of the Belt, or, in the case of other passenger train traffic and less-than-carload freight delivered to employes of the Belt, when the same shall have been safely unloaded. In case a freight or passenger train car is interchanged from one Using Line to another in the Terminal, custody thereof shall be deemed to have passed to the receiving line at such time as the car shall be deemed to have passed into accounts of the receiving Using Line under the interchange rules.

(i) Anything hereinabove to the contrary notwithstanding, no Using Line shall have any claim against any of the other Using Lines or against the Belt for Loss or Damage of any kind, caused by or resulting from interruption or delay to its business.

(j) All settlements for claims for Loss or Damage on the Terminal may be made by the Belt or by the Using Line or Lines, if any, directly sharing in the liability, but no payment in excess of $5,000 shall be voluntarily made by any Using Line in settlement of any claim involving the Belt or another Using Line or Lines without first having obtained consent in writing of the other party or parties involved, and in making all voluntary settlements the party making the same shall procure from each claimant and deliver to Belt and any other Using Line or Lines which may be jointly liable a written release from liability in the premises. No party shall be concluded by any judgment, at law or in equity, unless it has had reasonable notice to appear and make defense thereto for its own account, or jointly with one or more of the other parties hereto. If such notice shall have been given by any party, and the party receiving the same shall have failed to appear and make defense, it shall be concluded by the judgment or decree in said suit.

(k) Belt and the Using Lines agree, each with the others, that each will pay for all Loss or Damage, the risk of which it has assumed under this agreement, and shall and will indemnify and save harmless the others therefrom and against the payment of and liability therefor.

(l) Each of the Using Lines agrees to comply with all laws, rules and regulations of any governmental agency having jurisdiction, with respect to its use of the Terminal, and if any failure on its part so to do shall result in any fine, penalty, cost or charge against the Belt or any other Using Line or Lines, it agrees promptly to reimburse and indemnify the Belt or such other Using Line or Lines, on account thereof, and agrees in event of any such action, upon reasonable notice thereof from the Belt or such other Using Line or Lines, to defend such action, free of cost to the Belt or such other Using Line or Lines.

SECTION 3.2. *Arbitration.* (a) In the event of any disagreement between any of the Using Lines or between any of the Using Lines and the Belt with respect to the construction, interpretation or application of this agreement or any other matter or thing arising under the terms of this agreement (including failure to agree upon anything herein provided to be agreed upon, whether specifically assigned for arbitration in event of disagreement or not), the question or questions in dispute, at the written request of any Using Line or Lines served upon the Belt and the other Using Lines (which request shall set forth the matter or matters in dispute), shall be submitted to an arbitrator or Board of Arbitrators which shall be selected as follows:

If the Board of Directors of the Belt unanimously shall agree upon one arbitrator the matter or matters in dispute shall be submitted to and decided as hereinafter provided by such arbitrator. If said Board of Directors cannot, within thirty (30) days from date of receipt by Belt of request for arbitration, agree unanimously upon a sole arbitrator, then and in such event said Board of Directors within sixty (60) days from date of receipt by Belt of such request shall name by unanimous action two members of the Board of Arbitrators, which two members shall within thirty (30) days agree upon and designate the third member of such Board of Arbitrators; provided, however, that if the Board of Directors shall fail to designate two arbitrators or if the two arbitrators so designated shall fail to designate the third arbitrator within the period specified, then upon application of the Using Line or Lines making the written request the third or all three arbitrators shall be appointed by the United States District Judge senior by date of commission who is then sitting in the district in which Houston is located and who is willing to act.

The arbitrator or Board of Arbitrators so designated or appointed, promptly shall give notice to each party to the controversy, not less than ten (10) days in advance, of the time and place set for the hearing, and at the time and place appointed shall proceed, with such adjournments as may be appropriate, to hear and determine the matter, unless for good cause (of which the sole arbitrator or a majority of the Board of Arbitrators shall be the sole judges) it shall be postponed.

The decision of the arbitrator or arbitrators, or any two of the members of the Board of Arbitrators, given after hearing of which all parties to such dispute shall have been notified and at which they shall have had an opportunity to be heard shall be final and binding upon all parties to the dispute as to the matter or matters submitted for arbitration; and each of the parties to any such arbitration agrees that forthwith upon the rendition of any such decision it will abide by, perform and comply with the requirements thereof. Such decision shall divide or apportion the cost of arbitration, including the fee of the arbitrator or arbitrators, as the arbitrators may deem fair, just and equitable; provided, however, that each party to the arbitration shall pay the expenses of its witnesses and representatives appearing before the arbitrator or arbitrators.

Arbitration proceedings hereunder shall not interrupt the transaction of business under this agreement, and pending the award of the arbitrator or a majority of the Board of Arbitrators, payments required and the performance of the obligations of the parties hereto shall be made and continued in the same manner as before disagreement arose.

It is agreed that in any such arbitration any Using Line may present any contention it desires with respect to the subject matter in dispute, but that all contentions of all the Using Lines with respect to such subject matter shall be submitted to the same three arbitrators, or if a single arbitrator is agreed upon, then to him, to the end that all contentions with respect to the subject matter of the dispute shall be finally determined and settled.

(b) In the case of any dispute between Belt and Santa Fe with respect to any matter arising under the Santa Fe Lease (except any matter arising under Section Third thereof, it being hereby agreed that nothing herein contained shall require the arbitration of any such dispute) if the parties agree upon a single arbitrator the dispute shall be submitted to and decided by him. But if the parties fail to agree upon a single arbitrator, the party desiring the arbitration shall select one arbitrator, and in writing notify the other party of such selection and of the matter or matters in dispute with respect to which arbitration is desired, whereupon the other party shall within 30 days after receipt of such written notice select a second arbitrator, notifying the other party in writing of such selection; the two arbitrators so selected shall within 30 days thereafter select a third arbitrator.

If the party notified fails to select a second arbitrator within said 30-day period, then upon application of the moving party after not less than five days' notice is given to the other, the second arbitrator shall be appointed by the United States District Judge senior by date of commission who is then sitting in the district in which Houston is located and who is willing to act; and if the two arbitrators so selected or appointed fail to select a third arbitrator within thirty days after selection or appointment of the second arbitrator, then the third arbitrator shall be appointed in the same manner as above provided for appointment of the second arbitrator in the event of failure of the party notified to select him.

The procedure before and the effect of any decision of any single arbitrator or Board of Arbitrators in any arbitration under this Paragraph (b) shall be the same as that provided for in Paragraph (a) of this Section.

(c) Disputes with respect to any matters referable to arbitration under the I-GN Lease, or New Yard Lease shall be arbitrated as provided in the Sections thereof covering arbitration.

SECTION 3.3. *Sales, Leases or Consolidations.* No sale, purchase, assignment, lease, consolidation, merger or agreement of any kind, or abandonment or partial abandonment of the use of the Terminal itself by any of the Using Lines shall release it from its obligations under this agreement.

If any of the Using Lines acquires by purchase, lease, or otherwise, the railroad owned or leased by any of the other Using Lines, then it shall be liable to make all payments and perform all obligations under the terms of this agreement obligatory upon it and upon the Using Line whose railroad it acquires. If the railroad owned or leased by any of the Using Lines is sold or leased to or otherwise comes into the hands of, any other party, such party shall be charged with all payments and perform all obligations of this agreement obligatory upon such Using Line.

If any of the Using Lines are consolidated, or if any Using Line is merged with another Using Line, the consolidated or surviving Company shall make all payments and perform all obligations of the Using Lines involved in such consolidation or merger.

None of the Using Lines shall become a party to any agreement or arrangement providing for any sale, purchase, transfer, assignment or lease of the railroad owned or leased by it, or providing for any consolidation or merger, unless such agreement or arrangement is made expressly subject to this Section.

Section 3.4. *Successors and Assigns.* The several covenants and stipulations herein contained shall be mutually binding and inure to the benefit of the Using Lines, their respective successors, lessees and assigns; provided, however, that none of the Using Lines shall have the right or power to assign or transfer any interest or right under this agreement separate and apart from a sale, assignment, lease or sublease of at least that portion located within 50 miles of Houston, Texas, of the railroad owned or operated by it without the written consent of the other Using Lines and any such assignment without such written consent shall be void; and provided, further, that no Using Line, except by unanimous consent of all Using Lines, shall sell, lease, or otherwise transfer any rights to use the Terminal to more than one railroad.

Section 3.5. *Service of Notices.* Any demand, request, notice, designation or statement provided to be given under this agreement shall be in writing and may be given by serving the same upon the General Manager, or officer of similar or higher rank, of the party or parties to be notified, or may be given by mailing such notice to such officer by prepaid U. S. registered mail with return receipt requested, in which latter event date of service shall be deemed to be the date of receipt of the notice as shown by such receipt.

SECTION 3.6. *Agreement Not for Benefit of Third Parties.* This agreement and each and every provision thereof is for the exclusive benefit of the parties hereto and not for the benefit of any third party, except as to obligations to or for account of the Trustee under the existing and all future mortgages of the Belt and the bondholders thereunder

SECTION 3.7. *Effective Date; Leases and this Agreement to Run for Concurrent Terms.*

This agreement shall take effect (a) on the first day of the first calendar month beginning after the effective date of the order or orders of the Interstate Commerce Commission approving and authorizing the transactions herein provided for, to the extent it has jurisdiction, or (b) on the date, following the securing of said approval and authority, that the facilities of New Yard shall in the opinion of Missouri Pacific be sufficiently completed to permit of their use by Missouri Pacific, whichever is later, and shall continue in effect until January 1, 2007, and thereafter until terminated by six months' written notice served by any Using Line upon the others; provided, however, that this agreement and the I-GN and New Yard Leases, and the Santa Fe Lease, as hereby amended, shall remain in effect for concurrent periods of time, and if any one of them shall be terminated, then all of them and this agreement shall concurrently terminate.

SECTION 3.8. *Amendments to Santa Fe Lease.* The Santa Fe Lease is hereby amended as follows:

1. To provide that unless sooner terminated as

therein or in Section 3.7 provided it shall continue in effect from and after the Effective Date of this agreement until January 1, 2007 and thereafter until terminated by six months' written notice served by either party thereto on the other party.

2. By striking out the words "by the Lessor" from that portion of Section Third reading as follows: "thereunder shall be terminated by the Lessor or shall cease in accordance with the terms thereof."

3. By modifying Paragraph Seventh, relating to arbitration, to conform to Section 3.2(b) of this agreement.

4. To except and reserve unto Santa Fe all of the oil, gas and other minerals underneath the surface of the leased lands, together with the right to lease to others portions of the surface of the leased lands for the exploration, development and production of oil, gas and other minerals, and to sell and dispose of any portion or portions of the leased property not needed for railroad purposes under the Santa Fe Lease to the same extent and upon the same terms and conditions as such rights are reserved to and may be exercised by I-GN under the I-GN Lease.

SECTION 3.9. *Rights of Trustee and Bondholders under Belt's Existing Mortgage; Amendment of this Agreement.* Nothing in this agreement shall be deemed or construed to affect in any way any obligation of the Belt or any right of the Trustee under the existing First Mortgage of Belt or of any holder of bonds issued thereunder, or to relieve the Belt or the Proprietary Lines of any obligation under the existing Operating and Stock Trust Agreements, as amended in 1937, to said Trustee or bondholders, or to deprive them of any right to enforce compliance with any and all obligations of the Proprietary Lines under the existing Operating Agreement, as amended, but as between the parties hereto, the provisions hereof are hereby substituted for those contained in the existing Operating Agreement, as amended. It is agreed, however, that if and upon condition that said Trustee and Metropolitan Life Insurance Company shall consent to such substitution, then and in that event BRI shall be relieved of all obligations to said Trustee and bondholders from and after the effective date hereof, and this agreement is hereby transferred and assigned to said Trustee by way of further security for the bonds issued under and secured by said First Mortgage, and Belt and the New Proprietary Lines hereby covenant and agree with said Trustee that said Trustee shall have the right and power in its own discretion to enforce and require the enforcement of any and every covenant herein contained, the breach of which may in its judgment affect or impair the rights or security of said Trustee or the bondholders represented by it; and Belt hereby expressly agrees to protect and hold said Trustee harmless from every expense, liability, claim, charge, action or demand which might impair the validity of this agreement, the right or security of said Trustee or the bondholders represented by it or which may be incurred by said Trustee in protecting its rights and security and those of the bondholders represented by it; and it is expressly understood and agreed that said Trustee shall not in any manner be responsible or liable for any act, default or misconduct of any officer, agent or other persons employed by the Trustee, nor shall said Trustee be answerable under any circumstances, except for its own willful default or misconduct.

This agreement shall not be modified in any way that will adversely affect the security of the bonds issued under said First Mortgage, or under any future mortgage of Belt, and any such modification, if attempted to be made, shall as between Belt and the New Proprietary Lines, on the one hand, and the Trustee under the existing or any future mortgage of Belt and the holders of the bonds represented by any such Trustee, on the other hand, be absolutely null and void; provided, however, that any modification of this agreement not adversely affecting the security of such bonds may be made, but an executed copy of each and every modification shall be filed with the Trustee under said existing or any future mortgage of the Belt at least 30 days prior to the effective date thereof, together with an opinion of counsel (who may be counsel for the Belt) that such modification will not adversely affect the security of the bonds. The Trustee shall not be under any duty with respect to any such modifications except to exhibit them (together with such opinion of counsel) upon request of the holder of any bond.

In the event that a majority of the bondholders shall object by written instrument or instruments filed with the Trustee to any such proposed modification on the ground that it will adversely affect the security of the bonds, such objection shall be conclusive, and the proposed modification, although effective as between the parties, shall not become effective as against the Trustee under the existing or any future mortgage of Belt and the holders of the bonds issued thereunder unless and until such objection is withdrawn.

In the event the Trustee under the existing Mortgage of Belt and Metropolitan Life Insurance Company, the holder of all bonds issued thereunder, consent to substitution of this agreement for the original Operating Agreement, as amended in 1937, Belt shall cooperate with said Trustee and Metropolitan in doing all things necessary and appropriate to accomplish such substitution, including execution of a supplemental mortgage providing therefor and for stamping the outstanding bonds with an appropriate legend reciting such substitution.

SECTION 3.10. *Court Authority for Trustee of Each Beaumont, Brownsville, I-GN and Sugar Land to Execute Agreement.* This agreement is executed by Guy A. Thompson as Trustee of the debtor companies comprising each the Beaumont, Brownsville, I-GN and Sugar Land under authority of an Order of the United States District Court for the Eastern District of Missouri, Eastern Division, in proceedings under Section 77 of the Bankruptcy Act, as amended, entitled "In the Matter of Missouri Pacific Railroad Company, Debtor, In Proceedings for the Reorganization of a Railroad, No. 6935", and all his duties and obligations herein provided for are as such Trustee and not individually; and said agreement shall bind and inure to the benefit of any successor trustee or trustees of the railways and properties of, respectively, Beaumont, Brownsville, I-GN and Sugar Land hereafter appointed in the aforesaid Reorganization Proceedings, and, upon termination of said trusteeship, the person or corporation acquiring the railways and properties of said respective debtor companies, whether by purchase, dismissal of the Reorganization Proceedings, or pursuant to a plan of reorganization, or otherwise, shall be and become entitled to the benefits of and bound by all the terms and provisions of this agreement applicable to any such debtor company.

SECTION 3.11. *Section Headings.* All section headings are inserted for convenience only, and shall not affect any construction or interpretation of this agreement.

In witness whereof, the parties hereto have duly executed or caused duly to be executed this agreement as of the day and year first herein written.

Houston Belt & Terminal Railway Company,

By J. Crowley
President.

Attest:

A. C. Mims
Secretary.

Chicago, Rock Island and Pacific Railroad Company,

By [illegible]
President.

Attest:

A. F. Gibson
Secretary.

Fort Worth and Denver City Railway Company,

By [illegible]
President.

Attest:

[illegible]
Assistant Secretary.

APPROVED AS TO FORM;

[illegible]
General Attorneys

GULF, COLORADO AND SANTA FE RAILWAY COMPANY,

By ~~President.~~

ATTEST:

W. L. Camp

Assistant Secretary.

BURLINGTON-ROCK ISLAND RAILROAD COMPANY,

By

President.

ATTEST:

Ass't Secretary.

Guy A. Thompson

Trustee of each:

(1) THE BEAUMONT, SOUR LAKE & WESTERN RAILWAY COMPANY, Debtor.
(2) THE ST. LOUIS, BROWNSVILLE AND MEXICO RAILWAY COMPANY, Debtor.
(3) INTERNATIONAL-GREAT NORTHERN RAILROAD COMPANY, Debtor.
(4) SUGAR LAND RAILWAY COMPANY, Debtor.

WITNESSES:

Noble G. Boyd

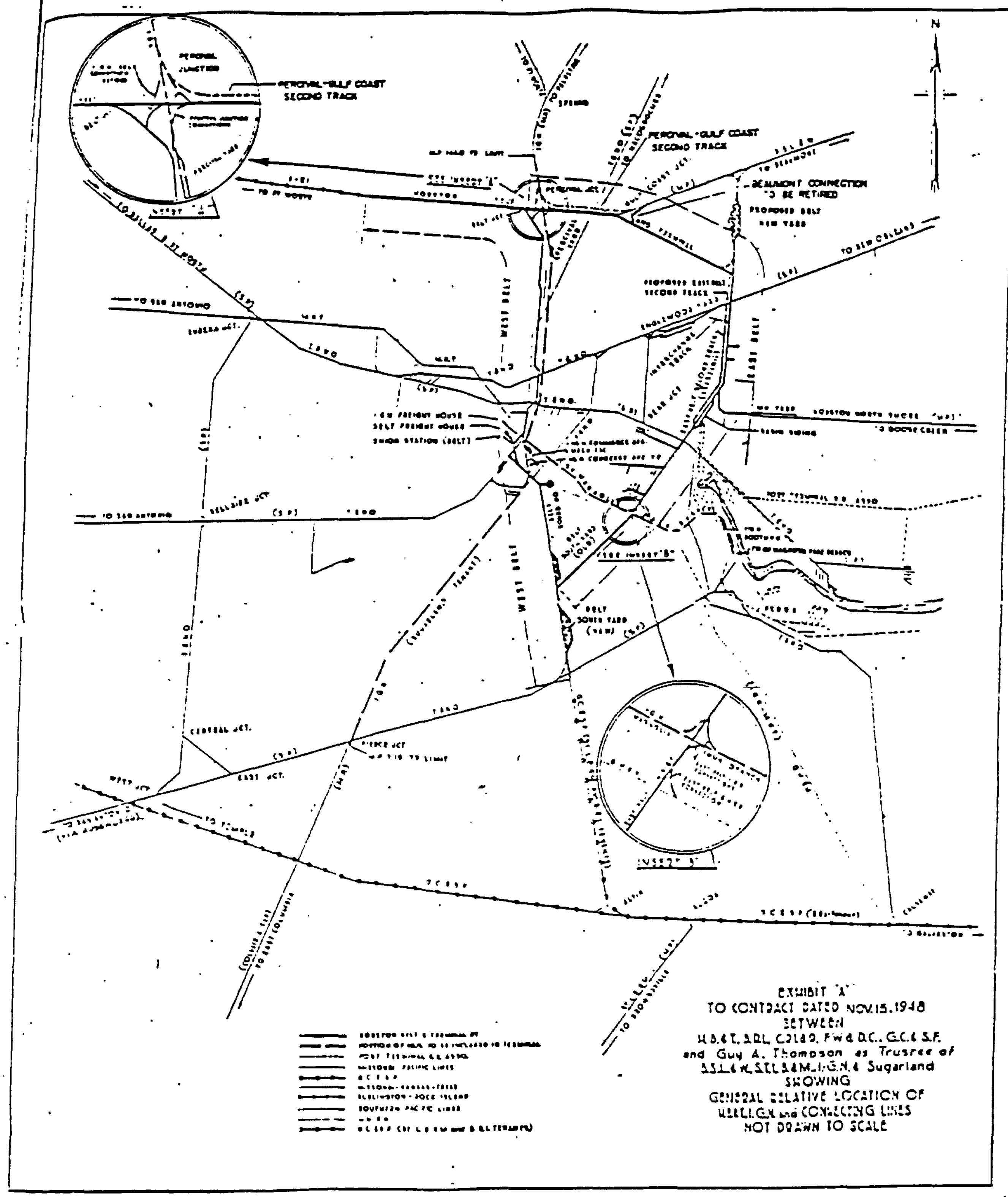

EXHIBIT "A"
TO CONTRACT DATED NOV.15.1948
BETWEEN
H.B.&T., ARL, C.R.I.&P., FW&D.C., G.C.&S.F.
and Guy A. Thompson as Trustee of
B.S.L.&W., S.L.B.&M., I.-G.N. & Sugarland
SHOWING
GENERAL RELATIVE LOCATION OF
H.B.&T., I.G.N. and CONNECTING LINES
NOT DRAWN TO SCALE

EXHIBIT B—NEW YARD LEASE.

This Agreement, made as of June 1, 1950, between GUY A. THOMPSON as Trustee of the properties of THE BEAUMONT, SOUR LAKE & WESTERN RAILWAY COMPANY, hereinafter sometimes called Beaumont, and HOUSTON BELT & TERMINAL RAILWAY COMPANY, a Texas corporation, hereinafter called Belt,

Witnesseth That:

Whereas, Beaumont has acquired the necessary right of way and is engaged in constructing the New Yard, defined in Recital (10) of an agreement dated as of November 15, 1948, designated 1948 HB&T Operating Agreement and hereinafter called Operating Agreement, between Belt, Chicago, Rock Island and Pacific Railroad Company, Fort Worth and Denver City Railway Company, Gulf, Colorado and Santa Fe Railway Company, Burlington-Rock Island Railroad Company, and Guy A. Thompson, as Trustee of the properties of (1) The Beaumont, Sour Lake & Western Railway Company, (2) The St. Louis, Brownsville and Mexico Railway Company, (3) International-Great Northern Railroad Company, and (4) Sugar Land Railway Company; and

Whereas, Section 1.2 of the Operating Agreement provides in substance, among other things, that Beaumont shall lease the New Yard to Belt by an instrument designated and hereinafter referred to as New Yard Lease, substantially in the form hereof, for a term beginning with the effective date of the Operating Agreement and, unless sooner terminated as hereinafter or in Section 3.7 of the Operating Agreement provided, extending to January 1, 2007, and thereafter until terminated by six months' written notice served by either party on the other; and

WHEREAS, the Operating Agreement has this day become effective and the parties hereto desire to comply with their obligations under Section 1.2 of the Operating Agreement so far as leasing the New Yard is concerned:

NOW, THEREFORE, the parties hereto, for the consideration and upon the terms and conditions herein and in the Operating Agreement expressed, agree as follows:

SECTION 1. Beaumont, subject to the oil, gas and other mineral exception and reservation hereinafter in this section stated, hereby leases to Belt, for a period beginning with the Effective Date of the Operating Agreement, and, unless sooner terminated as hereinafter or in Section 3.7 of the Operating Agreement provided, extending to January 1, 2007 and thereafter until terminated by six months' written notice served by either party on the other, the following described property, hereinafter called Leased Property:

> All those certain five parcels of land located in the W. M. Black, J. L. Stanley, Eli Nolan and Andrew Daly Surveys, Harris County, Texas, which parcels are described by metes and bounds in Schedule of New Yard Properties attached hereto and made a part hereof, together with all tracks, railroad facilities and other improvements constructed thereon or appertaining thereto, including portions in any and all intervening public roads and streets, by Beaumont in accordance with the provisions of Section 1.2 of the Operating Agreement, including all such improvements constructed by Beaumont subsequent to the date of and during the term of this Lease, all of which land and improvements thereon comprise the New Yard, as defined in Recital (10) of the Operating Agreement.

Upon completion of the New Yard detailed maps showing the location and extent of the New Yard property, together with an inventory thereof, with appropriate references to the New Yard Lease thereon, shall be prepared and filed in the offices of the New Proprietary Lines, I-GN and Belt referred to in the Operating Agreement and shall be identified by the signatures of the Chief Engineers of said New Proprietary Lines and I-GN.

Beaumont hereby excepts and reserves from this lease all of the oil, gas, and other minerals underneath the surface of the Leased Property together with the following rights:

(1) The right to lease to others portions of the surface of Leased Property for the exploration, development and production of said oil, gas, and other minerals, provided the lease of any such portion will not unduly interfere with or endanger the railroad operations of the Belt on the Leased Property; and

(2) the right to sell and dispose of, with the consent of Belt, any portion or portions of the property hereby leased which are not required to be used as a site for improvements and facilities required in connection with Belt's railroad terminal operations;

and Belt hereby agrees that on request of Beaumont from time to time it will by suitable instrument release from the operation of this lease any portions of the leased premises which Beaumont shall desire to lease or sell in accordance with the provisions of (1) and (2) next above and the interest rental base provided for by Section 2 shall be decreased by the amount at which the property released from the operation of this lease was included therein.

SECTION 2. Belt shall pay to Beaumont as rental the following sums:

(a) Monthly on or before the 15th day of each calendar month, a sum equal to 1/12 of 3½% annual interest on the amount of the Original Net Investment as hereinafter in this Section 2 defined, such interest rental base to be increased from time to time by the net additions and betterments made by Beaumont from and after the date hereof, pursuant to Section 2.5(b) of the Operating Agreement, the cost of which shall be determined on the same basis as the Original Net Investment. In the event retirements by Beaumont of property paid for by it exceed such additions and betterments the interest rental base shall be diminished by the amount of such excess.

(b) Sums equal to all Taxes, as defined in Section 2.6 of the Operating Agreement, except the following Taxes chargeable to Investment Account which shall be paid by Beaumont and added to the interest rental base provided for by paragraph (a) of this Section: (1) all such Taxes assignable to the Mechanical Facilities, as defined in Recital (10) of the Operating Agreement; and (2) all such Taxes assignable to the freight facility zone and/or the train yard zone prior to the use thereof by Denver, Rock Island and/or Santa Fe pursuant to Section 2.7(b) of the Operating Agreement.

"Original Net Investment", as used herein, means the cost of acquiring and constructing the New Yard as of the date hereof, which shall include all amounts chargeable to Investment Account under the Interstate Commerce Commission's Classification of Accounts in effect on December 31, 1941, including rental of equipment at rates ordinarily charged by Missouri Pacific in the case of equipment furnished by it, transportation of material over company lines at rate of seven and one-half (7½) mills per ton mile, claims paid for personal injury and property damage resulting from construction of the New Yard, ad valorem taxes during construction, insurance, and all additives properly applicable to the cost of labor on a percentage basis representing vacation allowances, payroll taxes, and any other governmental charges predicated on wages or salaries paid; provided, however, that no interest or carrying charge shall be included and no deduction for depreciation shall be made in arriving at the Original Net Investment.

SECTION 3. (a) So long as the leased property is assessed and taxed by the State and County with and as a part of other property of Beaumont, the State and County taxes accruing upon the leased property shall be taken to be such share of the State and County taxes upon all the property of the Beaumont so assessed and taxed as an entirety, including any valid assessments of intangible assets that may be made with respect to property of Beaumont in Harris County, as shall bear to the whole of such taxes thereon the same ratio as the actual value of the leased property shall bear to the actual value at the time of all such property of Beaumont so assessed and taxed together or as an entirety. In the event Beaumont and Belt shall fail in any way to agree on such actual values the same shall be determined by arbitration as provided in Section 7.

(b) So long as practicable so much of the New Yard as is or shall be situated within the limits of any municipality, including intangible assets, if any, pertaining thereto, shall for municipal taxation be assessed separately from other property of Beaumont. If at any time such separate assessments for municipal taxation shall not be made, and any part of the New Yard situated in any municipality shall for municipal taxation be assessed with other property of the Beaumont, the municipal taxes upon the New Yard or the part thereof so assessed with other property of Beaumont for municipal taxation shall be taken to be such share of the municipal taxes upon all the property of Beaumont so assessed and taxed for municipal purposes as an entirety including any valid assessments for municipal purposes of intangible assets, as shall bear to the whole of such municipal taxes thereon the same ratio as that which the actual value of the New Yard or the part thereof so assessed for municipal purposes with other property of Beaumont shall bear to the actual value at the time being of all such property of Beaumont so assessed and taxed together or as an entirety for municipal purposes. In the event Beaumont and Belt shall fail in any year to agree on such actual values, the same shall be determined by arbitration as provided in Section 7. Each sum payable by the Belt in respect of any tax or assessment shall be payable within fifteen (15) days after Beaumont shall have paid such tax or assessment and shall have caused a written statement thereof to be furnished to Belt.

SECTION 4. Belt covenants that at its own cost and expense, during the continuance of the aforesaid term, it will maintain, operate and use the New Yard, except the Mechanical Facilities, as defined in Recital (10) of the Operating Agreement, as a part of the Terminal, as defined in Section 2.1(a) of the Operating Agreement, so that during the term hereof, and upon any termination thereof, the New Yard, except the Mechanical Facilities, shall be in substantially as good condition, exhaustion, wear and tear, and obsolescence excepted, as the same will be in at date of completion; will comply with and perform all legal requirements with respect to maintenance, use and operation of the New Yard; will not by any act or omission to act subject the New Yard, or any part thereof, to any lien or charge, or subject Beaumont to any legal penalty or damage or cause forfeiture of the New Yard or any part thereof; will save harmless Beaumont, its successors and assigns, from and against all damages and liabilities whatsoever that may be claimed or occasioned or suffered to be claimed or occasioned by Belt, in the possession, maintenance, use or operation of the New Yard; and will deliver up and restore to Beaumont the New Yard at the expiration of said term, or upon the earlier termination of this lease in substantially as good condition, exhaustion, wear and tear, and obsolescence excepted, as that in which the New Yard will be when completed.

SECTION 5. Belt covenants that in case at any time during said term Belt shall fail or refuse to comply with any of its covenants or agreements, herein provided, or shall fail or refuse to comply with any of its covenants in said Operating Agreement provided, and shall continue in such failure or refusal for a period of thirty days after written notice specifying such failure given to it by Beaumont, or in case for any reason Beaumont shall be deprived of its use and enjoyment provided for in the Operating Agreement of the terminal facilities, or any thereof, or in case the Beaumont's obligation to use the terminal facilities thereunder shall be terminated or shall cease in accordance with the terms thereof, or in case for any reason whatsoever the Operating Agreement shall be cancelled, abrogated and annulled as to all the railroads parties thereto, then Beaumont, anything herein contained to the contrary notwithstanding, shall have and is hereby granted the right, at its election, by notice in writing given to Belt, to terminate this lease and all the rights of the Belt hereunder, and thereupon Beaumont shall be entitled, without demand or other formality, forthwith to enter upon and take possession of all and singular the New Yard, and every part thereof, and thereafter shall be entitled to hold, retain and enjoy the same as of its original estate therein, and the Belt agrees that it will quietly and peaceably surrender possession thereof to Beaumont. Any waiver by Beaumont of one or more defaults of Belt shall not in any way impair its right to take advantage of any other default or defaults of Belt. The provisions herein for terminating this lease are cumulative and in addition to all remedies at law or in equity which Beaumont may have for enforcing this lease, or securing redress for any breach thereof.

SECTION 6. Beaumont shall have the right to construct, at its own sole cost and expense, all additions and betterments to the New Yard provided for in Section 2.5(b) of the Operating Agreement and all such additions and betterments shall be and remain the property of Beaumont.

Belt shall have the right, at its own sole cost and expense, to make additions and betterments to the freight facility and train yard zones of the New Yard as provided in Section 2.5 of the Operating Agreement, after Denver, Rock Island and/or Santa Fe make use of either of such zones pursuant to Section 2.7(b) of the Operating Agreement, and all such additions and betterments shall be and remain the property of the Belt, but upon the expiration or any termination of this lease Beaumont shall have the right and option, to be exercised within ninety (90) days after such termination, of purchasing from Belt all such additions and betterments, including any rights or franchises acquired from any governmental agencies, at their then fair value. If the parties hereto shall not be able to agree upon such fair value, the question shall be submitted to arbitration, as hereinafter provided. If Beaumont shall not exercise its option to purchase said additions and betterments within said period of ninety (90) days, Belt shall have the right for a period of ninety (90) days thereafter to enter upon said demised premises, but in such manner as not unreasonably to obstruct the operation of the New Yard by Beaumont, and take up and remove therefrom said additions and betterments, and failing so to do, said additions and betterments shall thenceforth be and become the property of Beaumont. In case Belt shall forthwith remove the same it shall restore said demised premises to the condition in which the same were before said additions and betterments were placed thereon, failing in which Beaumont may so restore the same, and the Belt will, promptly upon bill rendered therefor, pay to Beaumont the entire cost and expense of so restoring the same.

SECTION 7. In the event of any disagreement between the parties hereto with respect to the construction, interpretation or application of this lease or any other matter or thing arising under the terms of this lease (including failure to agree upon anything herein provided to be agreed upon), the question or questions in dispute at the written request of either party served upon the other party and all Using Lines (which request shall set forth the matter or matters in dispute) shall be submitted to an arbitrator or Board of Arbitrators which shall be selected as follows:

If the parties agree upon a single arbitrator the matters in dispute shall be submitted to and decided by him as hereinafter provided, but if the parties fail to agree upon a single arbitrator the party desiring the arbitration shall select one arbitrator and in writing notify the other party of such selection; whereupon the other party shall within thirty (30) days after receipt of such written notice select a second arbitrator, notifying the moving party in writing of such selection and of any subject matter with respect to the dispute which it desires to arbitrate; the two arbitrators so selected shall within thirty (30) days thereafter select a third arbitrator. If the party notified fails to select a second arbitrator within said thirty (30) day period, then upon application of the moving party after not less than five days' notice is given to the other party, the second arbitrator shall be appointed by the United States District Judge, senior by date of commission who is then sitting in the district in which Houston is located and who is willing to act; and if the two arbitrators so selected or appointed fail to select a third arbitrator within thirty (30) days after selection or appointment of the second arbitrator, then the third arbitrator shall be appointed in the same manner as above provided for appointment of the second arbitrator in the event of failure of the party notified to select him.

The arbitrator or Board of Arbitrators promptly shall give notice to each party to the controversy, not less than ten (10) days in advance, of the time and place set for the hearing, and at the time and place appointed shall proceed, with such adjournments as may be appropriate, to hear and determine the matter, unless for good cause (of which the sole arbitrator or a majority of the Board of Arbitrators shall be the sole judges) it shall be postponed.

The decision of the arbitrator or arbitrators, or any two of the members of the Board of Arbitrators, given after a hearing of which all parties to such dispute shall have been notified and at which they shall have had an opportunity to be heard shall be final and binding upon all parties to the dispute as to the matter or matters submitted for arbitration; and each of the parties to any such arbitration agrees that forthwith upon the rendition of any such decision it will abide by, perform and comply with the requirements thereof. Such decision shall divide or apportion the cost of arbitration, including the fee of the arbitrator or arbitrators, as the arbitrator or arbitrators may deem fair, just and equitable; provided, however, that each party to the arbitration shall pay the expense of its witnesses and representatives appearing before the arbitrator or arbitrators.

It is agreed that in any such arbitration any Using Line, as defined in Recital (S) of the Operating Agreement, may present any contention it desires with respect to the subject matter in dispute, but that all contentions of all the Using Lines with respect to such subject matter shall be submitted to the same three arbitrators, or if a single arbitrator is agreed upon, then to him, to the end that all contentions with respect to the subject matter of the dispute shall be finally determined and settled.

It is expressly agreed that nothing in this Section 7 contained shall require the arbitration of any disagreement arising under Section 5 hereof.

Arbitration proceedings hereunder shall not interrupt the transaction of business under this lease, and pending the award of the arbitrator or a majority of the Board of Arbitrators, payments required and the performance of the obligations of the parties hereto shall be made and continued in the same manner as before disagreement arose.

Section 8. This Lease shall be subject to the termination provisions of Section 3.7 of the Operating Agreement.

Section 9. This agreement shall be binding upon the successors and assigns of the parties hereto and shall inure in favor of Beaumont and its successors and assigns, and in favor of Belt and of any corporation that shall be formed for the purpose of taking over the property of Belt upon the expiration of its charter, but Belt shall have no power to assign or transfer this lease, except with the written consent of Beaumont, to any other person or corporation; provided, however, that nothing in this Section contained shall be construed as forbidding the Belt to grant the use of the New Yard or any part thereof to the Railroads parties to the Operating Agreement, or to other railroads, persons, firms or corporations as in the Operating Agreement provided, subject, nevertheless, to the provisions of this lease and agreement.

Any transfer or assignment of this lease, or of any rights thereunder, by operation of law shall *ipso facto* terminate this agreement and every right and interest of the Belt or of such assignee thereunder.

Beaumont consents to the assignment of all rights acquired by the Belt hereunder to the Trustee in the Mortgage or Deed of Trust from the Belt to Central-Hanover Bank and Trust Company, dated July 1, 1937, or to any Trustee or Trustees under any future Mortgage or Deed of Trust from Belt.

SECTION 10. This agreement is executed by Guy A. Thompson, as Trustee of Beaumont, under authority of an order of the United States District Court for the Eastern District of Missouri, Eastern Division, in proceedings under Section 77 of the Bankruptcy Act entitled "In the Matter of Missouri Pacific Railroad Company, Debtor, In Proceedings for the Reorganization of a Railroad, No. 6935," and all his duties and obligations herein provided for are as such Trustee and not individually; and said agreement shall bind and inure to the benefit of any successor trustee or trustees of the railways and properties of Beaumont hereafter appointed in the aforesaid Reorganization Proceedings, and, upon termination of said trusteeship, the person or corporation acquiring the railways and properties of Beaumont, whether by purchase, dismissal of the Reorganization Proceedings, or pursuant to a plan of reorganization, or otherwise, shall be and become bound by all the terms and provisions of this agreement as a general obligation without lien.

IN WITNESS WHEREOF, as of the day and year first above written, the said Trustee of Beaumont has hereunto subscribed his name as such by authority of an order duly entered in said reorganization proceeding, and the Belt has caused this lease to be executed by its President or Vice President and its corporate seal to be hereunto affixed and attested by its Secretary or an Assistant Secretary.

____

Trustee (as such Trustee and not individually), The Beaumont, Sour Lake & Western Railway Company, Debtor.

HOUSTON BELT & TERMINAL RAILWAY COMPANY,

By______________________________

President.

ATTEST:

____

Secretary.

(Acknowledgments)