CONRAIL

8863
RECORDATION NO. ..... Filed & Recorded

JUN 24 1977 -7 15 PM

INTERSTATE COMMERCE COMMISSION

RECORDATION NO. 8863-B Filed & Recorded

JUN 24 1977 -7 15 PM

INTERSTATE COMMERCE COMMISSION

Date 6/24/77

Fee $ 100.00

ICC Washington, D.C.

June 23, 1977

RECORDATION NO. 8863-C Filed & Recorded

JUN 24 1977 -7 15 PM

INTERSTATE COMMERCE COMMISSION

8863-A
RECORDATION NO. ..... Filed & Recorded

JUN 24 1977 -7 15 PM

INTERSTATE COMMERCE COMMISSION

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

Dear Mr. Oswald:

Pursuant to Section 20c of the Interstate Commerce Act and as provided by Volume 49 Code of Federal Regulations Sections 1116.1 through 1116.4, we present the following documents, all dated as of April 15, 1977, for recordation:

A) Interim Conditional Sale Agreement between Vendor General Motors Corporation and United States Trust Company, as Trustee, and

Interim Agreement and Assignment between General Motors Corporation, General Electric Credit Corporation and J.P. Morgan Interfunding Corp.;

B) Interim Lease of Railroad Equipment between Consolidated Rail Corporation and United States Trust Company, as Trustee, and

Interim Assignment of Lease and Agreement between United States Trust Company, as Trustee, General Electric Credit Corporation and J.P. Morgan Interfunding Corp.

The names and addresses of the parties to the documents are:

With respect to the documents described under A):

Vendor and Assignor — General Motors Corporation
(Electro-Motive Division)
LaGrange, Illinois

Purchaser	United States Trust Company of New York, as Trustee 45 Wall Street New York, New York 10005
Assignee	J.P. Morgan Interfunding Co. 37 Wall Street New York, New York 10005
	General Electric Credit Corporation P.O. Box 8300 Stanford, Connecticut 06904

With respect to the documents described under B):

Lessor	United States Trust Company of New York, as Trustee 45 Wall Street New York, New York 10005
Lessee	Consolidated Rail Corporation 1310 Six Penn Center Plaza Philadelphia, Pa. 19104
Guarantor	General Motors Corporation and General Electric Corporation

The equipment covered by the documents are:

Type	AAR Mechanical Designation	No. of Units	Marked*	Numbers (Inclusive)
3000 HP Model U23-B diesel-electric locomotive	CC	10	Conrail	2789-2798
3000 HP Model SD40-2 diesel-electric locomotive	CC	18	Conrail	6390-6407

Wrong #s see doc.

*Each unit will have marked thereon the following legend: "Ownership subject to a ~~Security~~ Conditional Sale Agreement filed under the Interstate Commerce Act, Section 20c".

Type	AAR Mechanical Designation	No. of Units	Marked*	Numbers (Inclusive)
2000 HP Model GP38-2 diesel-electric locomotive	BB	8	Conrail	8173-8180

Two of our checks, in the amount of $50.00 each, are enclosed to cover the recordation fees.

These documents have not been previously recorded with the Interstate Commerce Commission.

After retaining one counterpart original of the documents please return the remaining copy, stamped with your recordation number, to Consolidated Rail Corporation, Room 1138, Six Penn Center Plaza, Philadelphia, Pennsylvania, 19104, in the custody of the individual presenting them for recordation.

Sincerely,

A. Carl Kaseman, III
Senior Tax & Finance Counsel

ACKIII/cmm

*Each unit will have marked thereon the following legend:
"Ownership subject to a ~~Security~~ Conditional Sale Agreement filed under the Interstate Commerce Act, Section 20c".

RECORDATION NO. 8863-A Filed & Recorded

JUL 26 1977 9 40 AM

INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT (B)

Dated as of April 15, 1977

between

CONSOLIDATED RAIL CORPORATION

and

UNITED STATES TRUST COMPANY OF NEW YORK,

as Trustee under
Trust Agreement (B)

THIS LEASE OF RAILROAD EQUIPMENT AMENDS AND RESTATES IN ITS ENTIRETY A LEASE OF RAILROAD EQUIPMENT DATED AS OF APRIL 15, 1977, BETWEEN CONSOLIDATED RAIL CORPORATION AND UNITED STATES TRUST COMPANY OF NEW YORK, AS TRUSTEE UNDER TRUST AGREEMENT (B).

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LEASE OF RAILROAD EQUIPMENT dated as of April 15, 1977, between CONSOLIDATED RAIL CORPORATION, a Pennsylvania corporation (hereinafter called the Lessee), and UNITED STATES TRUST COMPANY OF NEW YORK, a New York trust company, acting as Trustee (hereinafter called the Lessor) under a Trust Agreement (B) dated as of the date hereof (hereinafter called the Trust Agreement) with J. P. Morgan Interfunding Corp., a Delaware corporation, and General Electric Credit Corporation, a New York investment company (hereinafter called the Beneficiaries).

WHEREAS the Lessor is entering into a Conditional Sale Agreement dated as of the date hereof with General Motors Corporation (Electro-Motive Division), a Delaware corporation (said corporation being hereinafter called the Builder and said agreement being hereinafter called the Security Documentation), wherein the Builder has agreed to manufacture, conditionally sell and deliver to the Lessor the units of railroad equipment described in Schedule A hereto (hereinafter called the Equipment);

WHEREAS the Builder under an Agreement and Assignment and, in the case of any assignment to the Beneficiaries by the Builder of any of its interests in the Security Documentation, the Beneficiaries under a Supplemental Assignment, are assigning their interests in the Security Documentation to Mellon Bank, N.A., acting as Agent (hereinafter, together with its successors and assigns, called the Vendor) under a Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement) with the Lessee, the Lessor, the Beneficiaries and the investors named in Schedule A to the Participation Agreement (said investors being hereinafter called the Investors);

WHEREAS the Builder is willing to guarantee certain obligations of the Lessee under this Lease and of the Lessor under the Security Documentation pursuant to a Guaranty Agreement dated as of the date hereof (and the Builder in its capacity as such guarantor is hereinafter sometimes called the Guarantor);

WHEREAS the Lessee desires to lease such number of units of the Equipment as are delivered and accepted and

settled for under the Security Documentation (hereinafter called the Units) at the rentals and for the terms and upon the conditions hereinafter provided; and

WHEREAS the parties contemplate that the Lessor will assign for security purposes certain of its rights in this Lease to the Vendor by an Assignment of Lease, Reassignment and Agreement dated as of the date hereof (hereinafter called the Lease Assignment), and the Lessee will consent to such assignment by a Consent and Agreement (hereinafter called the Consent);

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

§ 1. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against or recoupment of rent, including, but not limited to, abatements, reductions, setoffs or recoupments due or alleged to be due by reason of any past, present or future claims or counterclaims of the Lessee against the Lessor under this Lease or under the Security Documentation, or against the Builder or the Vendor or otherwise. The Lessee's obligations hereunder, including its obligations to pay all rentals, additional rentals and other amounts hereunder, shall be absolute and unconditional under any and all circumstances, and, except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue

to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

§ 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the Security Documentation. The Lessor will cause each Unit to be delivered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under the Security Documentation. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same and, if such Unit is found to be acceptable, to accept delivery of such Unit, and the Lessee shall execute and deliver to the Lessor a certificate of acceptance (hereinafter called the Certificate of Acceptance) substantially in the form annexed hereto as Schedule C in accordance with the provisions of Article 3 of the Security Documentation, stating that such Unit has been inspected and accepted on behalf of the Lessee and the Lessor on the date of such Certificate of Acceptance and is marked in accordance with § 5 hereof, whereupon, except as provided in the next sentence hereof, such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease. The delivery, inspection and acceptance hereunder of any unit of Equipment excluded from the Security Documentation pursuant to the first paragraph of Article 4 thereof shall be null and void and ineffective to subject such unit to this Lease or to constitute acceptance thereof on behalf of the Lessor for any purpose whatsoever.

§ 3. Rentals. The Lessee agrees to pay to the Lessor, as rental for the Units subject to this Lease, 32 consecutive payments payable (i) on the Take-Out Date (as defined in the Participation Agreement), (ii) on the earlier of (x) the last Closing Date (under and as defined in the Security Documentation and in the two other Conditional Sale Agreements referred to in the Participation Agreement) and (y) December 15, 1977 (such date being hereinafter called the Basic Rent Commencement Date), and (iii) on the 30 consecutive dates occurring semiannually following the Basic Rent Commencement Date. The rental payable on the Take-Out Date for each

Unit shall be in an amount equal to the product of (a) the number of days elapsed from and including the Closing Date for such Unit to, but not including, the Take-Out Date, times (b) 0.023973% of the Purchase Price (as defined in the Security Documentation) of such Unit. The rental payable on the Basic Rent Commencement Date for each Unit shall be in an amount equal to the product of (a) the number of days elapsed from and including the Closing Date for such Unit or the Take-Out Date, whichever is later, to, but not including, the Basic Rent Commencement Date, times (b) 0.020584% of the Purchase Price of such Unit. The next 30 rental payments shall each be in an amount equal to 4.77662% of the Purchase Price of each Unit then subject to this Lease, which rate includes the semiannual guarantee fee (equal to .25% of the Purchase Price of each Unit then subject to this Lease) to be paid by the Lessee to the Builder in respect of the Builder's obligations under the Guaranty Agreement (and the Builder shall be a third-party beneficiary of the Lessee's obligation to pay such guarantee fee hereunder). If there is a change effective for the year 1977, for which the Beneficiaries are not responsible, in the assumptions utilized by the Beneficiaries (as set forth in § 16 hereof) in originally calculating such rentals, the Lessor and the Lessee agree that the rentals payable hereunder and the Casualty Value percentages set forth in Schedule B hereto will be appropriately adjusted upward or downward so that the Beneficiaries' after-tax rate of return and periodic recovery of net cash flow will be at least the same as they would have been had there been no change in such assumptions. The Lessor and the Lessee further agree that if there is a reduction in the amount payable by the Builder in respect of the Builder's obligations under the Guaranty Agreement, the portion of the rentals payable hereunder attributable to the guarantee fee referred to above will be adjusted downward to reflect such reduction. Notwithstanding anything to the contrary set forth herein, the rentals and Casualty Value percentages, as adjusted pursuant to the preceding two sentences, shall be sufficient to satisfy the obligations of the Lessor under the Security Documentation, regardless of any limitation of liability set forth therein.

In addition to the foregoing rentals, the Lessee hereby agrees to pay to the Lessor as additional rentals amounts which, after deduction of any taxes payable in respect of such amounts, will be equal to the amounts required by the Lessor to make the payments provided for (a) in the penultimate sentence of the third paragraph of Paragraph 2, (b) in the last sentence of the penultimate

paragraph of Paragraph 9 and (c) in clause (B) of the last paragraph of Paragraph 9 of the Participation Agreement on the dates the Lessor is required to make such payments (without regard to any limitation of the obligation of the Lessor set forth therein) and the Lessor agrees to apply such rentals for such purposes.

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

The Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease, including, but not limited to, the payments provided for in this § 3 and in § 7 hereof, at the principal office of the Vendor, for the account of the Lessor in care of the Vendor, with instructions to the Vendor first, to apply such payments to satisfy the obligations of the Lessor under the Security Documentation, and second, so long as no event of default or event which with the lapse of time and/or demand provided for in the Security Documentation could constitute an event of default under the Security Documentation shall have occurred and be continuing, to pay any balance promptly to the Lessor at such place as the Lessor shall specify in writing; provided, however, that the Lessee shall make all payments provided for in § 6 and in § 16 hereof directly to the person entitled to receive them, as provided in the Lease Assignment. The Lessee agrees to make each payment provided for herein (other than the payments described in the proviso to the preceding sentence) as contemplated by this paragraph in Federal or other funds immediately available to the Vendor by 11:00 a.m., Pittsburgh time, on the date such payment is due. Provided that no Event of Default (as hereinafter defined) described in subparagraph (A) of § 10 hereof, or other event which with notice or lapse of time or both would become such an Event of Default, shall have occurred in respect of such payments, the Lessor shall pay to the Builder, out of the payments received by it from the Vendor pursuant to the first sentence of this paragraph, an amount equal to the semiannual fee payable by the Lessee to the Builder, as referred to in the first paragraph of this § 3.

§ 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of §§ 7, 10 and 13 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due pursuant to § 3 hereof. The obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 6, 7, 9, 14 and 16 hereof) shall survive the expiration or termination of the term of this Lease and the full payment of all amounts payable under this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the Security Documentation. If an event of default should occur under the Security Documentation, the Vendor may terminate this Lease (or rescind its termination), all as provided therein; provided, however, that, so long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments (as defined in the Lease Assignment) in accordance with the Lease Assignment, this Lease may not be terminated and the Lessee shall be entitled to the rights of possession, use and assignment provided under § 12 hereof.

§ 5. Identification Marks. The Lessee will cause each Unit to be kept numbered with the identification number set forth in Schedule A hereto, or, in the case of any Unit not there listed, such identification number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "Ownership subject to a Conditional Sale Agreement filed under the Interstate Commerce Act, Section 20c", with appropriate changes thereof and additions thereto as from time to time may be required by law, in the opinion of the Vendor, in order to protect the Lessor's and the Vendor's title to and interest in such Unit and the rights of the Lessor under this Lease and the rights of the Vendor under the Security Documentation. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked and will replace promptly any such markings which may be removed, defaced or destroyed. The Lessee will not change the identification number of any Unit unless and until (i) a

statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and duly filed, recorded and deposited by the Lessee in all public offices where this Lease and the Security Documentation shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to the effect that such statement has been so filed, recorded and deposited, such filing, recordation and deposit will protect the Vendor's and the Lessor's rights in such Units and no other filing, recording, deposit or giving of notice with or to any federal, state or local government or agency thereof is necessary to protect the rights of the Vendor and the Lessor in such Units.

Except as provided in the immediately preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership; provided, however, that the Units may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates.

§ 6. Taxes. The Lessee assumes responsibility for and agrees to pay, and agrees to protect, save, keep harmless and indemnify on an after-tax basis the Lessor and the Beneficiaries and their successors and assigns (hereinafter called the Indemnified Persons) against, all taxes, fees, withholdings and other governmental charges of any nature whatsoever, including without limitation penalties and interest (all such taxes, fees, withholdings, governmental charges, penalties and interest being hereinafter called Taxes), imposed on, incurred by or asserted against any Indemnified Person or the Units in whole or in part on account of, or with respect to, this Lease or the Security Documentation or any document referred to herein or therein or any of the transactions contemplated hereby or thereby or the manufacture, purchase, acceptance or rejection of the Units or any portion thereof or the ownership, delivery, nondelivery, leasing, re-leasing, subleasing, possession, use, operation, maintenance, repair, condition, sale, return or other disposition of the Units or any portion thereof or any indebtedness with respect thereto or the rentals, receipts, earnings or gains arising therefrom; provided, however, that there shall be no indemnification hereunder for (i) any Taxes imposed on or measured by any fees or compensation received by the Lessor, and (ii) Federal income Taxes and income or franchise Taxes imposed on a Beneficiary or its successors and assigns by

any jurisdiction in which such Beneficiary or its successors and assigns has an office, except to the extent that indemnification is provided for in § 16 hereof. The Lessee shall pay all Taxes for which it assumes liability hereunder when such Taxes are due and will indemnify each Indemnified Person to the extent required by this § 6 within ten days after receipt of a written request by such Indemnified Person for indemnification specifying the amount to be paid, the basis on which such amount was determined and the nature of the Taxes in question; provided, however, that if any Taxes are being contested in accordance with the sixth paragraph of this § 6, any payment shall be made at the time therein provided.

In the event that the Lessor shall become obligated to make any payment to the Builder or the Vendor or otherwise pursuant to any corresponding provision of the Security Documentation (other than the proviso to the third paragraph of Article 12) not covered by the foregoing paragraph of this § 6, the Lessee shall pay such additional amounts (which shall also be deemed Taxes hereunder) to the Lessor as will enable the Lessor to fulfill completely its obligations pursuant to said provision.

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

To the extent that the Lessee may be prohibited by law from performing in its own name the duties required by this § 6, the Lessor hereby authorizes the Lessee to act in its own name and on its behalf; provided, however, that the

Lessee shall indemnify and hold the Lessor and the Beneficiaries harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action by the Lessee pursuant to this authorization.

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

If any taxing authority shall assert liability for any Taxes or propose an increase in the liability of any Indemnified Person for any such Taxes (such assertion or such proposed increase being hereinafter called a Claim), indemnification for which would be required under this § 6, the Indemnified Person will notify the Lessee within a reasonable time of such Claim in writing. If the Lessee delivers to such Indemnified Person written notice of its desire to contest such Claim within 30 days after receipt of notice from such Indemnified Person, such Claim will be contested in accordance with this paragraph, except to the extent such Claim represents amounts payable to the Vendor under Article 6 of the Security Documentation. The Lessor will permit the Lessee to contest such Claims under Article 6 of the Security Documentation in accordance with the rights of the Lessor thereunder. The Indemnified Person shall have the exclusive right to conduct the contest unless such right is waived in writing, in which event the contest and all preparations therefor shall be the sole responsibility of the Lessee and, in either case, shall be conducted entirely at its expense. Such Indemnified Person will cooperate with any reasonable request made by the Lessee in connection therewith; provided, however, that such Indemnified Person may in its sole discretion determine in what court or other forum such contest will be conducted and whether such contest will proceed by payment of the Taxes in contemplation of a suit for refund and such Indemnified Person shall not be required to take any action pursuant to this paragraph unless and until the Lessee shall have agreed to indemnify such Indemnified Person in a manner satisfactory to such Indemnified Person for any liability or loss which such Indemnified Person may incur as a result of

contesting the validity of any Claim and shall have agreed to pay such Indemnified Person on demand all costs and expenses which such Indemnified Person may incur in connection with contesting such Claim (including fees and disbursements of counsel). If in any such contest the decision is made to pay the Taxes and sue for a refund, the Lessee will advance to such Indemnified Person on an interest-free basis sufficient funds to pay the Taxes which are to be contested. Upon receipt by any Indemnified Person of a refund of any Taxes paid by the Lessee pursuant to this paragraph, the amount of such refund and any interest paid to such Indemnified Person with respect thereto shall be paid to the Lessee forthwith upon receipt by such Indemnified Person.

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

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

This § 6 may be enforced by the Lessor as provided in Paragraph 19 of the Participation Agreement.

§ 7. Maintenance; Casualty Occurrences; Insurance. The Lessee at its own expense will maintain and service each Unit and comply with a preventive maintenance schedule consistent with the Builder's preventive maintenance schedules and which will include testing, repair and overhaul of each Unit so that each Unit will remain (a) in as good operating condition as when delivered (ordinary wear and tear excepted), (b) in compliance with any and all applicable laws and regulations, and (c) desirable to and suitable for immediate purchase or lease and use by a Class I line-haul railroad (not then or prospectively a debtor in any insolvency or reorganization proceedings) in the event of resale or re-lease upon default by the Lessee. In no event shall any Unit be maintained or scheduled for maintenance on a basis less frequent than the maintenance or maintenance scheduling basis employed as of the date hereof by the Lessee for similar equipment. No later than the last business day of February and August of each year, commencing in February

1978, the Lessee will furnish the Lessor with a certificate (hereinafter called Maintenance Certificate A) of a qualified engineer satisfactory to the Lessor (i) setting forth the identification numbers of all Units which are then in the condition required by clauses (a), (b) and (c) of the first sentence of this § 7 and certifying that all such Units are in such condition, and (ii) setting forth the identification numbers of all Units which are not in such condition together with the estimated cost required with respect to each such Unit in order to comply with the maintenance requirements of this § 7 as to each such Unit. No later than the last business day in April and October of each year, commencing in April 1978, the Lessee will furnish the Lessor with a certificate (hereinafter called Maintenance Certificate B) of a qualified engineer satisfactory to the Lessor setting forth the identification number of each Unit that was not certified in the preceding February or August Maintenance Certificate A, as the case may be, as being in the condition required by clauses (a), (b) and (c) of the first sentence of this § 7, and, as to each such Unit, (i) certifying that such Unit is in such condition as of the date of such Maintenance Certificate B, or (ii) stating that such Unit is not in such condition. The Lessee and the Lessor have entered into a Maintenance Agreement dated as of the date hereof (hereinafter called the Maintenance Agreement), with respect to certain obligations of the Lessee in the event that any Unit listed on a Maintenance Certificate A as not being in the condition required by clauses (a), (b) and (c) of the first sentence of this § 7 is not certified on the next scheduled Maintenance Certificate B as being in such condition.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed, or irreparably damaged, from any cause whatsoever, permanently returned to the Builder pursuant to any patent indemnity provision of the Security Documentation, or taken or requisitioned by condemnation or otherwise by the United States Government for a period which shall exceed the then remaining term of this Lease (or, if such taking, requisition or condemnation shall occur during a renewal term, for a period which shall exceed the then remaining renewal term), or by any other government or governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days, or if a Default under Section 2 of the Maintenance Agreement shall have occurred with respect to such Unit (such occurrences being hereinafter called Casualty Occurrences), prior to the

return of such Unit in the manner set forth in § 14 hereof, the Lessee shall promptly (but in any event within 30 days after such Casualty Occurrence) and fully notify the Lessor, the Beneficiaries and the Vendor with respect thereto. On the earlier of (i) the sixtieth day following such notice and (ii) the rental payment date next succeeding such notice (but not earlier than the first scheduled rental payment date following the Basic Rent Commencement Date) the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit then due and payable or accrued to such date (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the rental payment date on or next preceding the date of such Casualty Occurrence in accordance with the schedule referred to below. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, complete destruction or return to the Builder of such Unit) the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is" basis and the Lessee may be a purchaser of such Unit and shall notify the Lessor prior to any such purchase by the Lessee. Provided that the Lessee has previously paid the Casualty Value to the Lessor and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor. The Lessee shall be entitled to credit against the Casualty Value payable in respect of any Unit returned to the Builder pursuant to any patent indemnity provision of the Security Documentation an amount equal to any patent indemnity payment in respect of the Purchase Price of such Unit made by the Builder to the Vendor under the Security Documentation.

The Casualty Value of each Unit as of any rental payment date shall be that percentage of the Purchase Price of such Unit as is set forth in Item I of Schedule B hereto opposite such date. The aforesaid percentages have

been computed without regard to recapture of the Investment Credit (as defined in § 16 hereof). Consequently, the Casualty Value of any Unit suffering a Casualty Occurrence during the period preceding the third, fifth or seventh anniversary of the date of delivery and acceptance of such Unit shall be increased by the applicable percentage of the Purchase Price set forth in Item II of Schedule B hereto and such additional amounts, if any, shall be included within the meaning of the term "Casualty Value" as used herein.

Whenever any Unit shall suffer a Casualty Occurrence after the final payment of rent in respect thereof is due pursuant to § 3 or § 13 hereof and before such Unit shall have been returned in the manner provided in § 14 hereof, the Lessee shall promptly (as provided above) and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be an amount equal to 20% of the Purchase Price of such Unit, except that if the term of this Lease shall have been extended pursuant to § 13 hereof, then the applicable Casualty Value shall be (i) during the first five-year renewal term and, if there shall be no second five-year renewal period, thereafter, 20% of the Purchase Price of such Unit, (ii) during the second five-year renewal term, the fair market value of such Unit as of the rental payment date on or next preceding such Casualty Occurrence determined as provided in the following sentence, and (iii) thereafter, the fair market value of such Unit as of the last rental payment date during such second five-year renewal period. For the purposes of the preceding sentence, the term "fair market value" of a Unit shall, at the beginninng of such second five-year renewal period, be equal to the Fair Market Purchase Price of such Unit at such time determined in accordance with the provisions of § 13 hereof, and shall decline on a straight-line basis to the estimated Fair Market Purchase Price of such Unit at the end of such second five-year renewal period determined in accordance with the provisions of § 13 hereof. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is" basis and the Lessee may be a purchaser of such Unit and shall notify the Lessor prior to any such purchase by the Lessee. Provided that the Lessee has previously paid the Casualty Value to the Lessor and provided

no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

In the event of the requisition (other than a requisition which constitutes a Casualty Occurrence) for use by the United States Government or by any other government or governmental entity (hereinafter collectively called the Government) of any Unit during the term of this Lease or any renewal thereof, all of the Lessee's obligations (including without limitation the obligation to pay rent) under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of the term of this Lease or any renewal thereof, the Lessee shall be obligated to return such Unit to the Lessor pursuant to § 11 or 14 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease or any renewal thereof, but the Lessee shall in all other respects comply with the provisions of said § 11 or 14, as the case may be, with respect to such Unit. All payments received by the Lessor or the Lessee from the Government for the use of such Unit during the term of this Lease or any renewal thereof shall be paid over to, or retained by, the Lessee, provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or the Lessee from the Government for the use of such Unit after the term of this Lease or any renewal thereof, shall be paid over to, or retained by, the Lessor.

Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times prior to the return of the Equipment to the Lessor, at its own expense, cause to be carried and maintained casualty insurance and public liability insurance in respect of the Units at the time subject hereto, against such risks, in such amounts and on such terms and conditions as are satisfactory to the Lessor

and the Vendor, and, in any event, comparable in amounts and against risks customarily insured against by the Lessee in respect of similar equipment owned by it, but in no event shall such coverage be for amounts or against risks less than the prudent industry standard for Class I line-haul railroads. If the Casualty Value at any given time is less that what the deductible would be under the foregoing standard, then no casualty insurance need be carried. All policies with respect to such insurance shall name the Lessor, the Beneficiaries and the Vendor as additional named insureds or loss payees, as their interests may appear, shall provide for at least 30 days' prior written notice by the insurance carrier to the Lessor, the Beneficiaries and the Vendor in the event of cancelation, expiration or amendment (and the Lessee shall provide 30 days' prior written notice to the Lessor, the Beneficiaries and the Vendor in any such event), shall include waivers by the insurer of all claims for premiums against the Lessor, the Beneficiaries and the Vendor and shall provide that losses are payable notwithstanding, among other things, any act of negligence of the Lessee, the Lessor, the Beneficiaries or the Vendor, more hazardous use or occupation of the Equipment than that permitted by such policies, any breach or violation by the Lessee, the Lessor, the Beneficiaries or the Vendor of any warranty, declaration, condition or other provision contained in any such policy, or foreclosure, notice of sale or any other proceeding in respect of the Equipment, or any change in the title to or ownership of any of the Equipment. Each such insurance policy shall expressly provide that all of the provisions thereof except the limits of liability (which shall be applicable to all insureds as a group) and liability for premiums (which shall be solely a liability of the Lessee) shall operate in the same manner as if they were a separate policy covering each insured and shall be primary without right of contribution from any insurance carried by the Lessor, any Beneficiary or the Vendor. The Lessee shall, not later than June 15 of each year, commencing June 15, 1978, furnish to the Lessor and the Vendor a certificate of an independent insurance broker acceptable to the Lessor evidencing the maintenance of the insurance required hereunder and shall furnish certificates evidencing renewal 15 days prior to the expiration date of such policy or policies. In the event that the Lessee shall fail to maintain insurance as herein provided, the Vendor or the Beneficiaries may at their option on five business days' prior written notice to the Lessee provide such insurance (giving the Lessee prompt written notice thereof) and, in such event, the Lessee

shall, upon demand from time to time, reimburse the Vendor or the Beneficiaries, as the case may be, for the cost thereof together with interest on the amount of such cost from the date of payment thereof at an annual rate of 10.5%. If the Lessor shall receive any insurance proceeds or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee's having made payment of the Casualty Value in respect of such Unit and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to a Unit paid by the Lessee and any balance of such proceeds or condemnation payments shall remain the property of the Lessor. All insurance proceeds received by the Lessor in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired, provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing.

§ 8. Reports. On or before April 30 in each year, commencing with the calendar year 1978, the Lessee will furnish to the Lessor and the Vendor (i) a certificate signed by the Chief Executive Officer, Chief Operating Officer or Vice President of Operations or the Chief Mechanical Officer of the Lessee (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the Security Documentation, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5 hereof and by the Security Documentation have been preserved or replaced; and (ii) a certificate signed by the President or the senior financial officer, any Vice President, or any Assistant Treasurer of the Lessee stating that he has reviewed the activities of the Lessee during such year and that to the best of his knowledge the

Lessee during such year has kept, observed, performed and fulfilled each and every covenant, obligation and condition contained in this Lease, or if an Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, specifying such Event of Default and all such events and the nature and status thereof. The Lessor, at its sole cost and expense, shall have the right by its agents to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease.

In addition to the foregoing, the Lessee shall promptly notify the Lessor and the Vendor of any occurrence of an Event of Default or other event which after notice or lapse of time or both would become an Event of Default, specifying such Event of Default and all such events and the nature and status thereof.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR AS TO THE LESSEE'S RIGHT TO QUIET ENJOYMENT THEREOF (EXCEPT AS TO ACTS OF THE LESSOR), OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder under the provisions of Items 3 and 4 of Annex A to the Security Documentation; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to

be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, subleasing, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads, if applicable, and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units, and in the event that, prior to the expiration of this Lease or any renewal thereof, such laws or rules require any alteration, replacement, addition or modification of or to any part on any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor, the Beneficiaries or the Vendor, adversely affect the property or rights of the Lessor, the Beneficiaries or the Vendor under this Lease or under the Security Documentation. The Lessee, at its own cost and expense, may from time to time make such other additions, modifications and improvements to the Units during the term of this Lease as are readily removable without causing material damage to the Units (and do not adversely and materially affect the value of the Units). The additions, modifications and improvements made by the Lessee under the preceding sentence shall be owned by the Lessee, except to the extent such additions, modifications or improvements are described in the following sentence.

Any and all parts installed on and additions and replacements made to any Unit (i) which are not readily removable without causing material damage to such Unit and were installed or were added to such Unit in contravention of the provisions contained hereinabove, (ii) the cost of which is included in the Purchase Price of such Unit, (iii) in the course of ordinary maintenance of the Units or (iv) which are required for the operation or use of such Unit by the interchange rules of the Association of American Railroads or by the regulations of the Interstate Commerce Commission, the United States Department of Transportation or any other regulatory body, shall constitute accessions to such Unit and full ownership thereof free from any lien, charge, security interest or encumbrance (except for those created by the Security Documentation) shall immediately be vested in the Lessor.

The Lessee agrees to indemnify, protect and hold harmless the Lessor, the Beneficiaries and the Vendor from and against all losses, damages, injuries, liabilities, claims (including without limitation claims for strict liability in tort) and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent, trademark and copyright liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of or the occurrence of a default, an event of default or an Event of Default under the Security Documentation, the Participation Agreement, this Lease, the Maintenance Agreement, or any sublease entered into pursuant to Section 12 hereunder, the ownership of any Unit, the manufacture, ordering, acquisition, use, operation, condition, purchase, sublease, delivery, nondelivery, acceptance, rejection, storage or return of any Unit or any accident in connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in § 14 of this Lease, or the transfer of title to the Equipment by the Vendor pursuant to any provision of the Security Documentation; provided, however, that the foregoing indemnification shall not apply to any failure to pay the principal of or interest on the Conditional Sale Indebtedness (as defined in the Security Documentation) or constitute a guaranty of the residual value of the Units. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the expiration or termination of the term of this Lease.

The Lessee shall not be released from its obligations hereunder in the event of any damage to or the destruction or loss of any or all of the Units of Equipment.

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

§ 10. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein sometimes called an Event of Default) shall occur:

(A) default shall be made in payment of any amount provided for in § 3, 7 or 13 hereof, and such default shall continue for five business days;

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

(C) default shall be made in the observance of performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Participation Agreement or in Section 5 of the Maintenance Agreement, and such default shall continue for 30 days after the earlier of (i) written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied and (ii) the date on which such default shall first become known to any officer of the Lessee;

(D) a petition for reorganization under Section 77 of the Bankruptcy Act (as now constituted or as hereafter amended, including any successor provision thereto) shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been and shall not continue to

have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees, within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier;

(E) any other proceeding shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder, under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee, or for the property of the Lessee, in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier;

(F) the occurrence of any of the following:

(i) Involuntary Bankruptcy Proceedings--a receiver, liquidator or trustee of the Lessee or of any of its property is appointed by court order and such order remains in effect for more than 30 days; or the Lessee is adjudicated bankrupt or insolvent; or any of its property is sequestered by court order and such order remains in effect for more than 30 days; or a petition is filed against the Lessee under any bankruptcy, reorganization, arrangement, insolvency, readjust-

ment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, and is not dismissed within 30 days after such filing;

(ii) Voluntary Petitions--the Lessee files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under any such law; or

(iii) Assignments for Benefit of Creditors, etc.--the Lessee makes an assignment for the benefit of its creditors, or admits in writing its inability to pay its debts generally as they become due, or consents to the appointment of a receiver, trustee or liquidator of the Lessee or of all or any part of its property;

followed by a good faith determination by the Vendor or the Lessor and notification thereof to the Lessee within 45 days following any such occurrence that, as a result, it will be inadequately secured;

(G) an Event of Default shall occur under the Lease of Railroad Equipment dated as of the date hereof between the Lessee and United States Trust Company of New York, as Trustee under a Trust Agreement (A) dated as of the date hereof with J. P. Morgan Interfunding Corp.; or

(H) Section 77(j) of the Bankruptcy Act (or any successor provision thereto providing similar protection and benefits for creditors of railroads) is repealed, not carried forward in subsequent legislation or otherwise unavailable to the Lessor or the Vendor, and there shall then exist or thereafter be a default under, or an event shall occur or shall have occurred which, with the giving of notice or the lapse of time or both, would become a default under any agreement or instrument then or thereafter binding upon the Lessee or to which it then is or thereafter becomes a party or to which any of its property is or thereafter becomes subject,

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

(a) proceed by appropriate court action or actions either at law or in equity to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof including net after-tax losses of Federal and state income tax benefits to which the Lessor would otherwise be entitled under this Lease; or

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents, subject to compliance with all mandatory requirements of law, enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to (A) the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of an 8.75% per annum discount, compounded semiannu-

ally from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated plus (B) an amount which, after deduction of all taxes required to be paid by the Lessor in respect of the receipt thereof under the laws of any Federal, state or local government or taxing authority of the United States of America or under the laws of any taxing authority or governmental subdivision of a foreign country, shall, in the reasonable opinion of the Lessor, be equal to all or such portion of the Investment Credit (as defined in § 16 hereof) lost, not claimed, not available for claim, disallowed or recaptured by or from the Lessor as a direct or indirect result of the breach of one or more of the representations, warranties and covenants made by the Lessee in § 16 or any other provision of this Lease or the sale or other disposition of the Lessor's interest in any Unit after the occurrence of an Event of Default, plus such sum as shall cause the Lessor's net return under this Lease to be equal to the net return that would have been available to the Lessor if it had been entitled to utilization of all or such portion of the ADR Deductions and the Interest Deduction (as such deductions are defined in § 16 hereof) which was lost, not claimed, not available for claim or disallowed or recaptured in respect of a Unit as a direct or indirect result of the breach of one or more of the representations, warranties and covenants made by the Lessee in § 16 or any other provision of this Lease, the inaccuracy of any statement in any letter or document furnished to the Lessor by the Lessee, the termination of this Lease, the Lessee's loss of the right to use such Unit, any action or inaction by the Lessee or the sale or other disposition of the Lessor's interest in such Unit after the occurrence of an Event of Default plus such sum as will pay or reimburse the Lessor for any interest, penalties or additions to tax incurred in connection with such loss, failure to claim, inability to claim, disallowance or recapture; or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this part (b) with respect to

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

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

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf. The Lessee hereby waives any and all claims against the Lessor and the Vendor and their agent or agents for damages of whatever nature in connection with any retaking of any Unit in any reasonable manner. The Lessor and the Lessee agree that the Lessor shall be entitled to all rights (such rights being fundamental to the willingness of the Lessor to enter into this Lease) provided for in § 77(j) of the Bankruptcy Act or any comparable provision of any amendment thereto, or of any other bankruptcy act, so that the Lessor shall have the right to take possession of the Equipment upon an Event of Default under this Lease regardless of whether the Lessee is in reorganization.

No failure by the Lessor to exercise, and no delay by the Lessor in exercising, any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege by the Lessor preclude any other or further exercise thereof, or the exercise of any other right, power or privilege.

§ 11. Return of Units upon Default. If this Lease shall terminate pursuant to § 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the condition required by clauses (a), (b) and (c) of the first sentence of § 7 hereof. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

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

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

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

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own cost and expense, maintain and keep the Equipment in the condition required by clauses (a), (b) and (c) of the first sentence of § 7 hereof, and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same. All rent and per diem charges earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered

and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which 0.026537% of the Purchase Price of such Unit for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whosoever shall be in possession of such Unit at the time.

§ 12. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder shall inure to the benefit of the Lessor's successors and assigns.

So long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments (as defined in the Lease Assignment) in accordance with the Lease Assignment, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease and, without the prior written consent of the Lessor and the Vendor, the Lessee may sublease the Units to, or permit their use by, a user incorporated in the United States of America (or any State thereof or the District of Columbia), upon lines of railroad owned or operated by the Lessee or such user or by a railroad company or companies incorporated in the United States of America (or any State thereof or the District of Columbia), or over which the Lessee, such user, or such railroad company or companies have trackage rights or rights for operation of their trains, and upon the lines of railroad of connecting and other carriers in the usual interchange of traffic or in through or run-through service, but only upon and subject to all the terms and conditions of this Lease; provided, however, that the Vendor's and the Lessor's consent, not to be unreasonably withheld, must be obtained for any sublease that is for a term longer than six months; provided, further,

however, that the Lessee shall not sublease or permit the sublease or use of any Unit to service involving operation or maintenance outside the United States of America except that occasional service in Canada shall be permitted so long as such service in Canada does not involve regular operation and maintenance outside the United States of America; and provided, further, however, that any such sublease or use shall be consistent with the provisions of § 16 hereof. No such assignment or sublease shall relieve the Lessee of its obligations hereunder which shall be and remain those of a principal and not a surety.

The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor, any Beneficiary or the Vendor or resulting from claims against the Lessor, any Beneficiary or the Vendor not related to the ownership of the Units) upon or with respect to any Unit or the interest of the Lessor, the Vendor or the Lessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises.

§ 13. Renewal and Purchase Options. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than six months prior to the end of the original term or any extended term of this Lease, as the case may be, (i) elect to extend the term of this Lease in respect of all but not fewer than all of the Units then covered by this Lease, for one or two additional five-year periods commencing on the scheduled expiration of the original term or extended term of this Lease, as the case may be, provided that no such extended term shall extend beyond December 15, 2002, at a Fair Market Rental (as defined below) payable in semiannual payments, commencing six months after the next preceding rental payment date, in each year of such extended term; or (ii) after the first additional five-year rental period, as provided above, purchase all but not fewer than all of the Units then subject to this Lease, at a Fair Market Purchase Price (as defined below) payable at the end of such first additional rental period.

Fair Market Rental and Fair Market Purchase Price shall be determined on the basis of, and shall be equal in amount to, the cash rental for a five-year period or the purchase price, as the case may be, which would obtain in an arm's-

length transaction between an informed and willing lessee or purchaser and an informed and willing lessor or seller, as the case may be, under no compulsion to lease or sell and, in such determination, costs of removal from the location of current use shall not be a deduction from such rental or purchase price. If, after 60 days from the giving of notice by the Lessee of the Lessee's election to extend the term of this Lease or to exercise its purchase option, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental or Fair Market Purchase Price of the Units, such rental or purchase price shall be determined in accordance with the foregoing definition by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of such rental or purchase price by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 business days after such notice is given, each party shall appoint an independent appraiser within 25 business days after such notice is given, and the two appraisers so appointed shall within 35 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 35 business days after such notice is given, either party may request the American Arbitration Association to make such appointment, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Rental of the Units subject to the proposed extended term or the Fair Market Purchase Price, as the case may be, within 70 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of Fair Market Rental or Fair Market Purchase Price, as the case may be, of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from that of the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding upon the parties hereto as the Fair Market Rental or Fair Market Purchase Price, as the case may be. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Rental or Fair Market Purchase Price, as the case may be, and

shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne equally by the Lessee and the Lessor.

Upon payment of the purchase price of any Unit, pursuant to an election by the Lessee to purchase the Units, the Lessor shall upon request of the Lessee execute and deliver to the Lessee, or to the Lessee's assignee or nominee, a bill of sale (without warranties) for such Unit such as will transfer to the Lessee such title to such Unit as the Lessor derived from the Vendor, free and clear of all liens, security interests and other encumbrances arising through the Lessor.

§ 14. Return of Units upon Expiration of Term. The Lessor intends to retain the Units for re-lease at the expiration of the term of this Lease. As soon as practicable on or after the expiration of the original or any extended term of this Lease with respect to any Unit, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon such storage tracks of the Lessee as the Lessor may designate, or, in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Unit on such tracks for a period not exceeding 60 days following notification to the Lessor by the Lessee that all the Units have been assembled and delivered for storage and transport the same, at any time within such sixty-day period, to any reasonable place on the lines of railroad operated by the Lessee, or to any connecting carrier for shipment, all as directed by the Lessor, the movement and storage of such Units to be at the expense and risk of the Lessee (except for the insurance required by § 7 hereof which shall be provided at the Lessor's expense); and in the event that any Unit shall suffer a Casualty Occurrence during such storage period, the Lessee shall pay the Lessor the Casualty Value thereof as provided in § 7 hereof. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence

or strict liability of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, on behalf of either the Lessor or any prospective purchaser, lessee or user, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this § 14 shall be in the condition required by clauses (a) and (b) of the first sentence of § 7 hereof. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own cost and expense, maintain and keep the Equipment in the condition required by clauses (a) and (b) of the first sentence of § 7 hereof and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same. All rent and per diem charges earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which 0.026537% of the Purchase Price of such Unit (or, in the case of Units returned following any renewal term, the amount which is the product of the Purchase Price of such Unit times a fraction the numerator of which is the semiannual rental factor (expressed as a percentage of the Purchase Price) for such Unit in effect for such preceding renewal term and the denominator of which is 180) for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day.

§ 15. Recording. The Lessee, at its own expense, will cause this Lease, the Security Documentation, any assignment hereof or thereof, and the Chattel Mortgage (as defined in the Participation Agreement) to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act and

deposited with the Registrar General of Canada (and notice of such deposit to be given forthwith in The Canada Gazette) pursuant to Section 86 of the Railway Act of Canada. The Lessee will undertake the filing, registering, deposit, and recording required of the Lessor under the Security Documentation and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective rights in the Units, or for the purpose of carrying out the intention of this Lease, the Security Documentation, the assignments thereof to the Vendor and the Chattel Mortgage; and the Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing, recording and other acts which may be required under this § 15, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor; provided, however, that no such opinion of counsel need be furnished in respect of the filing of the Security Documentation, the assignment thereof or the Chattel Mortgage in Canada. This Lease and the Security Documentation shall be filed and recorded with the Interstate Commerce Commission and deposited with the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada and provision shall be made for publication of notice of such deposit in The Canada Gazette prior to the delivery and acceptance hereunder of any Unit.

§ 16. (a) Indemnity for Federal and Other Income Tax Benefits. (1) This Lease has been entered into on the assumption that the Federal rate of taxable income of corporations in excess of $50,000 during the year 1977 is 48% and that the Beneficiaries, as the beneficial owners of the Units for Federal income tax purposes, shall be entitled to their proportionate shares of such deductions, credits and other benefits as are provided by the Internal Revenue Code of 1954, as amended (hereinafter called the Code), and state and local taxing statutes to an owner of property, including, without limitation, (i) deductions for depreciation with respect to the entire Purchase Price of the Units and 33% of the transaction expenses attributable thereto using the modified half-year convention and computed on the basis of the double-declining balance method of depreciation authorized by section 167(b)(2) of the Code, switching to the sum-of-

the-years-digits method of depreciation authorized by section 167(b)(3) of the Code when most beneficial to the Beneficiaries and without obtaining the prior consent of the Commissioner of Internal Revenue, on an asset depreciation period of 12 years, and to a net salvage value of zero after the reduction permitted by section 167(f)(1) of the Code (herein called the ADR Deductions), (ii) deductions for interest with respect to the Conditional Sale Indebtedness (as defined in the Security Documentation) as authorized by section 163 of the Code and the guarantee fees payable to the Guarantor (herein called the Interest Deduction) and (iii) the investment credit pursuant to section 38 of the Code for "new section 38 property" equal to 10% of the Purchase Price of the Units and 33% of the transaction expenses attributable thereto (herein called the Investment Credit).

(2) The Lessee agrees that neither it nor any corporation controlled by it, in control of it, or under common control with it, directly or indirectly, will at any time take any action or file any returns or other documents inconsistent with the foregoing and that the Lessee and any corporation controlled by it, in control of it or under common control with it, directly or indirectly, will file such returns, take such actions and execute such documents as may be reasonable and necessary to facilitate accomplishment of the intent thereof.

(3) The Lessee agrees to maintain sufficient records to verify the amount of income and deductions in respect of each Unit allocable to sources within and without the United States and within domestic state and local taxing jurisdictions. The Lessee agrees to give the Beneficiaries, within 90 days after request therefor, written notice describing the amount of use of the Units within and without the United States and within domestic state and local taxing jurisdictions and specifying in reasonable detail the basis on which such allocations were made, if such information is required in connection with the preparation of the Beneficiaries' domestic state and local tax returns or in connection with an audit by the Internal Revenue Service of the tax returns of a Beneficiary. In addition, within 90 days after the end of each calendar year, beginning with the year 1977, the Lessee agrees to furnish to the Beneficiaries a statement to the effect that none of the Units has been used outside of the United States during the preceding calendar year, or if any of the Units was used outside the United States during such year, that the amount of such usage was minimal and did not impair the ability of the Beneficiaries to treat, for

Federal income tax purposes, all income and deductions relating to all uses of the Units subject to this Lease during such year as being derived from, or allocable to, sources within the United States, which statement shall be signed by the chief financial officer of the Lessee.

(4) If under any circumstances or for any reason whatsoever, a Beneficiary shall not have, shall lose the right to claim (including a good faith determination based upon the advice of tax counsel of General Electric Company that such claim is not allowable), shall suffer a disallowance of or be required to recapture all or any portion of its proportionate share of the ADR Deductions or the Investment Credit, or if a Beneficiary, in computing its taxable income for Federal income tax purposes, shall not have, shall lose the right to claim (including a good faith determination based upon advice of tax counsel of General Electric Company that such claim is not allowable), shall suffer a disallowance of or be required to recapture an amount of foreign tax credit which would have been allowable to such Beneficiary if such Beneficiary had not participated in the transactions contemplated by this Lease (hereinafter called the Foreign Tax Credit) (any such event being hereinafter called a Loss), then the Lessee shall pay to such Beneficiary such amount or, from time to time, such amounts as, after deduction of all taxes required to be paid by such Beneficiary in respect of the receipt of such amounts under the laws of any Federal, state, local or foreign government or taxing authority, shall be equal to the sum of the aggregate additional Federal, state or local income taxes payable by such Beneficiary from time to time as a result of any such Loss. If, as a result of a Loss, the aggregate Federal income taxes paid by a Beneficiary for any taxable year shall be less than the amount of such taxes that would have been payable by such Beneficiary had no such Loss occurred, then such Beneficiary shall pay to the Lessee the amount of such difference in taxes, plus any additional tax benefits realized by such Beneficiary as the result of such payment; provided, however, that such Beneficiary shall not be obligated to make any payment pursuant to this sentence to the extent that the amount of such payment would exceed (x) the amount of all prior payments by the Lessee to such Beneficiary pursuant to this subsection (a) in respect of a Loss, less (y) the amount of all prior payments by such Beneficiary to the Lessee pursuant to this sentence. The amount payable to such Beneficiary pursuant to this paragraph shall be paid within 30 days after receipt of a written demand therefor from such

Beneficiary accompanied by a written statement describing in reasonable detail such loss and the computation of the amount so payable (but not prior to the earlier of (i) the filing of a return or the acceptance of an audit report in which such Loss is reflected and (ii) the payment of additional tax which becomes due as the result of the Loss and, in the case of amounts which are being contested in accordance with subsection (c) of this § 16, not prior to the time provided in such subsection (c)). Any payment due to the Lessee from a Beneficiary pursuant to this paragraph shall be paid within 30 days after such Beneficiary realizes any such savings in its Federal income taxes or additional tax benefits, as the case may be.

(5) Notwithstanding anything to the contrary hereinbefore set forth, no amount shall be payable to a Beneficiary as an indemnity under this § 16 in respect of any Loss to the extent that such Loss is due solely to the occurrence of any of the following events:

(i) a voluntary transfer or other voluntary disposition by a Beneficiary of any interest in the Equipment or under the Trust Agreement without the consent of the Lessee, unless an Event of Default shall have occurred and be continuing;

(ii) the failure of the Beneficiaries or the tax partnership created by the Trust Agreement to timely and properly claim the Investment Credit, the ADR Deductions or the Interest Deduction as determined by the Beneficiaries;

(iii) the failure of the Beneficiaries to have sufficient liability for Federal income tax against which to credit such Investment Credit or the Foreign Tax Credit or to have sufficient income to benefit from the ADR Deductions or the Interest Deduction, as the case may be;

(iv) a Casualty Occurrence if the Lessee shall have paid the Casualty Value pursuant to § 7 hereof;

(v) changes in law which do not take effect in 1977; and

(vi) any other acts or omissions of the Beneficiaries or of the Lessor inconsistent with the transactions contemplated hereby.

(b) Indemnity for Improvements. If at any time a Beneficiary determines that it is required by the Internal Revenue Service to include in its gross income an amount in respect of any improvement or addition made to the Equipment or action required to be taken by the Lessee pursuant to the Maintenance Agreement (hereinafter called Capital Expenditures) or an amount in respect of any funds deposited as Escrow Funds under and as defined in the Guaranty Agreement (hereinafter called the Deposits), then the Lessee shall pay to such Beneficiary, as an indemnity, such amount or amounts as, after deduction of all taxes required to be paid by such Beneficiary in respect of the receipt of such amounts under the laws of any Federal, state, local or foreign taxing authority, shall be equal to the sum of the aggregate additional Federal, state, local or foreign income taxes payable by such Beneficiary from time to time as a result of such Capital Expenditures or Deposits plus the amount of any interest, penalties or additions to tax payable as a result of any such Capital Expenditures or Deposits. If as a result of any such Capital Expenditures the aggregate Federal, state, local or foreign income taxes paid by such Beneficiary for any taxable year shall be less than the amount of such taxes that would have been payable by such Beneficiary had no such Capital Expenditures or Deposits been made, then such Beneficiary shall pay the Lessee the amount of such savings in taxes plus any additional tax benefits realized by such Beneficiary as the result of such payment; provided, however, that such Beneficiary shall not be obligated to make any payment pursuant to this sentence to the extent that the amount of such payment would exceed (x) the amount of all prior payments by the Lessee pursuant to this subsection (b) in respect of any Capital Expenditures or Deposits less (y) the amount of all prior payments by such Beneficiary pursuant to this sentence. The amount payable to a Beneficiary pursuant to this subsection (b) shall be paid within 30 days after receipt of the written demand therefor from such Beneficiary accompanied by a written statement describing in reasonable detail such inclusion and the computation of the amount so payable (but not prior to the payment of the additional Federal, state, local or foreign income tax which becomes due as a result of said inclusion and, in the case of amounts which are being contested in accordance with subsection (c) of this § 16, not prior to the time provided in such subsection (c)). Any payment due to the Lessee pursuant to subsection (c) of this § 16 shall be paid within 30 days after a Beneficiary realizes any such savings in its income taxes or additional tax benefits, as the case may be.

(c) Contests. (1) If the Internal Revenue Service shall propose an adjustment in the Federal income taxes of a Beneficiary for which the Lessee would be required to indemnify such Beneficiary pursuant to subsection (a) of this § 16 and the amount of the indemnity which the Lessee would be required to pay would exceed $100,000, then, if requested by the Lessee in a timely written request, such Beneficiary shall request an opinion from counsel selected by such Beneficiary and approved by the Lessee as to whether the basis in law and in fact in favor of allowance of the item proposed to be adjusted outweighs the basis in law and in fact to the contrary. If the opinion is to that effect and if the Lessee promptly requests such Beneficiary to do so, such Beneficiary shall contest the proposed adjustment; provided, however, that such Beneficiary shall determine in its sole discretion the nature of all action to be taken to contest such proposed adjustment including (i) whether any action to contest such proposed adjustment shall initially be by way of judicial or administrative proceedings, or both, (ii) whether any such proposed adjustment shall be contested by resisting payment thereof or by paying the same and seeking a refund thereof, and (iii) if the Beneficiary shall undertake judicial action with respect to such proposed adjustment, the court or other judicial body before which such action shall be commenced. Such Beneficiary shall have full control over any contest pursuant to this subsection (c) and shall not be obligated to appeal an adverse determination by any court. At any time, whether before or after commencing to take the action set forth in this subsection (c), such Beneficiary may decline to take any such action with respect to all or any portion of a proposed adjustment by notifying the Lessee in writing that the Lessee is relieved of its obligation to indemnify such Beneficiary with respect to the adjustment or such portion, as the case may be.

(2) A Beneficiary shall not be required to take any action pursuant to this subsection (c) unless and until the Lessee shall have agreed to indemnify such Beneficiary in a manner reasonably satisfactory to such Beneficiary for any liability or loss which the Lessor may incur as a result of contesting the validity of any proposed adjustment and shall have agreed to pay to the Lessor on demand all costs and expenses which such Beneficiary may incur in connection with contesting such proposed adjustment (including fees and disbursements of counsel). If such Beneficiary determines to contest any adjustment by paying the additional tax and suing for a refund, the Lessee shall have paid to such

Beneficiary an amount equal to the sum on an after-tax basis of any tax, interest, penalties and additions to tax which are required to be paid. Upon receipt by a Beneficiary of a refund of any amounts paid by it based on the adjustment in respect of which amounts it shall have been paid an equivalent amount by the Lessee, such Beneficiary shall pay to the Lessee the amount of such refund together with any interest received by it on such amount. The Lessee shall be obligated to pay to such Beneficiary the amount specified in subsection (a) of this § 16 promptly after such Beneficiary has taken all the action that it has agreed in this § 16 to take.

(d) Definition of Beneficiary. For purposes of this § 16, the terms "Beneficiary" and "Beneficiaries" shall include either or both of the corporations constituting the Beneficiary, as the context requires, and shall also include any member of an affiliated group, within the meaning of section 1504 of the Code, of which any Beneficiary is, or may become, a member if consolidated returns are filed for such affiliated group for Federal income tax purposes.

(e) Survival of Indemnities. The liability of the Lessee to make indemnification payments pursuant to this § 16 shall, notwithstanding any expiration or termination of this Lease, continue to exist until such indemnity payments are made by the Lessee. All indemnity payments under this § 16 shall be made directly to the party entitled to indemnification.

(f) Enforcement. This § 16 may be enforced by the Lessor as provided in Paragraph 19 of the Participation Agreement.

§ 17. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount equal to 10.5% per annum of the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable. Interest hereunder shall be determined on the basis of a 360-day year of twelve 30-day months.

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

(a) if to the Lessor, at 130 John Street, 4th Floor,

New York, New York 10038, Attention of Corporate Trust and Agency Division; and

(b) if to the Lessee, at 1310 Six Penn Center Plaza, Philadelphia, Pennsylvania 19104, Attention of Assistant Treasurer-Cash Mobilization;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. Copies of each such notice shall be given to the Vendor at Mellon Square, Pittsburgh, Pennsylvania 15230, Attention of Corporate Trust Division, to J. P. Morgan Interfunding Corp. at 37 Wall Street, New York, New York 10005, Attention of Lease Administration and to General Electric Credit Corporation at P.O. Box 8300, Stamford, Connecticut 06904, Attention of Manager-Operations, Leasing and Industrial Loans, and separately to the attention of Loan Officer-Rail Component.

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

Except for the Participation Agreement and the Maintenance Agreement, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto, including without limitation the Interim Lease of Railroad Equipment dated as of the date hereof between the Lessor and the Lessee. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

The Lessor and the Lessee acknowledge that the Guaranty Agreement contains certain provisions regarding the consent of the Guarantor in the event of any variation or modification of this Lease or any waiver of any of its provisions or conditions which would either individually or cumulatively have a material adverse effect upon the Guarantor.

§ 20. Immunities; Satisfaction of Undertakings.

It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations, undertakings and agreements herein made on the part of the Lessor are each and every one of them made and intended not as personal representations, undertakings and agreements by United States Trust Company of New York or for the purpose or with the intention of binding the said bank personally but are made and intended for the purpose of binding only the Estate as such term is used in the Trust Agreement, and this Agreement is executed and delivered by the said bank solely in the exercise of the powers expressly conferred upon the said bank as trustee under the Trust Agreement; and that no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against the said bank (except liability under the proviso contained in the last paragraph of Article 12 of the Security Documentation) or a Beneficiary (except as provided in the Trust Agreement) or on account of any representation, undertaking or agreement of the Lessor or a Beneficiary, either expressed or implied, all such personal liability, if any, being expressly waived and released by the Lessee and by all persons claiming by, through or under the Lessee; provided, however, that the Lessee or any person claiming by, through or under it, making claim hereunder, may look to said Estate for satisfaction of the same.

§ 21. Governmental Guarantees. In the event the United States of America or any political subdivision thereof or any agency or instrumentality of any of the foregoing shall use or permit to be used its credit directly, or indirectly, to pay, guarantee or otherwise support the Lessee's obligation to pay the purchase price of or rent for, or to so support any other financing arrangements for the acquisition of, any rolling stock used by the Lessee (other than any such support obtained prior to the first use by the Lessee of and in order to induce any person to provide any such rolling stock) the Lessee shall cause to be provided for the benefit of the Lessor, the Vendor and their successors and assigns a guaranty of or other comparable commitment with respect to the Lessee's obligations under this Lease from the same entity whose credit supports such other financing arrangements, such guaranty or commitment to be provided at the same time as such other rolling stock financing arrangement becomes entitled to such protection, so that the Lessor shall at all times have the benefit of the most favorable form of governmental support for financing of rolling stock used by

the Lessee as is available to any other person with respect to rolling stock used by the Lessee subject to the limitations set forth above.

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

§ 23. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of New York; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Lease or any assignment hereof shall be filed, recorded or deposited.

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

CONSOLIDATED RAIL CORPORATION,

by _____
Vice President &
Treasurer

[Corporate Seal]

Attest:

_____
Assistant Secretary

UNITED STATES TRUST COMPANY OF NEW YORK, as Trustee,

by _____
Asst Vice President

[Corporate Seal]

Attest:

_____
Assistant Secretary

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

On this 22 day of July 1977, before me personally appeared Richard T. Fox, to me personally known, who, being by me duly sworn, says that he is Vice President & Treasurer of CONSOLIDATED RAIL CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Kathleen M. Wells
Notary Public

[Notarial Seal]

My Commission expires

KATHLEEN M. WELLS
Notary Public, State of New York
No. 31-4616764
Qualified in New York County
Commission Expires March 30, 1979

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

On this 22nd day of July 1977, before me personally appeared Joseph Poggio, to me personally known, who, being by me duly sworn, says that he is a Asst Vice President of UNITED STATES TRUST COMPANY OF NEW YORK, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Charles S. DePalma
Notary Public

CHARLES S. DePALMA
Notary Public, State of New York
No. 31-5990695
Qualified in New York County
Commission Expires March 30, 1978

[Notarial Seal]

My Commission expires

SCHEDULE A TO LEASE

Type	Builder	Quantity	Lessee's Identification Numbers (Both Inclusive)
3,000 h.p. Model SD40-2 diesel-electric locomotive	General Motors Corporation (Electro-Motive Division)	51	CR 6358-6408
2,000 h.p. Model GP38-2 diesel-electric locomotive	General Motors Corporation (Electro-Motive Division)	8	CR 8173-8180

SCHEDULE B TO LEASE

Casualty Value

Item I:

Semiannual Dates Following the Basic Rent Commencement Date	Percentage of Purchase Price
Prior to First	85.03
First	85.11
Second	85.44
Third	84.64
Fourth	84.29
Fifth	83.94
Sixth	83.32
Seventh	83.07
Eighth	81.25
Ninth	79.35
Tenth	77.36
Eleventh	75.29
Twelfth	73.13
Thirteenth	70.86
Fourteenth	68.49
Fifteenth	66.02
Sixteenth	63.44
Seventeenth	60.75
Eighteenth	57.97
Nineteenth	55.08
Twentieth	52.10
Twenty-first	49.03
Twenty-second	45.92
Twenty-third	42.79
Twenty-fourth	39.59
Twenty-fifth	36.32
Twenty-sixth	33.00
Twenty-seventh	29.64
Twenty-eighth	26.47
Twenty-ninth	23.12
Thirtieth	20.00

Item II:

Anniversary of Delivery and Acceptance	Percentage of Purchase Price
Third	26.51
Fifth	17.67
Seventh	8.83

SCHEDULE C TO LEASE

CERTIFICATE OF ACCEPTANCE UNDER CONDITIONAL SALE AGREEMENT AND LEASE OF RAILROAD EQUIPMENT (B), BOTH DATED AS OF APRIL 15, 1977

TO: United States Trust Company of
New York, acting as Trustee
(hereinafter called the Trustee
under Trust Agreement (B),
130 John Street,
New York, New York 10038.

I, the duly appointed and authorized representative for the Trustee and Consolidated Rail Corporation (hereinafter called the Lessee) under the Conditional Sale Agreement and Lease of Railroad Equipment, both dated as of April 15, 1977, respectively, do hereby certify that I inspected and accepted delivery under the Conditional Sale Agreement and Lease of Railroad Equipment of the following Units of Equipment:

TYPE OF EQUIPMENT: Diesel electric locomotive

MODEL:

DATE ACCEPTED:

NUMBER OF UNITS:

NUMBERED: CR

I do further certify that the foregoing Units of Equipment are in good order and condition, and appear to conform to the specifications, requirements and standards applicable thereto and to all applicable United States Department of Transportation and Interstate Commerce Commission requirements and specifications and to all applicable interchange requirements of the Association of American Railroads.

I do further certify that each of the foregoing Units of Equipment has been marked by means of a stencil printed in contrasting colors upon each side of each Unit of

Equipment in letters not less than one inch in height as follows:

"Ownership Subject to a Conditional Sale Agreement filed under the Interstate Commerce Act, Section 20c."

The execution of this Certificate will in no way relieve or decrease the responsibility of the Builder named below for any warranties it has made with respect to the Equipment.

_____

Inspector and Authorized
Representative of United States
Trust Company of New York and
Consolidated Rail Corporation

BUILDER:

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