

RECORDATION NO. 9811 Filed 1425

OCT 31 1978.1 05 PM
CRAVATH, SWAINE & MOORE
INTERSTATE COMMERCE COMMISSION

ONE CHASE MANHATTAN PLAZA

NEW YORK, N.Y. 10005

212 HANOVER 2-3000

TELEX

RCA 233663

WUD 125547

WUI 620976

MAURICE T. MOORE
BRUCE BROMLEY
WILLIAM B. MARSHALL
RALPH L. McAFEE
ROYALL VICTOR
ALLEN H. MERRILL
HENRY W. DE KOSMIAN
ALLEN F. MAULSBY
STEWART R. BROSS, JR.
HENRY P. RIORDAN
JOHN R. HUPPER
SAMUEL C. BUTLER
WILLIAM J. SCHRENK, JR.
BENJAMIN F. CRANE
FRANCIS F. RANDOLPH, JR.
JOHN F. HUNT
GEORGE J. GILLESPIE, III
RICHARD S. SIMMONS
WAYNE E. CHAPMAN
THOMAS D. BARR
MELVIN L. BEDRICK
GEORGE T. LOWY
ROBERT ROSENMAN

JAMES, H. DUFFY
ALAN J. HRUSKA
JOHN E. YOUNG
JAMES M. EDWARDS
DAVID G. ORMSBY
DAVID L. SCHWARTZ
RICHARD J. HIEGEL
FREDERICK A. O. SCHWARZ, JR.
CHRISTINE BESHAR
ROBERT S. RIFKIND
DAVID O. BROWNWOOD
PAUL M. DODYK
RICHARD M. ALLEN
THOMAS R. BROME
ROBERT D. JOFFE
ROBERT F. MULLEN
ALLEN FINKELSON
RONALD S. ROLFE
JOSEPH R. SAHID
PAUL C. SAUNDERS
MARTIN L. SENZEL
DOUGLAS D. BROADWATER
ALAN C. STEPHENSON

COUNSEL
ROSWELL L. GILPATRICK
ALBERT R. CONNELLY
FRANK H. DETWEILER
GEORGE G. TYLER

RECORDATION NO. 9811 A Filed 1425
OCT 31 1978.1 05 PM
INTERSTATE COMMERCE COMMISSION
MARLYLE E. MAW
J. R. BRESLIN, JR.
GEORGE B. TURNER
JOHN H. MORSE
ROLD R. MEDINA, JR.
CHARLES R. LINTON

4, PLACE DE LA CONCORDE
75008 PARIS, FRANCE
TELEPHONE: 265-81-54
TELEX: 290530
THROGMORTON STREET
LONDON, EC2N 2BR, ENGLAND
TELEPHONE 01-606-1421
TELEX: 6814901

CABLE ADDRESSES
CRAVATH, N. Y.
CRAVATH, PARIS
CRAVATH, LONDON E.C. 2

RECORDATION NO. 9811 Filed 1425

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INTERSTATE COMMERCE COMMISSION

No. 8-324A-218

Date OCT 31 1978

Fee \$ 200.00

ICC Washington, D. C.

October 31, 1978

RECORDATION NO. 9811 A Filed 1425

OCT 31 1978.1 05 PM

INTERSTATE COMMERCE COMMISSION

The Chesapeake and Ohio Railway Company
Lease Financing Dated as of October 1, 1978
9-3/8% Conditional Sale Indebtedness
Due February 15, 1987

SIR:

Pursuant to Section 20c of the Interstate Commerce Act, as amended, and the Commission's rules and regulations thereunder, as amended, I enclose herewith on behalf of The Chesapeake and Ohio Railway Company, for filing and recordation, counterparts of the following:

(1) Reconstruction and Conditional Sale Agreement dated as of October 1, 1978, among Mercantile-Safe Deposit and Trust Company, The Chesapeake & Ohio Railway Company and Connell Rice & Sugar Co., Inc. (Connell Leasing Company Division);

(2) Transfer Agreement dated as of October 1, 1978, between Mercantile-Safe Deposit and Trust Company and Connell Rice & Sugar Co., Inc. (Connell Leasing Company Division);

(3) (a) Lease of Railroad Equipment dated as of October 1, 1978, between The Chesapeake and Ohio Railway Company and Connell Rice & Sugar Co., Inc. (Connell Leasing Company Division);

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OCT 31 12 58 PM '78
I.C.C.
FEE OPERATION BR.

Countryman, David W. Keller

(b) Assignment of Lease and Agreement dated October 1, 1978, between Connell Rice & Sugar Co., Inc. (Connell Leasing Company Division), and Mercantile-Safe Deposit and Trust Company; and

(4) Hulk Purchase Agreement dated as of October 1, 1978, between the Chesapeake and Ohio Railway Company and Connell Rice & Sugar Co., Inc. (Connell Leasing Company Division).

The addresses of parties to the aforementioned agreements are:

Owner-Lessor-Vendee-Buyer

Connell Rice & Sugar Co., Inc. *Vendee*
 (Connell Leasing Company Division)
 45 Cardinal Drive
 Westfield, New Jersey 07902

Builder

The Chesapeake & Ohio Railway Company *Builder*
 2 North Charles Street
 Baltimore, Maryland 21201

Lessee-Railroad-Seller

The Chesapeake & Ohio Railway Company
 2 North Charles Street
 Baltimore, Maryland 21201

Agent-Vendor

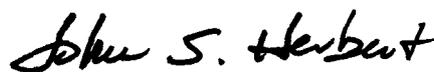
Used by...
 Mercantile-Safe Deposit and Trust Company
 Two Hopkins Plaza
 P.O. Box 2258
 Baltimore, Maryland 21203

Please file and record the documents referred to in this letter, and cross-index them under the names of the Owner-Lessor-Vendee-Buyer, the Builder, the Lessor-Railroad-Seller and the Agent-Vendor.

The equipment covered by the Hulk Purchase Agreement is listed in Exhibit A attached hereto. The equipment covered by the Reconstruction and Conditional Sale Agreement, the Transfer Agreement and the Lease is listed in Exhibit B attached hereto. Each unit of reconstructed railroad equipment bears the legend "Subject to a Security Agreement filed with the Interstate Commerce Commission".

Enclosed is our check for \$200 for the required recordation fee. Please accept for recordation one counterpart of each of the enclosed agreements, stamp the remaining counterparts with your recordation number and return them to the delivering messenger along with your fee receipt, addressed to the undersigned.

Very truly yours,



John S. Herbert
As Agent for The Chesapeake
and Ohio Railway Company

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

Encls.

4

BY HAND

Exhibit ARailroad Road Numbers

A.

C&O

22002	22047	22111	22157
22004	22049	22113	22193
22008	22060	22114	22194
22017	22069	22128	22199
22021	22077	22132	22209
22025	22078	22137	22212
22032	22087	22141	22230
22033	22093	22143	22242
22038	22094	22150	22243
22041	22108	22156	22249

B.

C&O

27818	27958	28059	28700
27836	27963	28063	28797
27839	27975	28153	28809
27851	27982	28192	28824
27898	27983	28312	28846
27957	28043	28689	

C.

C&O

27831	28020	28501	28766
27885	28021	28530	28779
27926	28067	28568	28954
27954	28247	28669	
27996	28420	28692	

D.

C&O

19754	19787	19880	19950
19759	19789	19903	19952
19761	19792	19909	19953
19764	19804	19914	19961
19768	19824	19919	19977
19769	19839	19931	19979
19772	19842	19943	
19784	19858	19944	

E.

B&O

288016	288156	288363	288554
288061	288217	288384	288606
288066	288228	288399	288633
288072	288230	288414	288645
288123	288276	288470	288668
288127	288300	288497	288684
288138	288323	288526	
288151	288361	288529	

F.

B&O

352000	352144	352259	352363
352005	352147	352260	352365
352010	352151	352263	352369
352011	352153	352264	352370
352012	352154	352265	352372
352015	352161	352267	352373
352016	352165	352271	352375
352018	352167	352274	352378
352019	352169	352278	352382
352020	352171	352279	352383
352022	352176	352280	352387
352024	352177	352281	352388
352025	352178	352283	352390
352026	352179	352285	352391
352030	352180	352287	352395
352032	352182	352291	352396
352033	352188	352292	352398
352038	352190	352293	352400
352039	352192	352294	352401
352042	352193	352295	352402
352043	352194	352296	352408
352045	352195	352297	352409
352051	352198	352299	352411
352061	352201	352300	352415
352072	352202	352301	352418
352075	352203	352302	352422
352076	352208	352303	352424
352077	352209	352304	352425
352078	352210	352306	352431
352080	352211	352308	352433
352081	352212	352310	352434
352082	352213	352312	352435
352085	352216	352319	352438
352086	352221	352321	352439
352089	352224	352323	352442
352091	352231	352324	352444
352094	352234	352325	352445
352095	352235	352327	352447
352099	352238	352328	352456
352100	352239	352329	352457
352102	352240	352330	352462
352104	352246	352331	352466
352113	352247	352332	352469
352117	352248	352334	352474
352121	352250	352340	352475
352125	352251	352344	352476
352132	352252	352346	352494
352135	352253	352347	352496
352136	352254	352358	352497
352139	352255	352361	352499

G.

WM

71232	80028	80142	80318
/71235	80030	80146	80323
71244	80032	80148	80334
/71276	80034	80151	80345
/71277	80037	80179	80348
71311	80040	80181	80354
71314	80053	80185	80368
71359	80055	80187	80370
71391	80071	80195	80372
/71397	80073	80208	80379
/71404	80078	80210	80391
71443	80080	80214	80397
71445	/80082	80219	80412
71447	80096	80221	80435
71477	/80099	80225	80456
80004	80119	80242	80482
80010	80128	80246	80483
80011	80131	80249	80489
/80014	80134	80260	80491
80022	80140	80266	80497
80024	80141	80307	80498

B&O

/10043	/11311	-12347	/13518	/14497
/10059	/11346	-12363	/13542	/14509
10066	/11393	-12371	13555	/14538
/10084	/11396	-12526	/13565	/14559
/10136	/11448	-12528	/13679	/14561
/10155	/11459	-12535	/13683	/14570
/10159	/11471	-12608	/13771	/14612
/10180	/11492	-12662	/13781	/14636
10234	/11495	-12682	/13785	/14741
10315	11553	-12685	/13797	/14753
/10348	/11570	-12717	/13939	/14801
/10378	/11663	-12841	/13995	/14804
/10386	11677	-12882	/14029	/14838
/10407	/11693	-12895	/14054	/14841
/10428	/11847	-12953	/14107	/14975
/10432	/11910	-12990	/14187	/14976
/10439	12025	-13052	/14193	/14988
/10543	/12027	-13076	/14209	15090
10652	/12045	-13293	/14241	15093
/10722	/12124	-13302	/14271	/15118
/10928	/12131	-13361	/14328	/15138
/10932	/12149	-13457	/14349	/15158
10945	/12234	-13476	/14378	15217
/11075	/12326	-13501	/14410	
/11219	/12330	-13508	/14466	

H.

C&O

103009	103348	103655	103967
103011	103351	103657	103974
103012	103359	103684	103975
103017	103362	103709	103993
103021	103368	103711	
103034	103382	103718	
103049	103395	103721	
103057	103410	103730	
103066	103417	103790	
103068	103419	103793	
103079	103437	103814	
103114	<u>103451</u>	103823	
103158	<u>103466</u>	103838	
103167	103485	103845	
103196	103487	103847	
103201	103489	103882	
103206	103504	103883	
103213	103515	103892	
103240	103525	103895	
103243	103530	103908	
103251	103557	103909	
103258	103565	103910	
103269	103567	103922	
103286	103584	103948	
103308	103591	103957	
103315	103609	103964	
103325	103635	103966	
150006	150396	150666	151053
150060	150406	150688	151066
150063	150412	150703	151093
150071	<u>150457</u>	150707	151096
150116	<u>150464</u>	150712	151159
150134	150483	150723	151176
150188	150498	150733	151209
150192	150500	150761	151227
150210	150517	150800	151243
150216	150525	150820	151266
150235	150531	150826	151271
150282	150534	150829	151313
150325	150542	150838	151367
150340	150549	150846	151368
150346	<u>150586</u>	150941	151403
150350	150657	150966	151451
150363	150659	150989	
150372	150662	150999	

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80011	80131	80249	80489
80014	80134	80260	80491
80022	80140	80266	80497
80024	80141	80307	80498

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10043	11311	12347	13518	14497
10059	11346	12363	13542	14509
10066	11393	12371	13555	14538
10084	11396	12526	13565	14559
10136	11448	12528	13679	14561
10155	11459	12535	13683	14570
10159	11471	12608	13771	14612
10180	11492	12662	13781	14636
10234	11495	12682	13785	14741
10315	11553	12685	13797	14753
10348	11570	12717	13939	14801
10378	11663	12841	13995	14804
10386	11677	12882	14029	14838
10407	11693	12895	14054	14841
10428	11847	12953	14107	14975
10432	11910	12990	14187	14976
10439	12025	13052	14193	14988
10543	12027	13076	14209	15090
10652	12045	13293	14241	15093
10722	12124	13302	14271	15118
10928	12131	13361	14328	15138
10932	12149	13457	14349	15158
10945	12234	13476	14378	15217
11075	12326	13501	14410	
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103049	103395	103721	
103057	103410	103730	
103066	103417	103790	
103068	103419	103793	
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103158	103466	103838	
103167	103485	103845	
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150063	150412	150703	151093
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150282	150534	150829	151313
150325	150542	150838	151367
150340	150549	150846	151368
150346	150586	150941	151403
150350	150657	150966	151451
150363	150659	150989	
150372	150662	150999	

Interstate Commerce Commission
Washington, D.C. 20423

10/31/78

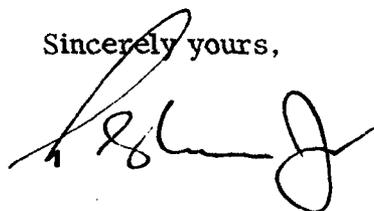
OFFICE OF THE SECRETARY

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

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 20(c) of the Interstate Commerce Act, 49 U.S.C. 20(c), on 10/31/78 at 1:05pm, and assigned recordation number(s) 9811, 9811-A, 9811-B, 9811-C, 9811-D

Sincerely yours,



H.G. Homme, Jr.,
Acting Secretary

Enclosure(s)

SE-30-T
(2/78)

RECORDATION NO. 0817 Filed 1425

OCT 3 1 1978 - 1 05 PM

INTERSTATE COMMERCE COMMISSION

EXECUTED IN 9 COUNTERPARTS

OF WHICH THIS IS NO. 1

RECONSTRUCTION AND CONDITIONAL SALE
AGREEMENT

Dated as of October 1, 1978

among

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY,
not in its individual capacity but
solely as Agent,

THE CHESAPEAKE AND OHIO RAILWAY COMPANY

and

CONNELL RICE & SUGAR CO., INC.
(Connell Leasing Company Division),
as Vendee

RECONSTRUCTION AND CONDITIONAL
SALE AGREEMENT

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

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RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT dated as of October 1, 1978, among MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, a Maryland banking corporation, not in its individual capacity but solely as Agent (hereinafter called the Vendor) under a Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement), THE CHESAPEAKE AND OHIO RAILWAY COMPANY, a Virginia corporation (in its capacity as builder hereinafter called the Builder) and CONNELL RICE & SUGAR CO., INC. (Connell Leasing Company Division), a New Jersey corporation (hereinafter called the Vendee).

The Vendee proposes to acquire all right, title and interest in certain railroad equipment (hereinafter called the Hulks) from the Builder pursuant to a Hulk Purchase Agreement (hereinafter called the Hulk Purchase Agreement) dated as of the date hereof, in substantially the form of Exhibit D hereto, and will subject the same to a security interest in favor of the Vendor for the purpose of causing the Hulks to be reconstructed.

The Vendor will acquire security title to the Hulks pursuant to a transfer agreement or agreements (hereinafter collectively called the Transfer Agreement) dated as of the date hereof in substantially the form of Exhibit A hereto, for the purpose of causing the same to be reconstructed as described herein and thereupon selling its interest in the same to the Vendee and the Vendee has agreed to purchase the Hulks as so reconstructed (the reconstructed equipment described in Schedule A hereto being hereinafter called the Equipment).

The Hulks will be delivered to the Builder and the Builder has agreed with the Vendor to cause the Hulks to be reconstructed in accordance with specifications of the Vendee and as required hereby to enable delivery of the Equipment to be made to the Vendee in accordance herewith.

The Vendee and the Builder (in its capacity as a railroad hereinafter called the Lessee) are entering into a Lease of Railroad Equipment, dated as of the date hereof (hereinafter called the Lease), substantially in the form

of Exhibit B hereto, pursuant to which the Vendee is leasing the Equipment to the Lessee, subject to this Agreement, and the Vendee is assigning for security purposes its rights in, to and under the Lease to the Vendor pursuant to an Assignment of Lease and Agreement dated as of the date hereof (hereinafter called the Lease Assignment), substantially in the form of Exhibit C hereto. The rights acquired by the Vendor pursuant to this Reconstruction and Conditional Sale Agreement shall be and are acquired for the benefit of the Investors identified in the Participation Agreement for whom the Vendor is acting as Agent pursuant to the terms of such Participation Agreement.

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

ARTICLE 1. Reconstruction and Sale. Pursuant to this Agreement, the Builder will cause the Hulks to be reconstructed into the Equipment as described in Schedule A hereto and will deliver the Equipment to the Vendee on behalf of the Vendor and the Vendee will accept delivery of and pay for the Equipment as hereinafter provided, each unit of which shall be standard gauge railroad equipment reconstructed in accordance with the specifications referred to in Schedule A hereto and the letter from the Vendee to the Builder dated October 15, 1978, and in accordance with such modifications thereof as may be agreed upon in writing by the parties hereto (which specifications and modifications, if any, are by reference made a part of this Agreement as fully as though expressly set forth herein and are hereinafter called the Specifications). The Builder warrants to the Vendor and the Vendee that the design, quality and component parts of the Equipment will conform, on the date of delivery of each thereof, to all Department of Transportation and Interstate Commerce Commission requirements and specifications, and to all standards recommended by the Association of American Railroads reasonably interpreted as being applicable to railroad equipment of the character of the Equipment as of the date of this Agreement.

ARTICLE 2. Inspection and Delivery. The Builder will deliver the units of the Equipment, on behalf of the Vendor, to the Vendee at such point or points within the United States of America specified in Schedule A hereto (or if not designated at such place or places designated

from time to time by the Builder) on or prior to February 15, 1979, freight charges, if any, prepaid; provided, however, that delivery of any unit of the Equipment shall not be made until this Agreement, the Transfer Agreement, the Lease and the Lease Assignment have been filed with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act, as amended. The Builder agrees not to commence any reconstruction of any Hulk if the Builder (A) does not reasonably anticipate that such Hulk will be fully reconstructed within 90 days following such commencement of reconstruction and in any case that such Hulk will be fully reconstructed prior to February 15, 1979, or (B) has received written notice from the Vendee or the Vendor (a) of the occurrence of any event of default as defined in Article 14 hereof or any event (including the commencement of any proceeding or the filing of any petition of the nature specified in subparagraphs (c) and (d) of Article 14 hereof) which, with lapse of time, failure to take affirmative action and/or demand, could constitute an event of default hereunder shall have occurred, or (b) that any of the conditions contained in Paragraphs 6 or 7 of the Participation Agreement have not been met or waived or (c) that the Vendee is no longer obligated under the terms of the Hulk Purchase Agreement to accept delivery of and to pay for any additional Hulks thereunder for any of the reasons therein provided.

The Builder's obligation as to time of delivery is subject, however, to delays resulting from causes beyond the Builder's reasonable control, including but not limited to acts of God, acts of government such as embargoes, priorities and allocations, war or war conditions, riot or civil commotion, sabotage, strikes, differences with workmen, accidents, fire, flood, explosion, damage to plants, equipment or facilities, delays in receiving necessary materials or delays of carriers or subcontractors.

During reconstruction, the Equipment shall be subject to inspection and approval by the authorized inspectors of the Vendee (who may be employees of the Lessee) and the Builder shall grant to such authorized inspectors reasonable access to its plants. The Builder agrees to inspect all materials used in the reconstruction of the Equipment in accordance with the standard quality control practices of the Builder. Upon completion of each unit or of a number of units of the Equipment, such unit or units shall be presented to an inspector of the Vendee for inspection at the place specified for delivery of such unit or units, and if each such unit conforms to the Specifications, require-

ments and standards applicable thereto, such inspector or an authorized representative of the Vendee (who may be an employee of the Lessee) shall execute and deliver to the Builder a certificate of acceptance (hereinafter called the Certificate of Acceptance) stating that such unit or units have been inspected and accepted on behalf of the Vendee and are marked in accordance with Article 8 hereof; provided, however, that the Builder shall not thereby be relieved of its warranties set forth or referred to in Article 12 hereof.

ARTICLE 3. Purchase Price and Payment. The cost of the Hulks (the "Hulk Purchase Price") and the estimated base reconstruction cost per unit of the Equipment are set forth in Schedule A hereto. The term "Reconstruction Cost" as used herein shall mean the base reconstruction cost per unit set forth in Schedule A hereto, as increased or decreased by agreement among the Builder, the Vendor and the Vendee, but the aggregate Reconstruction Cost shall in no event exceed the lesser of (i) the actual cost to the Builder of doing the reconstruction work plus a reasonable overhead and profit factor or (ii) \$4,105,141.00 in the aggregate. The term "Purchase Price" as used herein means the sum of the Hulk Purchase Price and the Reconstruction Cost.

For the purpose of settlement therefor, the Equipment shall be divided into not more than three groups of units of the Equipment unless the Vendee, the Vendor and the Builder shall otherwise agree (each such group being hereinafter called a Group). The term "Closing Date" with respect to any Group shall mean such date not later than February 15, 1979 (herein sometimes called the Cut-Off Date), occurring not more than ten business days following presentation by the Builder to the Vendee of the invoice (addressed to the Vendor and approved as to price by the Vendee) and the Certificate or Certificates of Acceptance for such Group, as shall be fixed by the Builder by written notice delivered to the Vendee and the Vendor at least three business days prior to the Closing Date designated therein. The parties hereto will, so far as is practicable, attempt to comply with the schedule of estimated Closing Dates set forth in Schedule B hereto. The term "business days" as used herein means calendar days, excluding Saturdays, Sundays, holidays and any other day on which banking institutions in Baltimore, Maryland, or New York, New York, are authorized or obligated to remain closed.

The Vendee hereby acknowledges itself to be

indebted to the Vendor in the amount of, and hereby promises to pay (and the Builder is hereby constituted a third party beneficiary of such obligation) in immediately available funds to the Vendor at such place as the Vendor may designate, the Purchase Price of each Group of the Equipment, as follows:

(a) in 16 semiannual installments, as hereinafter provided, an amount (herein called the CSA Indebtedness) equal to 70.00% of the aggregate of the Purchase Prices of the units of the Equipment in the Group for which settlement is then being made as set forth in the Invoice or Invoices therefor (said invoice prices being hereinafter called the Invoiced Purchase Prices); and

(b) on the Closing Date with respect to each Group an amount (herein called the Down Payment) equal to the aggregate Purchase Price of such Group, less the amount payable pursuant to subparagraph (a) of this paragraph; provided, however, that the Vendee shall not be required to make such payment until there shall have been delivered to the Vendor on or prior to such date the documents required to be delivered thereto pursuant to the eighth paragraph of this Article 3.

The installments of the CSA Indebtedness shall be payable on each February 15 and August 15 commencing August 15, 1979, to and including February 15, 1987 (or, if any such date is not a business day, on the next succeeding business day), each such date being hereinafter called a Payment Date. The unpaid balance of the CSA Indebtedness shall bear interest from the Closing Date upon which such CSA Indebtedness was incurred at the rate of 9-3/8% per annum, and such interest shall be payable, to the extent accrued, on February 15, 1979, and each Payment Date. The installments of principal payable on each Payment Date shall be calculated on such a basis that the sum of the interest and principal payable on each Payment Date shall be substantially equal and will amortize the CSA Indebtedness in full on February 15, 1987. Promptly following the earlier of the last Closing Date or the Cut-Off Date, the Vendee will furnish to the Vendor and the Lessee a payment schedule showing the respective amounts of principal and interest payable on each Payment Date.

Interest under this Agreement shall be determined on the basis of a 360-day year of twelve 30-day months.

The Vendee will pay interest at the rate of 10-3/8% per annum, to the extent legally enforceable, upon all amounts remaining unpaid after the same shall have become due and payable pursuant to the terms hereof, anything herein to the contrary notwithstanding.

All payments provided for in this Agreement shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts and shall be made by bank wire transfer of Federal or other funds immediately available at, and not later than 10:00 a.m., Baltimore time, in the city where such payments are due. The Vendee shall not have the privilege of prepaying any portion of the CSA Indebtedness prior to the date it becomes due; provided, however, that the CSA Indebtedness may be prepaid as provided for in Article 6 hereof.

On the Closing Date with respect to each Group, an amount equal to the Invoiced Purchase Prices of such Group shall be paid in immediately available funds by the Vendor to the Builder from the proceeds of (y) the amounts available to the Vendor under and pursuant to the terms of the Participation Agreement to make payments on such Closing Date in amounts equal to the CSA Indebtedness and (z) the Down Payment payable by the Vendee pursuant to clause (b) of the third paragraph of this Article 3 against the obligation of the Vendee to pay to the Lessee or the Builder the Hulk Purchase Price and Reconstruction Cost with respect to such Group; provided that there shall have been delivered to the Vendor the following documents, in form and substance satisfactory to it and its special counsel:

(a) the Certificate or Certificates of Acceptance contemplated by Article 2 hereof and Section 1 of the Lease with respect to the Equipment in such Group;

(b) invoices of the Builder for the reconstruction of the Equipment in the Group and invoices of the Lessee for the Hulks, accompanied by, or having endorsed on such invoices or copies thereof the approval of the Vendee of the price stated therein and a certification by the Builder that the Invoiced Purchase Prices have been calculated as provided in the first paragraph of this Article 3 and do not exceed the prices that would be charged by an independent car builder for comparable equipment;

(c) a favorable opinion of counsel for the Builder, dated as of such Closing Date, stating that at the time of delivery of the units of the Equipment in such Group on behalf of the Vendor to the Vendee hereunder, title to such units was free of all claims, liens, security interests and other encumbrances of the Builder or of anyone claiming through the Builder; and

(d) a favorable opinion of counsel for the Lessee, dated as of such Closing Date, stating that as of such date title to the Hulks from which such units of the Equipment in such Group were reconstructed was vested in the Vendee and was free of all claims, liens, security interests and encumbrances of any nature whatsoever except for those arising under this Agreement or the Exhibits hereto.

The obligation of the Vendor to make payment for the Equipment is expressly conditioned on the Vendee having made the Down Payment to the Vendor required by subparagraph (b) of the third paragraph of this Article 3. Notwithstanding anything to the contrary herein expressed or implied, the parties hereto agree that the Vendor shall have no obligation with respect to the reconstruction of the Hulks and delivery of the Equipment hereunder to the Vendee.

Notwithstanding any other provision of this Agreement (including, but not limited to, any provision of Articles 14 and 15 hereof), but not limiting the effect of Article 21 hereof, the Vendor agrees that the liability of the Vendee or any assignee of the Vendee for all payments to be made by it under this Agreement (including, without limitation, amounts to be paid as interest pursuant to the sixth paragraph of this Article 3), with the exception only of the payments to be made pursuant to subparagraph (b) of the third paragraph of Article 3 and the obligations set forth in the proviso in the third paragraph of Article 11 hereof, shall not exceed an amount equal to, and shall be payable only out of, the "income and proceeds from the Equipment". As used herein, the term "income and proceeds from the Equipment" shall mean (i) if one of the events of default specified in Article 14 hereof shall have occurred and while it shall be continuing, so much of the following amounts as are indefeasibly received by the Vendee at any time after any such event and during the continuance thereof: (a) all amounts of rental and amounts in respect of Casualty Occurrences (as hereinafter defined in Article 6 hereof) paid for or with

respect to the Equipment pursuant to the Lease and any and all other payments received under Section 9 or any other provision of the Lease and (b) any and all payments or proceeds received by the Vendee under the Lease or received by the Vendee for or with respect to the Equipment as the result of the sale, lease or other disposition thereof and after deducting all costs and expenses of such sale, lease or other disposition and (ii) at any other time only that portion of the amounts referred to in the foregoing clauses (a) and (b) as are indefeasibly received by the Vendee and as shall be required to discharge the portion of the CSA Indebtedness (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon, due and payable on the date such amounts were required to be paid pursuant to the Lease or as shall be required to discharge any other payments then due and payable under this Agreement; it being understood that "income and proceeds from the Equipment" shall in no event include (A) amounts referred to in the foregoing clauses (a) and (b) which were received by the Vendee prior to the existence of such an event of default which exceeded the amounts required to discharge that portion of the CSA Indebtedness (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon due and payable on the date on which amounts with respect thereto received by the Vendee were required to be paid to it pursuant to the Lease or which exceeded any other payments due and payable under this Agreement at the time such amounts were due and payable under the Lease or (B) amounts excluded from the Lease Assignment pursuant to the first paragraph of Paragraph 1 thereof. Notwithstanding anything to the contrary contained in Articles 14 and 15 hereof, the Vendor agrees that in the event it shall obtain a judgment against the Vendee for an amount in excess of the amounts payable by the Vendee pursuant to the limitations set forth in this paragraph, it will, accordingly, limit its execution of such judgment against the Vendee to amounts payable pursuant to the limitations set forth in this paragraph. It is further agreed by the parties hereto that nothing contained herein limiting the liability of the Vendee shall derogate from the right of the Vendor to proceed against the Equipment as provided for herein for the full unpaid Purchase Price of the Equipment and interest thereon and all other payments and obligations hereunder or to proceed against the Lessee under the Lease or the Consent.

ARTICLE 4. Title to the Equipment. The Vendor shall and hereby does retain a security interest in the Hulks

delivered to the Builder hereunder for reconstruction and shall continue to retain such security interest during the entire period that the Hulks are being reconstructed and thereafter in the Equipment until the Vendee shall have made all its payments under this Agreement in respect of the Equipment and shall have kept and performed all its agreements herein contained in respect thereof, notwithstanding any provision of this Agreement limiting the liability of the Vendee and notwithstanding the delivery of the Equipment to and the possession and use thereof by the Vendee and the Lessee as provided in this Agreement and the Lease. Any and all additions, modifications and improvements to the Hulks and the Equipment, and any and all parts installed on and additions and replacements made to any unit of the Hulks prior to their delivery and acceptance hereunder, shall constitute accessions thereto and shall be subject to all the terms and conditions of this Agreement and included in the term "Equipment" as used in this Agreement, except for any additions, modifications and improvements which, under the provisions of Section 8 of the Lease, are owned by the Lessee.

Except as otherwise specifically provided in Article 6 hereof, when and only when the Vendor shall have been paid the full CSA Indebtedness, together with interest and all other payments as herein provided, and all the Vendee's obligations herein contained shall have been performed, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee without further transfer or action on the part of the Vendor. However, the Vendor, if so requested by the Vendee at that time, will (a) execute and deliver to the Vendee a bill or bills of sale for the Equipment releasing its security interest therein to the Vendee, free of all claims, rights, liens, security interests and other encumbrances created or retained hereby, (b) execute and deliver to the Vendee for filing, recording or depositing in all necessary public offices, such instrument or instruments in writing as may be necessary or appropriate in order then to make clear upon the public records the title of the Vendee to such Equipment and (c) pay to the Vendee any money paid to the Vendor pursuant to Article 6 hereof and not theretofore applied as therein provided. The Vendee hereby waives and releases any and all rights, existing or that may be acquired, in or to the payment of any penalty, forfeit or damages for failure to execute and deliver such bill or bills of sale or instrument

or instruments or to file any such certificate of payment in compliance with any law or statute requiring the filing of the same, except for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file such certificate within a reasonable time after written demand by the Vendee.

ARTICLE 5. Taxes. All payments to be made by the Vendee hereunder will be free of expense to the Vendor for collection or other charges and will be free of expense to the Vendor with respect to the amount of any local, state, Federal or foreign taxes (other than net income taxes, gross receipts taxes [except gross receipts taxes in the nature of or in lieu of sale, use or rental taxes], franchise taxes measured by net income based upon such receipts, excess profits taxes and similar taxes) or license fees, assessments, documentary stamp taxes, charges, fines or penalties (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called impositions) hereafter levied or imposed upon or in connection with or measured by this Agreement or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof, all of which impositions the Vendee assumes and agrees to pay on demand in addition to the Purchase Price of the Equipment. The Vendee will also pay promptly all impositions which may be imposed upon the Equipment delivered to it or for the use or operation thereof or upon the earnings arising therefrom or upon the Vendor solely by reason of its ownership thereof and will keep at all times all and every part of the Equipment free and clear of all impositions which might in any way affect the security interest of the Vendor or result in a lien upon any part of the Equipment; provided, however, that the Vendee shall be under no obligation to pay any impositions of any kind so long as it is contesting in good faith (after written notice to the Vendor) and by appropriate legal proceedings such impositions and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the title, property or rights of the Vendor in or to the Equipment or otherwise under this Agreement. If any impositions shall have been charged or levied against the Vendor directly and paid by the Vendor, the Vendee shall reimburse the Vendor upon presentation of an invoice therefor, and any amounts so paid by the Vendor shall be secured by and under this Agreement; provided, however, that the Vendee shall not be obligated to reimburse the Vendor for any impositions so paid unless the Vendor shall have been legally liable with respect thereto

(as evidenced by an opinion of counsel for the Vendor acceptable to Vendee) or unless the Vendee shall have approved the payment thereof.

ARTICLE 6. Maintenance and Repair; Casualty Occurrences; Insurance. The Vendee agrees that, at its own cost and expense, it will maintain and keep each unit of the Equipment in good operating order, repair and condition.

In the event that any unit of the Equipment shall be or become worn out, lost, stolen, destroyed or, in the opinion of the Lessee, irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise by the United States government for a period which shall exceed the then remaining term of the Lease or by any other governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days or until the end of the term of the Lease (each such occurrence being herein called a Casualty Occurrence), the Vendee shall, within 30 days after it shall have determined that such unit has suffered a Casualty Occurrence, cause the Vendor to be fully informed in regard thereto. Notwithstanding any such Casualty Occurrence, the Vendee shall continue making payment of all installments of principal and interest in respect of such unit until the next succeeding date for the payment of interest on the CSA Indebtedness (hereinafter called a Casualty Payment Date). On such date the Vendee shall pay to the Vendor a sum equal to the Casualty Value (as hereinafter defined) of such unit suffering a Casualty Occurrence as of the date of such payment and shall file, or cause to be filed, with the Vendor a certificate setting forth the Casualty Value of such unit. Any money paid to the Vendor pursuant to this paragraph shall be applied on the date that such Casualty Value is paid (after the payment of the interest and principal due on such date) to prepay without penalty or premium the unpaid balance of the CSA Indebtedness with respect to such unit or units (in the manner provided in the second paragraph of Paragraph 10 of the Participation Agreement), and the Vendee will promptly furnish to the Vendor and the Lessee a revised schedule of payments of principal and interest thereafter to be made in respect of the remaining units in such number of counterparts as the Vendor may request.

Upon payment by the Vendee to the Vendor of the Casualty Value of any unit of the Equipment having suffered a Casualty Occurrence, absolute right to the possession

of, title to and property in such unit shall pass to and vest in the Vendee, without further transfer or action on the part of the Vendor, except that the Vendor, if requested by the Vendee, will execute and deliver to the Vendee, at the expense of the Vendee, an appropriate instrument, confirming such passage to the Vendee of all the Vendor's right, title and interest, and the release of the Vendor's security interest, in such unit, in recordable form, in order that the Vendee may make clear upon the public records the title of the Vendee to such unit.

The Vendee will at all times prior to the payment of the full indebtedness in respect of the Purchase Price of the Equipment, together with interest thereon and all other payments required hereby, cause to be carried and maintained insurance in respect of the Equipment as provided in the sixth paragraph of Section 6 of the lease.

The Casualty Value of each unit of the Equipment suffering a Casualty Occurrence shall be deemed to be that portion of the original CSA Indebtedness with respect to such unit remaining unpaid on the date as of which such Casualty Value shall be determined (without giving effect to any prepayment or prepayments theretofore made under this Article with respect to any other Unit), plus interest accrued thereon but unpaid as of such date. For the purpose of this paragraph, each payment of CSA Indebtedness in respect of Equipment made pursuant to Article 3 hereof shall be deemed to be a payment on each unit of the Equipment in like proportion as the original Purchase Price of such unit bears to the aggregate original Purchase Price of all the units of Equipment.

If the Vendor shall receive any insurance proceeds or condemnation payments in respect of such units suffering a Casualty Occurrence, the Vendor shall, subject to the Vendor having received payment of the Casualty Value hereunder, pay such insurance proceeds or condemnation payments to the Vendee. All insurance proceeds or condemnation payments received by the Vendor in respect of any unit or units of Equipment not suffering a Casualty Occurrence shall be paid to the Vendee upon proof satisfactory to the Vendor that any damage to such unit in respect of which such proceeds were paid has been fully repaired.

ARTICLE 7. Reports and Inspections. On or before November 1 in each year, commencing with the calendar year

1979, the Vendee shall cause to be furnished to the Vendor an accurate statement setting forth as of the preceding June 30 the amount, description and numbers of the Equipment (a) then covered hereby, (b) that have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Agreement in the case of the first such statement) and (c) then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs and setting forth such other information regarding the condition and state of repair of the Equipment as the Vendor may reasonably request and stating that, in the case of all Equipment repaired or repainted during the period covered by such statement, markings required by Article 8 hereof have been preserved or replaced. The Vendor shall have the right, by its agents, to inspect the Equipment and the Lessee's records with respect thereto at such reasonable times as the Vendor may request during the continuance of this Agreement.

ARTICLE 8. Marking of Equipment. The Vendee will cause each unit of the Equipment to be kept numbered with its identifying number as set forth in Schedule A hereto, or, in the case of Equipment not there listed, such identifying number as shall be set forth in any amendment or supplement hereto extending this Agreement to cover such Equipment, 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 following legend: "Ownership Subject to a Security Agreement filed with the Interstate Commerce Commission" or other appropriate words designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Vendor's security title to and property in the Equipment and its rights under this Agreement. The Vendee will not knowingly permit any such unit to be placed in operation or exercise any control over the same until such legend shall have been so marked on both sides thereof and will replace or will cause to be replaced promptly any such legend which may be removed, obliterated, defaced or destroyed. The Vendee will not knowingly permit the identifying number of any unit of the Equipment to be changed except in accordance with a statement of a new number or numbers to be substituted therefor, which statement previously shall have been filed with the Vendor and filed, recorded and deposited by the Vendee in all public offices where this Agreement shall have been filed, recorded and deposited.

Except as provided in the immediately preceding paragraph, the Vendee will not allow the name of any person, association or corporation to be placed on any unit of the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Vendee may allow the Equipment to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on railroad equipment used by them of the same or a similar type for convenience of identification of the rights of the Lessee or its affiliates to use the Equipment as permitted under the Lease.

ARTICLE 9. Compliance with Laws and Rules.

During the term of this Agreement, the Vendee will comply, and will cause every lessee or user of the Equipment to comply, in all respects (including, without limitation, with respect to the use, maintenance and operation of the Equipment) with all laws of the jurisdictions in which its or such lessees' operations involving the Equipment may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment, and in the event that such laws or rules require any alteration, replacement or modification, of or to any part on any unit of the Equipment, the Vendee will conform therewith at its own expense; provided, however, that the Vendee may, 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 Vendor, adversely affect the property or rights of the Vendor under this Agreement.

ARTICLE 10. Possession and Use. The Vendee, so long as an event of default shall not have occurred and be continuing under this Agreement, shall be entitled, from and after delivery of the Equipment to the Vendee, to the possession of the Equipment and the use thereof, but only upon and subject to all the terms and conditions of this Agreement and the Lease.

The parties hereto acknowledge that the Vendee simultaneously herewith is leasing the Equipment to the Lessee as provided in the Lease, and the rights of the Lessee and its permitted assigns under the Lease shall be subordinate and junior in rank to the rights, and shall be subject to the remedies, of the Vendor under this Agree-

ment. The Lease shall not be amended or terminated (except in accordance with its terms) without the prior written consent of the Vendor.

Subject to the provisions of the preceding paragraph of this Article 10, the Equipment may be used as provided in Section 11 of the Lease. Except as otherwise provided in the Lease, the Vendee may also lease the Equipment to any other railroad company with the prior written consent of the Vendor; provided, however, that (i) such lease shall provide that the rights of such lessee are made expressly subordinate to the rights and remedies of the Vendor under this Agreement, (ii) such lessee shall expressly agree not to assign or permit the assignment of any unit of the Equipment to service involving the regular operation and maintenance thereof outside the United States of America and (iii) a copy of such lease shall be furnished to the Vendor.

ARTICLE 11. Prohibition Against Liens. The Vendee will pay or discharge any and all sums claimed by any party from, through or under the Vendee or its successors or assigns which, if unpaid, might become a lien, charge, security interest or other encumbrance upon or with respect to the Equipment, or any unit thereof, or the Vendee's interests in the Lease or the payments due and to become due thereunder, or any part thereof, equal to or superior to the Vendor's security interest therein, and will promptly discharge any such lien, charge, security interest or other encumbrance which arises, but shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by any appropriate legal proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect the property or rights of the Vendor in or to the Equipment or otherwise under this Agreement. Any amounts paid by the Vendor in discharge of any claims, liens, charges or security interests upon the Equipment shall be secured by and under this Agreement.

This covenant will not be deemed breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent.

The foregoing provisions of this Article 11 shall

be subject to the limitations set forth in the last paragraph of Article 3 hereof and the provisions of Article 21 hereof; provided, however, that the Vendee will pay or discharge any and all claims, liens, charges or security interests claimed by any party from, through or under the Vendee or its successors and assigns, not arising out of the transactions contemplated hereby (but including tax liens arising out of the failure of the Vendee to pay net income or franchise taxes), equal or superior to the Vendor's security interest therein, which, if unpaid, might become a lien, charge or security interest on or with respect to the Equipment, or any unit thereof, or the Vendee's interest in the Lease and the payments to be made thereunder, but the Vendee shall not be required to pay or discharge any such claim so long as the validity or priority thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of counsel to the Vendor, adversely affect the security interest of the Vendor in or to the Equipment or otherwise under this Agreement or in and to the Lease and the payments to be made thereunder.

ARTICLE 12. Indemnities and Warranties. The Vendee agrees to indemnify, protect and hold harmless the Vendor from and against all losses, damages, injuries, liabilities, including, without limitation, strict or absolute liability in tort or by statute imposed, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including but not limited to counsel fees and expenses, penalties and interest, arising out of or as the result of the entering into or the performance of this Agreement, the retention by the Vendor of security title to or a security interest in the Equipment, the ordering, acquisition, use, operation, condition, reconstruction, purchase, delivery, rejection, storage or return of any of the Equipment, any accident in connection with the operation, use, condition, reconstruction, possession, storage or return of any of the Equipment resulting in damage to property or injury or death to any person during the period when title thereto remains in the Vendor or the transfer of title to the Equipment by the Vendor pursuant to any of the provisions of this Agreement, except, however, any losses, damages, injuries, liabilities, claims and demands whatsoever arising out of any tort, breach of warranty or failure to perform any covenant hereunder by the Builder. This covenant of indemnity shall continue in full force and effect notwithstanding the full payment of the indebtedness in respect of the

Purchase Price of, and the release of the security interest in, the Equipment, as provided in the last paragraph of Article 4 hereof, or the termination of this Agreement in any manner whatsoever.

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

THE VENDOR MAKES NO WARRANTIES WHETHER WRITTEN, ORAL, STATUTORY OR IMPLIED, INCLUDING THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO THE HULKS OR THE EQUIPMENT OR IN CONNECTION WITH THIS AGREEMENT OR THE DELIVERY AND SALE OF THE EQUIPMENT HEREUNDER.

The Builder warrants that the Hulks will be reconstructed in accordance with the Specifications and standards set forth or referred to in Article 1 hereof and warrants that the Equipment will be free from defects in material or workmanship or design under normal use and service. THIS WARRANTY IS EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, WITH RESPECT TO RECONSTRUCTION, EXPRESSED OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. The Builder agrees to and does hereby, to the extent legally possible without impairing any claim, right or cause of action hereinafter referred to, transfer, assign, set over and deliver to the Vendor and, subject to the rights of the Vendor under this Agreement, to the Vendee, every claim, right and cause of action which the Builder has or hereafter shall have against any party who shall perform any of the reconstruction of the Hulks and the Builder agrees to execute and deliver to the Vendor and the Vendee all and every such further assurance as may be reasonably requested more fully to effectuate the assignment, transfer and delivery of every such claim, right and cause of action.

The Builder agrees to indemnify, protect and hold harmless the Vendor and the Vendee from and against any and all liability, including, without limitation, strict or absolute liability in tort or by statute imposed, claims, demands, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendor and the Vendee (i) because of the use in or about the construction or operation of the Equipment or the reconstruction of the Hulks, or any unit thereof, of

any design, article or material infringing or claimed to infringe on any patent or other right or (ii) arising out of any accident or tort in connection with the reconstruction, operation, use, condition, possession or storage by the Builder of any of the Hulks or any unit of the Equipment resulting in damage to property or injury or death to any person. The Vendor will give notice to the Builder of any claim known to it from which liability may be charged against the Builder under this paragraph.

The warranties and indemnities contained or referred to in this Article 12 and in any other Articles hereof and all other covenants and obligations of the Builder contained in this Agreement shall inure to the benefit of, and be enforceable by the Vendee, the Vendor, any lessor, lessee, assignee or transferee of this Agreement or of any units of the Equipment reconstructed by the Builder hereunder.

ARTICLE 13. Assignments. The Vendee will not (a) except as provided in Article 10 hereof, transfer the right to possession of any unit of the Equipment or (b) sell, assign, transfer or otherwise dispose of its rights under this Agreement unless such sale, assignment, transfer or disposition (i) is made expressly subject in all respects to the rights and remedies of the Vendor hereunder (including without limitation, rights and remedies against the Vendee) and (ii) is made to a bank or trust company having capital and surplus aggregating at least \$50,000,000, or an affiliate of the Vendee, and such bank, trust company or affiliate of the Vendee expressly assumes, in writing, in form reasonably satisfactory to the Vendor, all the obligations of the Vendee under this Agreement; provided, however, no such sale, assignment, transfer or disposition to an affiliate of the Vendee shall in any manner relieve the Vendee of its status as a primary obligor hereunder.

All or any of the rights, benefits and advantages of the Vendor under this Agreement, including the right to receive the payments herein provided to be made by the Vendee, may be assigned by the Vendor and reassigned by any assignee at any time or from time to time. No such assignment shall subject any assignee to, or relieve the Builder from, any of the obligations of the Builder to reconstruct and deliver the Equipment in accordance herewith or to respond to its warranties and indemnities contained or referred to in Article 12 hereof or relieve the Vendee of its obligations to the Builder or diminish the rights of the Vendee contained or referred to in this Agreement.

Upon any such assignment, either the assignor or

the assignee shall give written notice to the Vendee, together with a counterpart or copy of such assignment, stating the identity and post office address of the assignee, and such assignee shall, by virtue of such assignment, acquire all the assignor's right, title and interest in and to the Equipment and this Agreement, or in and to a portion thereof, as the case may be, subject only to such reservations as may be contained in such assignment. From and after the receipt by the Vendee of the notification of any such assignment, all payments thereafter to be made by the Vendee under this Agreement shall, to the extent so assigned, be made to the assignee in such manner as it may direct and shall constitute full compliance with the terms of this Agreement. The Vendee may rely upon instruments or documents which it believes in good faith to be true and authentic.

ARTICLE 14. Defaults. In the event that any one or more of the following events of default shall occur and be continuing (without regard to the limitations provided for in the last paragraph of Article 3 hereof or in Article 21 hereof):

(a) the Vendee shall fail to pay in full any sum payable by the Vendee when payment thereof shall be due hereunder and such default shall continue for ten days; or

(b) the Vendee shall, for more than 30 days after the Vendor shall have demanded in writing performance thereof, fail or refuse to comply with any other covenant, agreement, term or provision of this Agreement or of any agreement entered into concurrently herewith relating to the financing of the Equipment, on its part to be kept and performed or to make provision satisfactory to the Vendor for such compliance; or

(c) a petition for reorganization under the Federal Bankruptcy Act, as now constituted or as it may be hereafter amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under the Lease shall not have been (and shall not continue to be), duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings in

such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after the commencement of the case; or

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

(e) the Vendee shall make or permit any unauthorized assignment or transfer of this Agreement or any interest herein or any unauthorized transfer of the right to possession of any unit of the Equipment;

then at any time after the occurrence of such an event of default the Vendor may upon written notice to the Vendee and upon compliance with any legal requirements then in force and applicable to such action by the Vendor, (i) cause the term of the Lease immediately upon such notice to terminate (and the Vendee acknowledges the right of the Vendor to terminate the Lease) but without affecting the indemnities or other agreements of the Lessee which by the provisions of the Lease survive the termination of its term and/or (ii) declare (hereinafter called a Declaration of Default) the entire

unpaid CSA Indebtedness together with the interest thereon then accrued and unpaid, immediately due and payable, without further demand, and thereafter the aggregate of the unpaid balance of such indebtedness and interest shall bear interest from the date of such Declaration of Default at the rate per annum specified in Article 3 hereof as being applicable to amounts remaining unpaid after becoming due and payable, to the extent legally enforceable. Upon a Declaration of Default, subject to Article 3 hereof, the Vendor shall be entitled to recover judgment for the entire unpaid balance of the CSA, with interest as aforesaid, and to collect such judgment out of any property of the Vendee, subject to the limitations of Articles 3 and 21 hereof, wherever situated. The Vendee agrees to notify the Vendor promptly of any event of which it has knowledge which constitutes, or with the giving of notice and/or lapse of time could constitute, an event of default under this Agreement.

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

ARTICLE 15. Remedies. At any time during the continuance of a Declaration of Default, the Vendor may, upon such further notice and action, if any, as may be required for compliance with any mandatory legal requirements then in force and applicable to the action to be taken by the Vendor, take or cause to be taken, by its agent or agents, immediate possession of the Equipment, or one or more of the units thereof, without liability to return to the Vendee any sums theretofore paid and free from all claims whatsoever, except as hereinafter in this Article 15 expressly provided, and may remove the same from possession and use of the Vendee, the Lessee or any other person and for such purpose may enter upon the premises of the Vendee or the Lessee or any other premises where the Equipment may be located and may use and employ in connection with such removal any supplies,

services and aids and any available trackage and other facilities or means of the Vendee or the Lessee, subject to all mandatory requirements of due process of law.

In case the Vendor shall demand possession of the Equipment pursuant to this Agreement and shall designate a reasonable point or points for the delivery of the Equipment to the Vendor, the Vendee shall, at its own expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, causing prompt telegraphic and written notice to be given to the Association of American Railroads and all railroads to which any unit or units of the Equipment have been interchanged to return the unit or units so interchanged) cause the Equipment to be placed upon such storage tracks of the Lessee as the Vendor reasonably may designate;

(b) permit the Vendor to store the Equipment on such tracks at the risk of the Vendee without charge for insurance, rent or storage until the Equipment has been sold, leased or otherwise disposed of by the Vendor; and

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

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

At any time during the continuance of a Declaration of Default, the Vendor (after retaking possession of the

Equipment as hereinbefore in this Article 15 provided) may, at its election and upon such notice as is hereinafter set forth, retain the Equipment in satisfaction of the entire CSA Indebtedness and make such disposition thereof as the Vendor shall deem fit. Written notice of the Vendor's election to retain the Equipment shall be given to the Vendee by telegram or registered mail, addressed as provided in Article 20 hereof, and to any other persons to whom the law may require notice, within 30 days after such Declaration of Default. In the event that the Vendor should elect to retain the Equipment and no objection is made thereto within the 30-day period described in the first proviso below, all the Vendee's rights in the Equipment shall thereupon terminate and all payments made by the Vendee may be retained by the Vendor as compensation for the use of the Equipment; provided, however, that if the Vendee or any other persons notified under the terms of this paragraph object in writing to the Vendor within 30 days from the receipt of notice of the Vendor's election to retain the Equipment, then the Vendor may not so retain the Equipment, but shall sell, lease or otherwise dispose of it or continue to hold it pending sale, lease or other disposition as hereinafter provided or as may otherwise be permitted by law; provided, further, that if the Vendee, before the expiration of the 30-day period described in the proviso above, should pay or cause to be paid to the Vendor the total unpaid balance of the indebtedness in respect of the Purchase Price of the Equipment, together with interest thereon accrued and unpaid and all other payments due under this Agreement, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee. If the Vendor shall not have given notice to retain as hereinabove provided or notice of intention to dispose of the Equipment in any other manner, it shall be deemed to have elected to sell the Equipment in accordance with the provisions of this Article 15.

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

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

Any sale hereunder may be held or conducted at New York, New York, at such time or times as the Vendor may specify (unless the Vendor shall specify a different place or places, in which case the sale shall be held at such place or places as the Vendor may specify), in one lot and as an entirety or in separate lots and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner as the Vendor may determine, so long as such sale shall be in a commercially reasonable manner. The Vendor, or the Vendee may bid for and become the purchaser of the Equipment, or any unit thereof, so offered for sale. The Vendee shall be given written notice of such sale not less than ten days prior thereto by telegram or registered mail, addressed as provided in Article 20 hereof. If such sale shall be a private sale (which shall be deemed to mean only a sale where an advertisement for bids has not been published in a newspaper of general circulation or a sale where less than 40 offerees have been solicited in writing to submit bids), it shall be subject to the right of the Vendee to purchase or provide a purchaser, within ten days after notice of the proposed sale price, at the same price offered by the intending purchaser or a better price. In the event that the Vendor shall be the purchaser thereof, it shall not be accountable to the Vendee (except to the extent of surplus money received as hereinafter provided in this Article 15), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all sums due to the Vendor hereunder.

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

If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall remain any amount due to it under the provisions of this Agreement, the Vendee shall, subject to the provisions of the last paragraph of Article 3 hereof, pay the amount of such deficiency to the Vendor upon demand, together with interest from the date of such demand to the date of payment, at the rate per annum specified in Article 3 hereof as being applicable to amounts remaining unpaid after becoming due and payable, and, if the Vendee shall fail to pay such deficiency, the Vendor may bring suit therefor and shall, subject to the limitations of the last paragraph of Article 3 and in Article 21 hereof, be entitled to recover a judgment therefor against the Vendee. If, after applying as aforesaid all sums realized by the Vendor, there shall remain a surplus in the possession of the Vendor, such surplus shall be paid to the Vendee.

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

shall be included in such judgment.

The foregoing provisions of this Article 15 are subject in all respects to all mandatory legal requirements at the time in force and applicable thereto.

ARTICLE 16. Applicable State Laws. Any provision of this Agreement prohibited by any applicable law of any jurisdiction which is not overridden by applicable Federal law shall as to such jurisdiction be ineffective, without modifying the remaining provisions of this Agreement. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby waived by the Vendee to the full extent permitted by law, it being the intention of the parties hereto that this Agreement shall be deemed to be a conditional sale and enforced as such.

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

ARTICLE 17. Recording. The Vendee will cause this Agreement, any assignments hereof and any amendments or supplements hereto or thereto to be filed and recorded in accordance with Section 20c of the Interstate Commerce Act, as amended; and the Vendee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record any and all further instruments required by law or reasonably requested by the Vendor for the purpose of proper protection, to the satisfaction of special counsel for the Vendor, of its security title to the Equipment and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Vendee will promptly furnish to the Vendor certificates or other evidence of such filing, registering, depositing and recording satisfactory to the Vendor.

ARTICLE 18. Article Headings. The table of contents and all article headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

ARTICLE 19. Effect and Modification of Agreement. Except for the Participation Agreement, this Agreement, including any annexes or schedules or exhibits hereto, exclusively and completely states the rights of the parties hereto with respect to the Hulks and the Equipment and supersedes all other agreements oral or written, with respect to the Hulks and the Equipment. No variation or modification of this Agreement and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized representatives of the parties hereto.

ARTICLE 20. Notice. Any notice hereunder to any of the parties designated below shall be deemed to be properly served if delivered or mailed to it at its place of business at the following specified addresses; provided, however, that notice pursuant to the second paragraph of Article 3 establishing the Closing Date shall not be deemed served until received:

(a) to the Vendor, at P. O. Box 2258, Baltimore, Maryland 21203, Attention of Corporate Trust Department,

(b) to the Vendee, at 45 Cardinal Drive, Westfield, New Jersey 07902, Attention of Grover Connell, President,

(c) to the Builder, at 2 North Charles Street, Baltimore, Maryland 21201, Attention of Senior Assistant Treasurer,

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

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

ARTICLE 21. Immunities; Satisfaction of Undertakings. No recourse shall be had in respect of any obligation due under this Agreement, or referred to herein, against any incorporator, stockholder, beneficiary, director or officer, as such, past, present or future, of the parties hereto, whether by virtue of any constitutional provision, statute or rule of law or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such incorporators, beneficiaries, stockholders,

directors or officers being forever released as a condition of and as consideration for the execution of this Agreement.

The obligations of the Vendee under the second, seventh and eighth paragraphs of Article 15 and under Articles 2, 5, 6 (other than the third and fourth sentences of the second paragraph thereof to the extent requiring delivery of certificates and payment schedules as therein provided and other than the payment obligations which are limited under the last paragraph of Article 3 hereof), 7, 8, 9, 11 (other than the proviso to the last paragraph thereof), 12 and 17 hereof, or any other obligations hereunder except under Article 13 hereof not covered by the provisions of the last paragraph of Article 3 hereof, shall be deemed in all respects satisfied by the Lessee's undertakings contained in the Lease. The Vendee shall not have any responsibility for the Lessee's failure to perform such obligations, but if the same shall not be performed they shall constitute the basis for an event of default hereunder pursuant to Article 14 hereof. No waiver or amendment of the Lessee's undertakings under the Lease shall be effective unless joined in by the Vendor.

It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that this Agreement is executed and delivered by the Agent, not in its individual capacity but solely as Agent under the Participation Agreement.

ARTICLE 22. Law Governing. The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of New Jersey; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act, as amended, and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited.

ARTICLE 23. Execution. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same contract, which shall be sufficiently evidenced by any such original counterpart. Although this Agreement is dated as of the date set forth on the cover hereof, for convenience, the actual

date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

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

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, not in its individual capacity but solely as Agent,

by [Signature]
Assistant Vice President

[Corporate Seal]

Attest:

[Signature]
Corporate Trust Officer

THE CHESAPEAKE AND OHIO RAILWAY COMPANY, in its capacity as Builder and Lessee,

by [Signature]
Assistant Vice President
and Treasurer

[Corporate Seal]

Attest:

[Signature]
Assistant Secretary

APPROVED AS TO FORM
[Signature]
GENERAL ATTORNEY
10/30/78

CONNELL RICE & SUGAR CO., INC.
(Connell Leasing Company Division),

by [Signature]
President

[Corporate Seal]

Attest:

[Signature]
Secretary

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

On this *30th* day of October 1978, before me personally appeared George J. Johnston, to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[Notarial Seal]

Patricia A. Shelton

Notary Public



My Commission expires *7-1-82*

STATE OF OHIO,)
) ss.:
COUNTY OF CUYAHOGA,)

On this *30TH* day of October 1978, before me personally appeared L. C. Roig, Jr., to me personally known, who, being by me duly sworn, says that he is Assistant Vice-President and Treasurer of THE CHESAPEAKE AND OHIO RAILWAY COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[Notarial Seal]

Clara Masuga

Notary Public

My Commission expires CLARA MASUGA, Notary Public
State of Ohio - Cuyahoga County
My Commission Expires April 21, 1979

Reconstruction and Conditional Sale Agreement

SCHEDULE A

Specifications of the Equipment

<u>Quantity</u>	<u>AAR Mechanical Designation</u>	<u>Description</u>	<u>Railroad Road Numbers*</u>	<u>Vendee's Specification</u>	<u>Hulk Purchase Price</u>		<u>Base Reconstruction Cost</u>		<u>Purchase Price</u>	
					<u>Per Unit</u>	<u>Total</u>	<u>Per Unit</u>	<u>Total</u>	<u>Per Unit</u>	<u>Total</u>
40	XL	50' 50-ton Box Cars	A	91355	\$4,000	\$ 160,000	\$4,270	\$ 170,800	\$ 8,270	\$ 330,800
23	XL	50' 50-ton Box Cars	B	91355	4,000	92,000	4,270	98,210	8,270	190,210
18	XL	50' 50-ton Box Cars	C	91351	2,000	36,000	8,682	156,276	10,682	192,276
30	XM	50' 50-ton Box Cars	D	91357	3,000	90,000	4,420	132,600	7,420	222,600
30	XM	50' 50-ton Box Cars	E	91357	3,000	90,000	4,420	132,600	7,420	222,600
200	GB	52'6" 70-ton Gondola Cars	F	91371	4,000	800,000	6,103	1,220,600	10,103	2,020,600
207	HT	70-ton Open Top Hoppers	G	90002 96998	4,000	828,000	5,030	1,041,210	9,030	1,869,210
155	HT	70-ton Open Top Hoppers	H	91376	4,000	620,000	5,030	779,650	9,030	1,399,650
<u>703</u>						<u>\$2,716,000</u>		<u>\$3,731,946</u>		<u>\$6,447,946</u>

* Each letter in the column below will be deemed to refer to the Railroad Road Numbers appearing opposite such letter as it appears elsewhere in this Schedule A.

SCHEDULE A
(Continued)

Railroad Road Numbers

A.

C&O

22002	22047	22111	22157
22004	22049	22113	22193
22008	22060	22114	22194
22017	22069	22128	22199
22021	22077	22132	22209
22025	22078	22137	22212
22032	22087	22141	22230
22033	22093	22143	22242
22038	22094	22150	22243
22041	22108	22156	22249

B.

C&O

27818	27958	28059	28700
27836	27963	28063	28797
27839	27975	28153	28809
27851	27982	28192	28824
27898	27983	28312	28846
27957	28043	28689	

C.

C&O

27831	28020	28501	28766
27885	28021	28530	28779
27926	28067	28568	28954
27954	28247	28669	
27996	28420	28692	

D.

C&O

19754	19787	19880	19950
19759	19789	19903	19952
19761	19792	19909	19953
19764	19804	19914	19961
19768	19824	19919	19977
19769	19839	19931	19979
19772	19842	19943	
19784	19858	19944	

E.

B&O

288016	288156	288363	288554
288061	288217	288384	288606
288066	288228	288399	288633
288072	288230	288414	288645
288123	288276	288470	288668
288127	288300	288497	288684
288138	288323	288526	
288151	288361	288529	

F.

B&O

352000	352144	352259	352363
352005	352147	352260	352365
352010	352151	352263	352369
352011	352153	352264	352370
352012	352154	352265	352372
352015	352161	352267	352373
352016	352165	352271	352375
352018	352167	352274	352378
352019	352169	352278	352382
352020	352171	352279	352383
352022	352176	352280	352387
352024	352177	352281	352388
352025	352178	352283	352390
352026	352179	352285	352391
352030	352180	352287	352395
352032	352182	352291	352396
352033	352188	352292	352398
352038	352190	352293	352400
352039	352192	352294	352401
352042	352193	352295	352402
352043	352194	352296	352408
352045	352195	352297	352409
352051	352198	352299	352411
352061	352201	352300	352415
352072	352202	352301	352418
352075	352203	352302	352422
352076	352208	352303	352424
352077	352209	352304	352425
352078	352210	352306	352431
352080	352211	352308	352433
352081	352212	352310	352434
352082	352213	352312	352435
352085	352216	352319	352438
352086	352221	352321	352439
352089	352224	352323	352442
352091	352231	352324	352444
352094	352234	352325	352445
352095	352235	352327	352447
352099	352238	352328	352456
352100	352239	352329	352457
352102	352240	352330	352462
352104	352246	352331	352466
352113	352247	352332	352469
352117	352248	352334	352474
352121	352250	352340	352475
352125	352251	352344	352476
352132	352252	352346	352494
352135	352253	352347	352496
352136	352254	352358	352497
352139	352255	352361	352499

G.

WM

71232	80028	80142	80318
71235	80030	80146	80323
71244	80032	80148	80334
71276	80034	80151	80345
71277	80037	80179	80348
71311	80040	80181	80354
71314	80053	80185	80368
71359	80055	80187	80370
71391	80071	80195	80372
71397	80073	80208	80379
71404	80078	80210	80391
71443	80080	80214	80397
71445	80082	80219	80412
71447	80096	80221	80435
71477	80099	80225	80456
80004	80119	80242	80482
80010	80128	80246	80483
80011	80131	80249	80489
80014	80134	80260	80491
80022	80140	80266	80497
80024	80141	80307	80498

B&O

10043	11311	12347	13518	14497
10059	11346	12363	13542	14509
10066	11393	12371	13555	14538
10084	11396	12526	13565	14559
10136	11448	12528	13679	14561
10155	11459	12535	13683	14570
10159	11471	12608	13771	14612
10180	11492	12662	13781	14636
10234	11495	12682	13785	14741
10315	11553	12685	13797	14753
10348	11570	12717	13939	14801
10378	11663	12841	13995	14804
10386	11677	12882	14029	14838
10407	11693	12895	14054	14841
10428	11847	12953	14107	14975
10432	11910	12990	14187	14976
10439	12025	13052	14193	14988
10543	12027	13076	14209	15090
10652	12045	13293	14241	15093
10722	12124	13302	14271	15118
10928	12131	13361	14328	15138
10932	12149	13457	14349	15158
10945	12234	13476	14378	15217
11075	12326	13501	14410	
11219	12330	13508	14466	

H.

C&O

103009	103348	103655	103967
103011	103351	103657	103974
103012	103359	103684	103975
103017	103362	103709	103993
103021	103368	103711	
103034	103382	103718	
103049	103395	103721	
103057	103410	103730	
103066	103417	103790	
103068	103419	103793	
103079	103437	103814	
103114	103451	103823	
103158	103466	103838	
103167	103485	103845	
103196	103487	103847	
103201	103489	103882	
103206	103504	103883	
103213	103515	103892	
103240	103525	103895	
103243	103530	103908	
103251	103557	103909	
103258	103565	103910	
103269	103567	103922	
103286	103584	103948	
103308	103591	103957	
103315	103609	103964	
103325	103635	103966	
150006	150396	150666	151053
150060	150406	150688	151066
150063	150412	150703	151093
150071	150457	150707	151096
150116	150464	150712	151159
150134	150483	150723	151176
150188	150498	150733	151209
150192	150500	150761	151227
150210	150517	150800	151243
150216	150525	150820	151266
150235	150531	150826	151271
150282	150534	150829	151313
150325	150542	150838	151367
150340	150549	150846	151368
150346	150586	150941	151403
150350	150657	150966	151451
150363	150659	150989	
150372	150662	150999	

Reconstruction and Conditional Sale Agreement

SCHEDULE B

Schedule of Closings

<u>Date</u>	<u>Cumulative Maximum Total Amount</u>
December 1, 1978	\$3,500,000
December 28, 1978	7,000,000
February 15, 1979	7,092,741

EXHIBIT A
TO RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

TRANSFER AGREEMENT

As of October 1, 1978

Mercantile-Safe Deposit and Trust Company,
not in its individual capacity
but solely as Agent,
P. O. Box 2258,
Baltimore, Maryland 21203.

Attention of Corporate Trust Department.

The undersigned proposes to acquire the used railroad equipment described in Annex I hereto (hereinafter called the Hulks) from The Chesapeake and Ohio Railway Company (hereinafter called the Builder) and desires to have such Hulks reconstructed. The undersigned hereby agrees with you as follows:

1. In order to cause the Hulks to be reconstructed and sold to us by you on conditional sale, the undersigned hereby assigns and transfers to you (WITHOUT ANY WARRANTIES, INCLUDING, BUT NOT LIMITED TO, WARRANTIES AS TO TITLE, FITNESS, MERCHANTABILITY OR WORKMANSHIP) security title to the Hulks.
2. You will hold security title under and pursuant to the Reconstruction and Conditional Sale Agreement dated as of the date hereof (hereinafter called the Agreement), among you, the Builder and us, and you will request that the Hulks be reconstructed, pursuant thereto in accordance with the specifications referred to in Schedule A thereto. In accordance with the Agreement the undersigned will cause the Hulks to be delivered to the Builder on your behalf.
3. Upon completion of the reconstruction, the reconstructed Hulks will be delivered and conditionally sold by you to us in accordance with the Agreement.
4. If Hulks are excluded from the Agreement you shall release and reassign to us your security interest in such Hulks, without warranty.

5. It is understood and agreed that this Agreement is being entered into solely to permit you to effectuate the foregoing and your interest in the Hulks, in present form or as reconstructed, is a security interest and that we shall at all times be the owner of the same. It is further understood and agreed that we shall have no personal liability under this Agreement, our obligations being solely as set forth in that certain Participation Agreement dated as of the date hereof, among us, the Builder and the other parties thereto, and the other agreements annexed to such Participation Agreement.

6. It is understood and agreed that this Agreement may be executed by you and us in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same contract, which shall be sufficiently evidenced by any such original counterpart.

If the foregoing is in accordance with your understanding, please sign each of the enclosed counterparts of this letter in the space provided and return one counterpart to us.

Very truly yours,

CONNELL RICE & SUGAR CO., INC.
(Connell Leasing Company Division),

[Corporate Seal]

by

President

Attest:

by

Secretary

ACCEPTED:

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, not in its individual capacity but solely as Agent,

[Corporate Seal]

Attest:

by

Assistant Vice President

by

Corporate Trust Officer

STATE OF NEW JERSEY,)
) ss.:
 COUNTY OF UNION,)

On this day of October 1978, before me personally appeared Grover Connell, to me personally known, who, being by me duly sworn, says that he is President of CONNELL RICE & SUGAR CO., INC. (Connell Leasing Company Division), that the seal 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 a free act and deed of said corporation.

 Notary Public

[Notarial Seal]

My commission expires

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

On this day of October 1978, before me personally appeared George J. Johnston, to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, that the seal 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 a free act and deed of said corporation.

 Notary Public

[Notarial Seal]

My commission expires

TRANSFER AGREEMENT

ANNEX I

<u>Quantity</u>	<u>Description</u>	<u>Railroad Road Numbers*</u>
40	50' 50-ton Box Cars	A
23	50' 50-ton Box Cars	B
18	50' 50-ton Box Cars	C
30	50' 50-ton Box Cars	D
30	50' 50-ton Box Cars	E
200	52'6" 70-ton Gondola Cars	F
207	70-ton Open Top Hoppers	G
155	70-ton Open Top Hoppers	H
<u>703</u>		

* Each letter in the column below will be deemed to refer to the Railroad Road Numbers appearing opposite such letter as it appears in Schedule A of the RCSA.

EXHIBIT B
to the
RECONSTRUCTION AND
CONDITIONAL SALE
AGREEMENT

LEASE OF RAILROAD EQUIPMENT

Dated as of October 1, 1978

Between

THE CHESAPEAKE AND OHIO RAILWAY COMPANY,
as Lessee,

and

CONNELL RICE & SUGAR CO., INC.
(Connell Leasing Company Division),
as Lessor

LEASE OF RAILROAD EQUIPMENT

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LEASE OF RAILROAD EQUIPMENT, dated as of October 1, 1978, between THE CHESAPEAKE AND OHIO RAILWAY COMPANY, a Virginia corporation (hereinafter called the Lessee or the Builder), and CONNELL RICE & SUGAR CO., INC. (Connell Leasing Company Division), a New Jersey corporation (hereinafter called the Lessor or the Vendee).

The Builder, the Vendee and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, not in its individual capacity but solely as Agent (said bank as so acting, being hereinafter, together with its successors and assigns, called the Vendor), under a Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement) with the Lessor, the Lessee and the investor or investors referred to therein, are entering into a Reconstruction and Conditional Sale Agreement dated as of the date hereof (hereinafter called the RCSA), wherein the Vendor has agreed to sell to the Vendee its interest in the railroad equipment described in Schedule A hereto after it has been reconstructed pursuant to the terms of the RCSA.

The Lessee desires to lease all the units of said equipment, or such lesser number as are delivered, accepted and settled for under the RCSA (such units being hereinafter called the Units), at the rentals and for the terms and upon the conditions hereinafter provided.

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, but subject to all the rights and remedies of the Vendor under the RCSA:

Section 1. Delivery and Acceptance of Units.

The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the RCSA. The Lessor will cause each Unit to be tendered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under the RCSA. Upon such tender, the Lessee will cause an authorized representative of the Lessee to inspect the same, and if such Unit is found to be in good order, to

accept delivery of such Unit and execute and deliver to the Lessor a certificate of acceptance and delivery (hereinafter called the Certificate of Acceptance), whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

Section 2. Rental. The Lessee agrees to pay to the Lessor as rental for each Unit subject to this Lease one interim and 16 consecutive semiannual payments in arrears. The interim payment is payable on February 15, 1979. The 16 semiannual payments are payable on February 15 and August 15 in each year, commencing August 15, 1979, to and including February 15, 1987. The interim payment payable on February 15, 1979, shall be in an amount equal to the sum of (i) the product of the Purchase Price as such term is defined in the RCSA for each Unit subject to this Lease settled for under the RCSA on or prior to December 31, 1978, multiplied by .026042% for each calendar day elapsed from and including the date of settlement thereof and to but not including February 15, 1979, and (ii) the product of the Purchase Price of each Unit settled for on or after January 1, 1979, multiplied by .026042% for each calendar day elapsed from and including the date of settlement thereof to but not including February 15, 1979. The 16 semiannual rental payments with respect to each Unit then subject to this Lease shall each be in an amount equal to 7.17601% of the Purchase Price of each such Unit for each Unit delivered and accepted under the RCSA on or prior to December 31, 1978; and the applicable percentage of such Purchase Price of each such Unit shall be 7.43891% for each Unit delivered and accepted from January 1, 1979, through February 15, 1979. The foregoing rental rates have been calculated on the assumption that (i) on February 15, 1979, certain institutional investors will deposit with the Agent an amount equal to the original Investor's unrepaid investment, and such amount will be paid to the original Investor upon surrender of its Certificate of Interest; (ii) the interest payable on the CSA Indebtedness (as defined in the RCSA) shall be 9-3/8% per annum; and (iii) the Reconstruction Cost (as defined in the RCSA) equals at least 57.88% of the total Purchase Price of the Units. If for any reason the amount deposited as described in (i) of the next preceding sentence is less than contemplated, or if the funds deposited by said institutional investors bear an interest rate other than 9-3/8% per annum or if the Reconstruction Cost is less than 57.88% of the total Purchase Price of the Units, the

Lessor and the Lessee agree that the rentals payable hereunder and the Casualty Value percentages set forth in Schedule B hereto will be adjusted, if necessary in the Lessor's opinion, in order that the Lessor's net after-tax rate of return (computed on the same assumptions, including, without limitation, tax rates, as were utilized by the Lessor in establishing the lease rate for this transaction) will not be increased or decreased by reason thereof; provided, however, that the rentals and Casualty Value percentages, as so adjusted, shall be sufficient to satisfy the obligations of the Lessor under the RCSA, notwithstanding any limitation of liability contained therein.

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

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

hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever. All payments under the Lease shall be made by bank wire transfer of Federal or other funds immediately available at, and not later than 10:00 a.m. Baltimore time, in the city where such payments are due.

Section 3. Term of Lease. The term of this Lease as to each Unit shall begin on the date of the delivery to and acceptance by the Lessee of such Unit and, subject to the provisions of Sections 6, 9 and 12 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due hereunder; provided, however, all the obligations of the Lessee, except for the payment of rent and the furnishing of annual reports, shall continue until surrender of the Units in accordance with Section 13 hereof.

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

Section 4. Identification Marks. The Lessee, so long as this Lease shall remain in effect, will cause each Unit to be kept numbered with the road number set forth in Schedule A hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of such Unit, the legend required by Article 8 of the RCSA or other appropriate markings designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect Lessor's and Vendor's title to and property in such Unit and the rights of the Lessor under this Lease and of the Vendor under the RCSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same

until such legend shall have been so marked on both sides thereof and will replace promptly any such legend which may be removed, obliterated, defaced or destroyed. The Lessee will not change the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and filed, recorded and deposited by the Lessee in all public offices where this Lease and the RCSA shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to that effect and to the further effect that such filing, recordation and deposit will protect the Vendor's and the Lessor's interests in such Units and that no filing, recording, depositing or giving of notice with or to any other Federal, state or local government or agency thereof is necessary to protect the interests of the Vendor and the Lessor in such Units.

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

Section 5. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, Federal or foreign taxes (other than any United States Federal income tax and, to the extent that the Lessor receives credit therefor against its United States Federal income tax liability, any foreign income tax payable by the Lessor in consequence of the receipt of payments provided herein and other than the aggregate of all state and city income taxes and franchise taxes measured by net income except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided), assessments, documentary stamp taxes, or license fees and any charges, fines or penalties in connection therewith (hereinafter called impositions) now or hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use,

payment, shipment, delivery or transfer of title under the terms hereof or the RCSA, all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all impositions which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all impositions which might in any way affect the title of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any impositions so long as it is contesting in good faith and by appropriate legal proceedings such impositions and the nonpayment thereof does not, in the opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or of the Vendee under the RCSA. If any impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor.

In the event that the Lessor shall become obligated to make any payment to the Vendor pursuant to Article 5 of the RCSA not covered by the foregoing paragraph of this Section 5, the Lessee shall pay such additional amounts (which shall also be deemed impositions hereunder) to the Lessor as will enable the Lessor to fulfill completely its obligations pursuant to said Article 5.

In the event any reports with regard to impositions are required to be made on the basis of individual Units or otherwise, the Lessee will, where permitted to do so under applicable rules or regulations, make and timely file such reports in such manner as to show the interest of the Lessor and the Vendor in the Units as shall be satisfactory to the Lessor and the Vendor or, where not so permitted, will notify the Lessor and the Vendor of such requirement and will prepare and deliver such reports to the Lessor and the Vendor within a reasonable time prior to the time such reports are to be filed in such manner as shall be satisfactory to the Lessor and the Vendor.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any impositions, pursuant to this Section 5, such liability shall continue, notwithstanding the expiration of this Lease, until all such impositions are paid or reim-

bursed by the Lessee.

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

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

In the event that any Unit shall be or become worn out, lost, stolen, destroyed or, in the opinion of the Lessee, irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise by the United States Government for a period which shall exceed the then remaining term of this Lease or by any other governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days or until the end of the term of this Lease (each such occurrence being hereinafter called a Casualty Occurrence) prior to the return of such Unit in the manner set forth in Section 13 hereof and the expiration of the storage period provided therein, the Lessee shall, within 30 days after it shall have determined that such Unit has suffered a Casualty Occurrence, fully notify the Lessor and the Vendor in writing with respect thereto. Notwithstanding any such Casualty Occurrence, the Lessee shall continue making all payments provided for in this Lease in respect of such Unit until the rental payment date listed in Table 1 of Schedule B hereto next succeeding such notice. On such rental payment date the Lessee shall, in addition to other amounts due, pay to the Lessor the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with Schedule B hereto. Upon the making of all such payments by the Lessee in respect of any Unit, the rental for such Unit shall thereafter cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit. The Lessor

hereby appoints the Lessee its agent, to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable under the circumstances on an "as is, where is, and with all faults" basis in accordance with the Lessee's normal procedures; provided, however, that, except in the case of the loss, theft or complete destruction of such unit, the Lessee shall give notice of such Casualty Occurrence to the Lessor, and the Lessor may revoke such appointment upon written notice received by the Lessee within 15 days after the date of the notice given by the Lessee to the Lessor. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the net proceeds of such sale after deductions of any cost or expense incurred in disposing of such Unit to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

The Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be an amount equal to the sum of (a) that percentage of the Purchase Price of such Unit as is set forth in Table 1 of Schedule B hereto opposite such date with respect to such Unit plus (b) if applicable to such Unit, that percentage of the Purchase Price thereof as set forth in Table 2 of said Schedule B with respect to such Unit; provided, however, that the Casualty Value percentages set forth in Schedule B hereto apply only to Units delivered and accepted under the RCSA on or prior to December 31, 1978. With respect to any Unit delivered and accepted after December 31, 1978, the Lessor and the Lessee agree that the Casualty Value percentages set forth in Schedule B hereto will be appropriately adjusted in order that the Lessor's after-tax rate of return (computed on the same assumptions, including, without limitation, tax rates, as were utilized by the Lessor in originally evaluating this transaction) will not be increased or decreased by reason thereof; provided, however, that the Casualty Value percentages, as so adjusted, shall be sufficient to satisfy the obligations of the Lessor under the RCSA, notwithstanding any limitation of liability contained therein.

Whenever any Unit shall suffer a Casualty Occurrence at the end of the term of this Lease or after termination of this Lease and before such Unit shall have been returned in the manner provided in Section 13 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit as of the rental payment date

immediately preceding such termination. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent, to dispose of any Unit suffering such Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is, and with all faults" basis; provided, however, that, except in the case of the loss, theft or complete destruction of such unit, the Lessee shall give notice of such Casualty Occurrence to the Lessor, and the Lessor may revoke such appointment upon written notice received by the Lessee within 15 days after the date of the notice given by the Lessee to the Lessor. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

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

The Lessee will, at all times prior to the return of the Units to the Lessor at its own expense, cause to be carried and maintained (i) property insurance in respect of the Units at the time subject hereto; provided, however, that the Lessee may self-insure such Units to the extent it self-insures equipment similar to the Units and to the extent such self-insurance is consistent with prudent industry practice, and (ii) public liability insurance with respect to third party personal and property damage and the Lessee will continue to carry such insurance in such amounts and for such risks and with such insurance companies as is consistent with prudent industry practice but in any event at least, comparable in amounts and against risks customarily insured against by the Lessee in respect of equipment owned or leased by it similar in nature to the units, in each case satisfactory to the Lessor. The proceeds of any property insurance shall be payable to the Vendor and the Lessee, as their interests may appear, so long as the indebtedness, if any, evidenced by the RCSA shall not have been paid in full, and thereafter to the Lessor and the Lessee as their interests may appear. Any policies of insurance carried in accordance

with this paragraph shall (i) require 30 days' prior notice of cancelation or material change in coverage to the Lessor, the Lessor and the Vendor and (ii) name, in the case of liability insurance, the Lessor and the Vendor as additional named insureds as their respective interests may appear and, in the event such policies shall contain breach of warranty provisions, such policies shall provide that in respect of the interests of the Lessor and the Vendor in such policies the insurance shall not be invalidated by any action or inaction of the Lessee or any other person (other than the Lessor and the Vendor) and shall insure the Lessor and the Vendor regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Lessee or by any other person (other than the Lessor or the Vendor). Prior to the first date of delivery of any Unit pursuant to the RCSA, and thereafter not less than 15 days prior to the expiration dates of the expiring policies theretofore delivered pursuant to this Section 7, the Lessee shall deliver to the Lessor evidence satisfactory to the Lessor of the insurance required to be maintained pursuant to this Section 7.

In the event that the Lessee shall fail to maintain insurance as herein provided, the Lessor may at its option 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 Lessor for the cost thereof together with interest, on the amount of the cost to the Lessor of such insurance which the Lessee shall have failed to maintain, at the rate of 10-3/8% per annum.

Section 7. Annual Reports. On or before November 1 in each year, commencing with the calendar year 1979, the Lessee will cause to be furnished to the Lessor and the Vendor (at the address shown in Section 17 hereof), an accurate statement, as of the preceding June 30, showing the amount, description and numbers of the Units (a) then leased hereunder and/or covered by the RCSA, (b) that have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Lease in the case of the first such statement) and (c) then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs and setting forth such other information regarding the condition and state of repair of the Units as the Lessor

or the Vendor may reasonably request, and stating that, in the case of all Units repainted or repaired during the period covered by such statement, the markings required by Section 4 hereof and by Article 8 of the RCSA shall have been preserved or replaced. The Lessor shall have the right at its sole cost, risk and expense, by its authorized representatives, to inspect the Units and the Lessee's records with respect thereto (including those relating to any use of the Units outside the United States) at such reasonable times as the Lessor may request during the continuance of this Lease.

Section 8. 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 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 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. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation, or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that all Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor 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 and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units, 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 of any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the advance opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or the Vendor, respectively, under this Lease or under the RCSA. The Lessee, at its own cost and expense, may furnish additions, modifications and improvements to the Units during the term of this Lease provided that such additions, modifications and improvements are readily removable without causing material damage to the Units. The additions, modifications and improvements made by the Lessee under the first sentence of this paragraph shall be owned by the Lessor, and the additions, modifications and improvements made by the Lessee under the second sentence of this paragraph shall be owned by the Lessee.

The Lessee agrees to indemnify, protect and hold harmless the Lessor and the Vendor from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as a result of (i) the entering into or the performance of the RCSA, the Participation Agreement, the Hulk Purchase Agreement, or this Lease, or any of the instruments or agreements referred to therein or herein or contemplated thereby or hereby, (ii) the ownership of any Hulk or any Unit, (iii) the ordering, acquisition, use, operation, maintenance, condition, reconstruction, purchase, delivery, rejection, storage or return of any Hulk or any Unit, (iv) any accident in connection with the operation, use, condition, reconstruction, possession, storage or return

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

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

Section 9. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein sometimes called an Event of Default) shall occur:

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

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

C. default shall be made in the observance or performance of any other of the covenants, conditions and

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

D. a petition for reorganization under the Federal Bankruptcy Act, as now constituted or as it may hereafter be amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been (and shall not continue to be) duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after the commencement of the case;

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

days after such proceedings shall have been commenced;
or

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

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

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

(b) by notice in writing to the Lessee 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 or employees enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to

such Unit over the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 6% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated; or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the net proceeds of sale 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.

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

of notice thereof, together with interest thereon from the date of expenditure at the rate of 10-3/8% per annum.

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

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

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

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units so interchanged) place such Units upon such storage tracks of the Lessee or 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 it or any of its affiliates or to any connecting carrier for shipment, all as directed by the Lessor.

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

All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, 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 .039867% of the Purchase Price of such Unit 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 Section 10, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney-in-fact of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

Section 11. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. The rights of the Lessor hereunder (including, but not limited to, the rights under Sections 5, 6, 8 and 9 and the rights to receive the rentals payable under this Lease)

shall inure to the benefit of the Vendor as assignee under the Assignment of Lease and Agreement dated as of the date hereof between the Vendor and the Lessor (hereinafter called the Assignment) in the manner and to the extent therein provided.

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

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

retain compensation for such use from other railroads so using any of the Units. Any sublease permitted by this paragraph may provide that the sublessee, so long as it shall not be in default under such sublease, shall be entitled to the possession of the Units included in such sublease and the use thereof; provided, however, that every such sublease shall be subject to the rights and remedies of the Vendor under the RCSA and the Lessor under this Lease in respect of the Units covered by such sublease upon the occurrence of an event of default or Event of Default thereunder or hereunder.

Nothing in this Section 11 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the railroad properties of the Lessee as an entirety or substantially as an entirety, provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease.

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

Section 12. Renewal Option; Purchase Option.
Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than 180 days prior to the end of the original term or the first extended term of this Lease, elect to extend such original or extended term of this Lease, as the case may be, in respect of all but not less than all the Units then covered by this Lease or the then extended term, as the case may be, for an additional two-year period commencing on the scheduled expiration of such original term or the extended term, as the case may be, of this Lease at a "Fair Market Rental" payable, in arrears, in semiannual payments on the months and day such rentals were payable for the Units in each year of the original term.

Fair Market Rental shall be determined for each

extended term of this Lease on the basis of, and shall be equal in amount to, the rental which would obtain in an arm's-length transaction between an informed and willing lessee and an informed and willing lessor under no compulsion to lease and, in such determination, costs of removal from the location of current use shall not be a deduction from such rental.

Provided that the Lessee is not in default, the Lessee shall have the right to purchase all but not less than all of the Units then leased hereunder at the expiration of the original term or of the second extended term pursuant to this Section 12 at a price equal to the Fair Market Value of such Units (as hereinafter defined). The Lessee shall give the Lessor written notice 180 days prior to the end of the term or any extended term of this Lease of its election to exercise the purchase option provided for in this Section 12. Payment of the purchase price shall be made at the office of the Lessor specified in Section 17 hereof in immediately available funds against delivery of a bill of sale transferring and assigning to the Lessee all right, title and interest of the Lessor in and to the Units and containing a warranty against liens or claims of persons claiming by, through or under the Lessor except liens and claims which the Lessee assumed or is obligated to discharge under the terms of the Lease. The Lessor shall not be required to make any representation or warranty as to the condition of the Units or any other matters.

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

Notwithstanding any election of the Lessee to purchase as provided in this Section 12, the provisions of Section 6 hereof shall continue in full force and effect until the date of purchase and the passage of ownership of the Units purchased by the Lessee upon such date unless the purchase price has been agreed upon by the parties pursuant to this Section 12, in which event the amount payable under Section 6 hereof shall be the greater of the amount otherwise payable under said Section 6 or such purchase price.

If on or before 150 days prior to the expiration of any term of this Lease, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental or the Fair Market Value, as the case may be, of the Units, such value shall be determined in accordance with the foregoing definitions, respectively, by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of such value by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 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 apply, to make such appointment, to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine such value of the Units within 90 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of such value of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding upon the parties hereto as such value. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Rental and/or Fair Market Value, 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 by the Lessee.

Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, in the event the Lessor elects to sell any Units to third parties at the expiration of the first extended term of this Lease, the

Lessee shall be given written notice of such intention prior to the expiration of such term. In the event that the Lessor shall receive, prior to removal of the Units at the end of such extended term of the Lease, a bona fide offer in writing from another party unrelated to the Lessee to purchase the Units and the Lessor elects to sell the Units pursuant to such offer at the expiration of such extended term of this Lease, the Lessor shall give written notice to the Lessee of such offer. Such notice shall include the price and the terms and conditions of payment offered by the other party in writing to the Lessor. The Lessee shall have the sole right and option to purchase the Units for cash at the price at which the Units are proposed to be sold or under the other terms and conditions of payment offered by the other party, as hereinafter provided. Within 10 business days of receipt of notice from the Lessor, the Lessee shall exercise such purchase right by delivery to the Lessor of a written notice specifying a date of purchase, which date shall not be later than the later of (i) 15 days after the date of delivery of such notice by the Lessee to the Lessor, or (ii) 90 days after the expiration of such extended term of this Lease. In the event that the Lessee shall have delivered a notice of its election to purchase the Units, this Lease (including the obligation to pay rent) shall be further extended upon the same terms and conditions set forth herein from the date such notice is delivered to the Lessor until the date of such purchase.

Section 13. Return of Units upon Expiration of Term. As soon as practicable on or after the expiration of the original or extended term of this Lease with respect to any Unit, and, in any event, not later than 90 days thereafter, the Lessee will marshal the Units (without being required to make any payment to Lessor in respect of the Units) and the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon such storage tracks of the Lessee as the Lessee may designate and permit the Lessor to store such Unit on such tracks for a period not exceeding 150 days, and transport the same, on a one-time basis at any time within such 150-day period, to any connecting carrier for shipment, all as directed by the Lessor, the movement and storage of such Unit to be at the expense and risk of the Lessee. During any such storage period, the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any Unit, to inspect the same;

provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this Section 13 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted, (ii) be capable of being moved unloaded by the Lessee to any purchaser or subsequent lessee, and (iii) have removed therefrom by the Lessee without cost or expense to the Lessor all additions, modifications and improvements which the Lessee owns pursuant to Section 8 hereof. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and, upon application to any court having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units.

In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 90 days after the end of the term of this Lease, then the Lessee shall promptly pay to the Lessor an amount for each day after such 90-day period, equal to the greater of (i) all per diem amounts earned by such units (including to the extent any Unit is used by the Lessee during this period, the per diem charge for each such day of use in revenue service) or (ii) .039867% of the Purchase Price of such Unit. If, within the 150-day storage period the Lessor has not given the Lessee notice to transport any Unit to a connecting carrier for shipment, the Lessor will pay to the Lessee for storage a reasonable storage rate for such Unit beginning the first day after the 150-day storage period.

Section 14. Recording; Expenses. The Lessee, at its own expense, will cause this Lease, the Transfer Agreement, the RCSA and any assignment hereof or thereof to be filed with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act, as amended. The Lessee will undertake the filing, recording and depositing and refile, rerecording and redepositing required of the Lessor under the RCSA and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, reregister, rerecord or redeposit whenever required) any and all further instruments or supplements required by

law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease or the assignment hereof to the Vendor, or the RCSA; and the Lessee will promptly furnish to the Vendor and the Lessor evidences of all such filing, registering, recording or depositing, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease, the Assignment, the Transfer Agreement and the RCSA shall be filed with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any unit.

SECTION 15. Tax Indemnities. In entering into the transaction contemplated hereby, it is the intention of the Lessor and the Lessee that such transaction will result in making available to the Lessor the following tax benefits (the "Tax Benefits") for the purposes of Federal and (to the extent applicable) state and local taxes: (i) this Lease constitutes a true lease, (ii) the Lessor is the lessor and the Lessee is the lessee under this Lease, (iii) the Lessor is entitled to the investment tax credit allowed under Section 38 and related sections of the Internal Revenue Code of 1954, as amended to the date hereof (the "Code"), in an amount equal to 10% of the Reconstruction Cost of the Units and is available based on the assumption that each Unit is placed in service by the Lessor in the taxable year of the Lessor during which the date of acceptance of such Unit occurs under this Lease (the "Investment Tax Credit") (such reconstructed portion of the Units shall be deemed to be new "Section 38 Property" within the meaning of Section 48 of the Code), (iv) the Lessor is entitled to (A) depreciate the Reconstruction Cost of the Units using the double-declining balance method of depreciation authorized by Section 167(b)(2) of the Code from the date of acceptance of each Unit under this Lease over an asset depreciation range of 12 years which is the lower limit for an asset described in Asset Guideline Class No. 00.25 as provided in Rev. Proc. 77-10, (B) depreciate the Hulk Purchase Price using the 150%-declining balance method of depreciation pursuant to Treas. Reg. § 1.167(a)-11(c)(1)(iv)(b)(2) from the date of acceptance of each Hulk under the Hulk Purchase Agreement over an asset depreciation range of 12 years which is the lower limit for an asset described in Asset Guideline Class No. 00.25, as provided in Rev. Proc. 77-10, (C) switch, without the prior consent of the Commissioner of Internal Revenue, to the

sum-of-the-years-digits method of depreciation authorized by Section 167(b)(3) of the Code, when most beneficial to the Lessor, in accordance with Treas. Reg. § 1.167(a)-(11)(c)(1)(iii), and (D) adopt the half-year convention described in Treas. Reg. § 1.167(a)-(11)(c)(2)(iii) (including, as to each Unit, six months of depreciation for the year in which the date of acceptance of such Unit occurs under this Lease) in accordance with Section 167(m) of the Code, (v) the Units may be depreciated to an estimated gross salvage value of 10% of the Purchase Price of the Units which will be reduced by 10% of the Purchase Price of such Units as provided in Section 167(f) of the Code (subsections (iv) and (v) of this paragraph being hereinafter referred to collectively as the "Depreciation Deduction"), (vi) the marginal corporate tax rates applicable to the Lessor's income shall not be less than the rates in effect as of the date hereof and (vii) the Lessor is entitled to deduct the interest (the "Interest Deduction") payable by the Lessor under the RCSA to Investors other than themselves.

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 fail to take any action or file any returns, certificates or other documents inconsistent with the foregoing contemplated Tax Benefits (except that the Lessee may take such action as may be deemed by the Lessee to be necessary in consequence of, and file returns in connection with, the de minimis use of the Units outside the United States; provided, however, that the Lessee will remain liable for all its indemnities under this Section 15) and that the Lessee will file such returns, take such action and execute such documents, and keep and make available for inspection and copying by the Lessor such records (other than the Lessee's corporate income tax returns), as may be reasonable and necessary to facilitate accomplishment of the intent hereof.

Lessee represents and warrants that all of the Reconstruction Cost of the Equipment, when delivered and accepted under this Lease, will constitute new "Section 38 Property" to the Lessor and will remain "Section 38 Property" to the Lessor during the Lease term.

If the Lessor shall lose, or shall not have, or shall lose the right to claim or shall suffer a disallowance of or shall be required to recapture, all or any portion of

the Tax Benefits with respect to all or part of any Unit due to (a) the sale or other disposition of any Unit or the interest of the Lessor therein after the occurrence of an Event of Default by the Lessee under this Lease, or (b) any act or omission of the Lessee, whether or not such act or omission is permitted by this Lease or any document contemplated by this Agreement, or any material misrepresentation by the Lessee in this Lease, the Participation Agreement or any other documents annexed hereto, then in any such case, the rent payable by the Lessee to the Lessor under the Lease, shall, on the first date provided in the Lease for the payment of installments of rental hereunder after the date on which the liability of the Lessee hereunder shall become fixed as hereinafter provided in this Section 15, be increased by such amount as shall be required in the reasonable opinion of the Lessor to maintain the Lessor's net after-tax rate of return (computed on the same assumptions as utilized by the Lessor in establishing the lease rate for this transaction) in respect of such Unit over the entire term of this Lease at the same level that would have been available if the Lessor had been entitled to utilization of all of the Tax Benefits. In the event that the Lease is terminated with respect to any Unit prior to the time the Lessee is obligated to make payments to the Lessor as set forth in the preceding sentence or pursuant to the tenth paragraph of this Section 15 (either because no such payment obligation had become fixed under such sentence prior to such termination or because the due date of such payment or payments shall occur following such termination), then the Lessee shall pay to the Lessor, in lieu of such payment or payments, on or before 30 days after the liability of the Lessee in respect of such termination and hereunder shall become fixed as hereinafter provided, such lump sum (calculated in the same manner as set forth in the preceding sentence, and, in the case of a termination in connection with a Casualty Occurrence making necessary adjustments for any previous revision of the Casualty Values pursuant to the second sentence of the sixth paragraph of this Section 15) as shall be necessary in the reasonable opinion of the Lessor to maintain the Lessor's net after-tax rate of return (computed on the same assumptions as utilized by the Lessor in establishing the lease rate for this transaction) in respect of such Unit hereunder and under the Lease at the same level that would have been available if the Lessor had been entitled to utilization of all such Tax Benefits.

If any item of income, credit or deduction with

respect to any Unit shall not be treated as derived from or allocated to sources within the United States in the Lessor's Federal income tax return for a given year, then the Lessee shall pay to the Lessor on the first day thereafter provided for in this Lease for the payment of installments of rental hereunder, an amount which, after deduction of all income taxes required to be paid by the Lessor on the receipt of such amount under the laws of the United States or any political subdivision thereof (calculated on the assumption that such taxes are payable at the Lessor's then applicable marginal tax rate), shall be equal to the foreign tax credits which the Lessor would have been entitled to with respect to such taxable year but for the Lessor's participation in the transactions contemplated by this Lease. The Lessee will maintain records sufficient to verify its use of the Units outside of the United States, which use shall, as warranted above in this Section 15, in no event be the result of the Units having been placed in regular assigned service outside of the United States, and Lessee shall make available such records to the Lessor for Federal income tax audit purposes, upon receipt of 30 days' written notice.

The Lessee acknowledges that the Schedule of Casualty Values which is Schedule B hereto has been computed on the assumption that the Lessor shall be entitled to the Tax Benefits. Accordingly, in the event the Lessee becomes obligated under the provisions of this Lease to pay additional sums to the Lessor pursuant to this Section 15, the said Schedule of Casualty Values shall be revised as may be necessary in the reasonable opinion of the Lessor so that the amount payable by the Lessee in connection with any Casualty Occurrence shall be sufficient to maintain the Lessor's net after-tax rate of return (computed on the same assumptions as utilized by the Lessor in establishing the lease rate for this transaction) at the same level that would have been available to the Lessor upon payment of Casualty Value had the Tax Benefits been allowed in full. The revised Schedule of Casualty Values shall be applied to any payment of Casualty Value paid after the liability of the Lessee hereunder shall become fixed as hereinafter provided regardless of the date of the Casualty Occurrence. Furthermore, with respect to any previous payment of Casualty Value under this Lease by the Lessee after a Casualty Occurrence but prior to the aforementioned revision of the Casualty Value with respect to such Unit, the Lessee shall pay to the Lessor, in a lump sum, the additional amount, in excess of the Casualty Value actually paid, that Lessee would have been

required to pay had the liability of the Lessee hereunder become fixed prior to the date of the original payment, and had the Schedule of Casualty Value, accordingly, been revised as provided above.

Anything in the fourth paragraph of this Section 15 to the contrary notwithstanding, the Lessee shall not be required to make any payment to the Lessor provided for herein if the Lessor shall have lost, or shall not have, or shall have lost the right to claim, or shall have suffered a disallowance of, or shall have been required to recapture all or any portion of any Tax Benefit solely because one or more of the following events (hereinafter called "Excluded Events") has occurred:

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

(ii) a voluntary transfer or other voluntary disposition by the Lessor of any interest in such Unit or the voluntary reduction by the Lessor of its interest in the rentals from such Unit or any transfer or disposition by the Lessor resulting from bankruptcy or other proceedings for the relief of debtors in which the Lessor is the debtor (whether voluntary or involuntary) of any interest in such Unit or in the rentals therefor under the Lease unless, in each case, an Event of Default by the Lessee under this Lease shall then have occurred and be continuing;

(iii) the failure of the Lessor to timely claim its portion of the Investment Tax Credit, the Depreciation Deduction or the Interest Deduction, as applicable, in its Federal income tax return for the appropriate year unless the Lessor shall have received an opinion of its independent tax counsel to the effect that the Lessor is not entitled to claim such Investment Tax Credit, Depreciation Deduction or Interest Deduction or the failure of the Lessor to follow proper procedure in claiming the Tax Benefits; or

(iv) the failure of the Lessor to have sufficient liability for tax against which to credit its portion of such Investment Credit or sufficient income to benefit from the Depreciation Deduction or the Interest

Deduction, as applicable.

In the event a claim shall be made against the Lessor which, if successful would result in payment by the Lessee of amounts pursuant to the fourth paragraph of this Section 15, and if, in the opinion of the Lessee's in-house tax counsel or, in the event the opinion of such counsel is not acceptable to the Lessor, independent tax counsel who is acceptable to the Lessor selected by the Lessee (herein referred to as "Counsel") a bona fide defense to all or a portion of such claim exists, the Lessor shall, upon the request of and at the expense of the Lessee, contest such claim in such forum as the Lessor, in its sole judgment, shall select; provided, however, that the Lessee shall first have indemnified the Lessor for all liabilities and expenses which may be entailed therein and shall have furnished the Lessor with such reasonable security therefor as may be requested. The Lessor may, at its option, take such action prior to making payment of any tax and interest and/or penalty attributable to the disallowance or recapture with respect to the Lessor of all or any portion of the Tax Benefits with respect to any Unit (a "Tax Payment") or may make such Tax Payment and then sue for a refund. If the Lessor takes such action prior to making such Tax Payment, such sums payable hereunder need not be paid by the Lessee while such action is pending; provided that the Lessee shall pay the liabilities and expenses relating to such action when and as the same shall become due. In such case, if the Final Determination (as such term is defined in the next succeeding paragraph hereof) shall be adverse to the Lessor the amounts payable hereunder shall be computed by the Lessor as of the date of such Final Determination and the Lessee shall commence payment of the increased rent payable pursuant to the fourth paragraph of this Section 15. If the Lessor makes such Tax Payment prior to contesting the matter and then either sues for a refund or does not contest such Tax Payment because the Lessee has not requested the Lessor to do so in accordance with the terms of this paragraph, the Lessee shall on the first rental payment date under the Lease after such Tax Payment commence payment of the increased rent payable pursuant to the fourth paragraph of this Section 15. If the Lessor sues for a refund after making such Tax Payment, and if the Final Determination shall be in favor of the Lessor, no future payments shall be due hereunder in respect of such matter (or an appropriate reduction shall be made if the Final Determination is partly in favor of and partly adverse to the Lessor). In addition, the Lessee and the Lessor shall

adjust their accounts so that (a) the Lessor pays to the Lessee (x) an amount equal to the amount of the tax indemnity theretofore paid by the Lessee to the Lessor in respect of such matter (or a proportionate part thereof if the Final Determination is partly adverse to the Lessor) on or before such next succeeding rental payment date together with interest thereon at the interest rate then being paid on tax overpayments by the United States for the period from the date such sums were paid to the Lessor to the date the Lessor pays to the Lessee an amount equal to such sums, and (y) the amount of any penalty or interest refunded to the Lessor as a result of such Final Determination and any interest paid to the Lessor by the government on such refund, promptly upon receipt thereof and (b) the Lessee pays to the Lessor an amount equal to interest at the "prime" or "base" rate of interest announced from time to time by Citibank, N.A., on the amount of the tax refund made with respect to the Tax Payment (excluding any interest or penalty included therein) for the period from the date of the original payment of the Tax Payment by the Lessor to the date such tax refund is received by the Lessor, such rate to be calculated in either case as from time to time in effect during the respective periods. Notwithstanding the foregoing, the Lessor may elect not to contest (or to discontinue any contest in respect of) any such claim which it is otherwise required to commence in accordance with this paragraph, if the Lessor waives the Lessee's liability to indemnify the Lessor with respect to the Tax Benefits involved in respect of such claim. If the Lessor agrees to the disallowance in whole or in part of a refund based upon the loss of a tax benefit or a final decision is entered by a court of competent jurisdiction disallowing the refund because of the assertion of an offset involving other issues, the Lessor shall advise the Lessee within 30 days of the agreement or a decision, and such agreement or decision shall be recorded as a favorable decision to the Lessor for purposes of this section.

"Final Determination" for the purpose of this Agreement, means a final decision of a court of competent jurisdiction after all allowable appeals requested by the Lessee pursuant to the preceding paragraph (other than an appeal or petition for certiorari to the Supreme Court of the United States unless the Lessor elects to file such appeal or petition) have been exhausted by either party to the action. Neither concession by the Lessor of any of the aforementioned Tax Benefits in the overall settlement of a controversy with the Internal Revenue Service either at the

administrative level or at the court level nor the failure to recover a refund in whole or in part with respect to the disallowance of such Tax Benefit which is the result of a setoff against a claim for refund based upon the loss of such Tax Benefits where the matters set off do not relate to such Tax Benefits will constitute an adverse "Final Determination" causing the aforementioned additional payments to accrue to the Lessor.

In the event and to the extent that the cost or value of any replacement, improvement and/or addition to a Unit or any expenditure by the Lessee in respect of any Unit or this Lease or any agreement contemplated by this Agreement (hereinafter called "Additional Expenditures") made by the Lessee, under and pursuant to the terms of this Lease or otherwise, is required to be included in the gross income of the Lessor for Federal, state or local income tax purposes at any time prior to the time such Unit is disposed of in a taxable transaction, then the Lessee hereby agrees that it will pay to the Lessor on each of the dates provided in this Lease for payment of the installments of rental hereunder in respect of such Unit commencing with the first such date following the date on which the Lessor furnished written notice to this Lessee that such inclusion is required, such sums which when taken together with the rental installments due on such dates under the Lease in respect of such Unit, will, in the reasonable opinion of the Lessor maintain the Lessor's net after-tax return (computed on the same assumptions as utilized by the Lessor in establishing the lease rate for this transaction) in respect of such Unit hereunder and under this Lease at the same level that would have been available if the cost or value of such Additional Expenditures had not been treated as income to the Lessor.

In the event that the Lessee shall pay all or any portion of any installment of rent under this Lease prior to the date upon which such payment is herein required to be made, the Lessee shall pay to the Lessor an amount which, after deduction of all taxes and other charges in respect of the receipt of such amount under the laws of any Federal, state or local governmental or taxing authority in the United States or under the laws of any foreign country or subdivision of any taxing authority thereof (calculated on the assumption that such taxes are payable at the Lessor's then applicable marginal tax rate), shall be equal to the excess of (A) the taxes and other charges payable by the Lessor in

that year as a result of the receipt of such installment of rental over (B) the taxes and other charges that would have been payable in that year by the Lessor had such installment of rent been paid by the Lessee on the date upon which such payment is herein required to be made. To the extent that the Lessor realizes an offsetting benefit in a subsequent year, an offsetting repayment will be made in an amount which preserves the Lessor's return and does not exceed the amount paid to the Lessor under this provision.

In the event that the Tax Benefits with respect to any Unit as set forth in the first paragraph of this Section 15 increase or decrease due to an amendment to the tax law which has an effective date on or prior to the delivery date of such Unit (whether or not adopted on or prior to such delivery date) the installments of rent payable under this Lease shall be adjusted to cause the Lessor's net after-tax return (computed otherwise on the same assumptions as utilized by the Lessor in establishing the lease rate for this transaction) to remain at the same level that would have been available to the Lessor had the Tax Benefits not so increased or decreased; provided, however, that no adjustment of any installment of rent payable under the Lease shall be made to the extent that (i) any such adjustment would result in the transaction's not meeting the economic tests set forth in Revenue Procedures 75-21 and 75-28 and (ii) after such adjustment the rentals would not amortize the CSA Indebtedness and interest thereon under the RCSA.

The Lessee's and the Lessor's agreements to pay any sums which may become payable pursuant to this Section 15 shall survive the expiration or other termination of the Lease.

For purposes of this Section 15, the term "Lessor" shall include all members of any affiliated group of which the lessor is a member if consolidated, joint or combined returns are filed for such affiliated group for Federal, state or local income tax purposes.

Section 16. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations when due hereunder shall result in the obligation on the part of the Lessee promptly to pay also an amount equal to 10-3/8% per annum of the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally

enforceable.

Section 17. Notices. Any instruction or notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States mails, first-class postage prepaid, addressed as follows:

if to the Lessor, at

45 Cardinal Drive
Westfield, New Jersey 07902

Attention of Grover Connell, President,

if to the Lessee, at

2 North Charles Street
Baltimore, Maryland 21201

Attention of Senior Assistant Treasurer,

if to the Vendor, at

P. O. Box 2258
Baltimore, Maryland 21203

Attention of Corporate Trust Department,

or addressed to any such 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 Lessor and the Vendor.

Section 18. Effect and Modification of Lease. Except for the Participation Agreement, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized officers of the Lessor and the Lessee.

Section 19. Definitions. If and so long as this Lease is assigned to the Vendor (or any successor thereto) for collateral purposes, wherever the term "Lessor" is used

in this Lease it shall include the Vendor and any successors thereto unless the context shall otherwise require and except that the Vendor shall not be subject to any liabilities or obligations under this Lease; and the fact that the Vendor is specifically named in certain provisions shall not be construed to mean that the Vendor (and any successors thereto) is not entitled to the benefits of other provisions where only the Lessor is named or where only the Vendor, as the case may be, is named.

Section 20. 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 counterpart. Although this Lease is dated as of the date first set forth above for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

Section 21. Law Governing; Severability. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Ohio; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act, as amended.

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.

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

CONNELL RICE & SUGAR CO., INC.
(Connell Leasing Company Division),

by

[Corporate Seal]

President

Attest:

Secretary

THE CHESAPEAKE AND OHIO RAILWAY
COMPANY,

by

[Corporate Seal]

Assistant Vice-President
and Treasurer

Attest:

Assistant Secretary

STATE OF NEW JERSEY,)
) ss.:
COUNTY OF UNION,)

On this day of October 1978, before me personally appeared Grover Connell, to me personally known, who, being by me duly sworn, says that he is President of CONNELL RICE & SUGAR CO., INC. (Connell Leasing Company Division), that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission expires

STATE OF OHIO,)
) ss.:
COUNTY OF CUYAHOGA,)

On this day of October 1978, before me personally appeared L. C. Roig, Jr., to me personally known, who, being by me duly sworn, says that he is Assistant Vice-President and Treasurer of THE CHESAPEAKE AND OHIO RAILWAY COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that such instrument was this day signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission expires

Lease of Railroad Equipment

SCHEDULE A

Specifications of the Equipment

<u>Quantity</u>	<u>AAR Mechanical Designation</u>	<u>Description</u>	<u>Railroad Road Numbers*</u>	<u>Vendee's Specification</u>	<u>Hulk Purchase Price</u>		<u>Base Reconstruction Cost</u>		<u>Purchase Price</u>	
					<u>Per Unit</u>	<u>Total</u>	<u>Per Unit</u>	<u>Total</u>	<u>Per Unit</u>	<u>Total</u>
40	XL	50' 50-ton Box Cars	A	91355	\$4,000	\$ 160,000	\$4,270	\$ 170,800	\$ 8,270	\$ 330,800
23	XL	50' 50-ton Box Cars	B	91355	4,000	92,000	4,270	98,210	8,270	190,210
18	XL	50' 50-ton Box Cars	C	91351	2,000	36,000	8,682	156,276	10,682	192,276
30	XM	50' 50-ton Box Cars	D	91357	3,000	90,000	4,420	132,600	7,420	222,600
30	XM	50' 50-ton Box Cars	E	91357	3,000	90,000	4,420	132,600	7,420	222,600
200	GB	52'6" 70-ton Gondola Cars	F	91371	4,000	800,000	6,103	1,220,600	10,103	2,020,600
207	HT	70-ton Open Top Hoppers	G	90002 96998	4,000	828,000	5,030	1,041,210	9,030	1,869,210
155	HT	70-ton Open Top Hoppers	H	91376	4,000	620,000	5,030	779,650	9,030	1,399,650
<u>703</u>						<u>\$2,716,000</u>		<u>\$3,731,946</u>		<u>\$6,447,946</u>

* Each letter in the column below will be deemed to refer to the Railroad Road Numbers appearing opposite such letter as it appears in Schedule A of the RCSA.

Lease of Railroad Equipment

SCHEDULE B

Casualty Value Percentages ScheduleTable 1

<u>Rental Payment Date</u>	<u>Percentage</u>
2/15/79	96.31041
8/15/79	93.41848
2/15/80	89.49865
8/15/80	86.22169
2/15/81	81.83829
8/15/81	78.23136
2/15/82	73.47147
8/15/82	69.80327
2/15/83	64.79758
8/15/83	60.32388
2/15/84	54.95878
8/15/84	49.89784
2/15/85	44.28696
8/15/85	38.75108
2/15/86	32.77569
8/15/86	26.71590
2/15/87 (and for any storage period thereafter)	20.00000

Table 2

The percentages set forth in Table 1 of this Schedule B have been computed without regard to recapture of the Investment Tax Credit (as defined in Section 15 relating to certain tax indemnities). Consequently, the Casualty Value of any Unit suffering a Casualty Occurrence on or before the third, fifth or seventh Anniversary of the date of delivery and acceptance of such Unit shall be increased by the applicable percentage of the Purchase Price set forth below:

<u>Anniversary of Delivery and Acceptance</u>	<u>Percentage of Purchase Price</u>
Third	11.13077
Fifth	7.42055
Seventh	3.71022

EXHIBIT C to the
RECONSTRUCTION
AND CONDITIONAL
SALE AGREEMENT

ASSIGNMENT OF LEASE AND AGREEMENT

Dated as of October 1, 1978

between

CONNELL RICE & SUGAR CO., INC.
(Connell Leasing Company Division)

and

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY,
not in its individual capacity but solely
as Agent

ASSIGNMENT OF LEASE AND AGREEMENT

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

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LESSEE'S CONSENT AND AGREEMENT	

ASSIGNMENT OF LEASE AND AGREEMENT dated as of October 1, 1978, by and between CONNELL RICE & SUGAR CO., INC. (Connell Leasing Company Division), a New Jersey corporation (hereinafter called the Lessor or the Vendee), and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, not in its individual capacity but solely as Agent (hereinafter called the Vendor), under a Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement).

The Vendee and the Vendor have entered into a Reconstruction and Conditional Sale Agreement dated as of the date hereof (hereinafter called the RCSA), with The Chesapeake and Ohio Railway Company, in its capacity as builder, providing for the sale to the Vendee of the interest of the Vendor in such units of railroad equipment (hereinafter called the Units) described in Schedule A thereto as are delivered to and accepted by the Vendee thereunder.

The Lessor and The Chesapeake and Ohio Railway Company (hereinafter called the Lessee) have entered into a Lease of Railroad Equipment dated as of the date hereof (hereinafter called the Lease), providing for the leasing by the Lessor to the Lessee of the Units.

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

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

1. The Lessor hereby assigns, transfers and sets over unto the Vendor, as collateral security for the payment and performance of the obligations of the Lessor as Vendee under the RCSA, all the Lessor's right, title and interest, powers, privileges, and other benefits under the Lease,

including, without limitation, the immediate right to receive and collect all rentals, profits and other sums payable to or receivable by the Lessor from the Lessee under or pursuant to the provisions of the Lease whether as rent, casualty payment, indemnity (except such amounts of indemnity payable to or receivable by the Lessor pursuant to Section 15 of the Lease), liquidated damages, or otherwise (such moneys being hereinafter called the Payments), and the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of an Event of Default specified in the Lease, and to do any and all other things whatsoever which the Lessor is or may become entitled to do under the Lease. Notwithstanding the foregoing, Payments shall not be deemed to include payments made by the Lessee to the Vendee pursuant to Sections 5 and 8 of the Lease (except indemnification payments owing to the Vendor pursuant to Articles 5 and 12 of the RCSA and except to the extent that the Vendee is obligated to pay and discharge claims, liens, charges or security interests under Paragraph 9 of this Assignment). In furtherance of the foregoing assignment, the Lessor hereby irrevocably authorizes and empowers the Vendor in its own name, or in the name of its nominee, or in the name of the Lessor or as its attorney, to ask, demand, sue for, collect and receive any and all sums to which the Lessor is or may become entitled under the Lease, and to enforce compliance by the Lessee with all the terms and provisions thereof.

The Vendor agrees to accept any Payments made by the Lessee for the account of the Lessor pursuant to the Lease. To the extent received, the Vendor will apply such Payments to satisfy the obligations of the Lessor under the RCSA due and payable at the time such Payments are due and payable under the Lease, and so long as no event of default (or event which, with notice or lapse of time, or both, could constitute an event of default) under the RCSA shall have occurred and be continuing, any balance shall be paid to the Lessor, or to such other party as the Lessor may direct in writing, in Federal funds not later than the first business day following receipt of such balance. If the Vendor shall not receive any rental payment under Section 2 of the Lease when due, the Vendor shall promptly notify the Lessor at the address set forth in the Lease; provided, however, that the failure of the Vendor to so notify the Lessor shall not affect the obligations of the Lessor hereunder or under the RCSA.

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

3. To protect the security afforded by this Assignment the Lessor agrees that, without the written consent of the Vendor, the Lessor will not anticipate the rents under the Lease or waive, excuse, condone, forgive or in any manner release or discharge the Lessee thereunder of or from the obligations, covenants, conditions and agreements to be performed by the Lessee, including, without limitation, the obligation to pay the rents in the manner and at the time and place specified therein or enter into any agreement amending, modifying or terminating the Lease and the Lessor agrees that any amendment, modification or termination thereof without such consent shall be void; provided, however, that the Lessor may amend or supplement the Lease to provide for an increase or decrease of amounts due as rentals under Section 2 thereof and/or Casualty Values under Section 6 thereof provided that no such decrease shall reduce said amounts below that which are necessary to satisfy the obligations of the Lessor under the RCSA, notwithstanding any limitation of liability of the Lessor contained therein.

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

5. Upon the full discharge and satisfaction of all the Lessor's obligations under the RCSA and the Participation Agreement, this Assignment and all rights herein assigned to the Vendor shall terminate, and all estate, right, title

and interest of the Vendor in and to the Lease shall revert to the Lessor.

6. If an event of default under the RCSA shall occur and be continuing, the Vendor may declare all sums secured hereby immediately due and payable and may apply all such sums against the amounts due and payable under the RCSA.

7. The Lessor will, from time to time, do and perform any other act and will execute, acknowledge, deliver and file, register, deposit and record (and will refile, re-register, re-record or redeposit whenever required) any and all further instruments required by law and reasonably requested by the Vendor in order to confirm or further assure, the interests of the Vendor hereunder.

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

9. The Lessor will pay and discharge any and all claims, liens, charges or security interests (other than created by the RCSA) on the Lease or the rentals or other payments due or to become due thereunder claimed by any party from, through or under the Lessor or its successors and assigns (other than the Vendor), not arising out of the transactions contemplated by the RCSA or the Lease (but including tax liens arising out of the receipt of the income and proceeds from the Units) which, if unpaid, might become a claim, lien, charge or security interest on or with respect to the Lease or such rentals or other payments equal or superior to the Vendor's interest therein, unless the Lessor shall be contesting the same in good faith by appropriate proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect such interests of the Vendor.

10. This Assignment shall be governed by the laws of the State of Maryland, but the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act, as amended.

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

12. The Vendor hereby agrees with the Lessor that the Vendor will not, so long as no Event of Default under the Lease or event of default under the RCSA has occurred and is continuing, exercise or enforce, or seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits which are assigned and transferred by the Lessor to the Vendor by this Assignment, except the right to receive and apply the Payments as provided in Paragraph 1 hereof, and that, subject to the terms of the Lease and the RCSA, the Lessor may, so long as no event of default under the RCSA or Event of Default under the Lease has occurred and is continuing, exercise or enforce, or seek to exercise or enforce or avail itself of, such rights, powers, privileges, authorizations or benefits; provided, however, that the Lessor shall not, and shall not have any authority to, take any action which would terminate the Lease without the prior written consent of the Vendor.

13. Notwithstanding any other provision of this Assignment (including, but not limited to, any provision of the first paragraph of Paragraph 1 and Paragraph 3 hereof), (a) the terms of this Assignment shall not impose any obligations on the Lessor in addition to the obligations of the Lessor under the Lease or under the RCSA or in any way limit the effect of the last paragraph of Article 3 of the RCSA or Article 21 of the RCSA and (b) so long as there is no event of default under the RCSA, and to the extent that the Vendor does not seek to receive and collect any Payments under the Lease in excess of the amounts required to discharge the obligations of the Lessor under the RCSA, the terms of this Assignment shall not limit or in any way affect the Lessor's right to receive and collect any Payments under the Lease in excess of the obligations of the Lessor under the RCSA, or empower the Vendor in any way to waive or release the Lessee's obligation to pay such excess amounts, and the Lessor shall continue to be empowered to ask, demand, sue

for, collect and receive any and all of such excess amounts, but shall not take any action under subparagraph (b) of Section 9 of the Lease without the written consent of the Vendor.

14. This Assignment may be executed in any number of counterparts, all of which together shall constitute a single instrument, but the counterpart delivered to the Vendor shall be deemed to be the original counterpart.

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

MERCANTILE-SAFE DEPOSIT AND TRUST
COMPANY, not in its individual
capacity but solely as Agent,

[Corporate Seal]

by

Attest:

Assistant Vice President

Corporate Trust Officer

CONNELL RICE & SUGAR CO., INC.
(Connell Leasing Company Division),

by

President

[Corporate Seal]

Attest:

Secretary

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

On this day of October 1978, before me personally appeared George J. Johnston, to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission expires

STATE OF NEW JERSEY,)
) ss.:
COUNTY OF UNION,)

On this day of October 1978, before me personally appeared Grover Connell, to me personally known, who, being by me duly sworn, says that he is President of CONNELL RICE & SUGAR CO., INC. (Connell Leasing Company Division), that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission expires

LESSEE'S CONSENT AND AGREEMENT

The undersigned, THE CHESAPEAKE AND OHIO RAILWAY COMPANY, a corporation duly incorporated under the laws of the Commonwealth of Virginia, the Lessee (hereinafter called the Lessee) named in the Lease (hereinafter called the Lease) referred to in the foregoing Assignment of Lease and Agreement (hereinafter called the Assignment), hereby (a) acknowledges receipt of a copy of the Assignment and (b) consents to all the terms and conditions of the Assignment and agrees that:

(1) Lessee will pay all rentals, casualty payments, liquidated damages, indemnities and other moneys provided for in the Lease assigned to the Vendor (as hereafter defined) pursuant to the Assignment in Federal or other immediately available funds by 10:00 a.m., Baltimore time on the date due to Mercantile-Safe Deposit and Trust Company, not in its individual capacity but solely as Agent (hereinafter called the Vendor), the assignee named in the Assignment, at 2 Hopkins Plaza, Baltimore, Maryland 21201, Attention of Corporate Trust Department (or at such other address as may be furnished in writing to the undersigned by the Vendor);

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

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

(4) the Lease shall not, without the prior written consent of the Vendor, be amended, terminated or modified, nor shall any action be taken or omitted by the undersigned, the taking or omission of which might result in an alteration or impairment of the Lease or this Consent and Agreement or of any of the rights created by any thereof.

This Consent and Agreement shall be construed in

accordance with the laws of the State of Ohio.

Dated as of October 1, 1978

THE CHESAPEAKE AND OHIO RAILWAY
COMPANY,

by

Assistant Vice-President
and Treasurer

[Corporate Seal]

Attest:

Assistant Secretary

The foregoing Consent and Agreement is hereby accepted,
as of the 1st day of October 1978.

MERCANTILE-SAFE DEPOSIT AND TRUST
COMPANY, not in its individual
capacity but solely as Agent,

by

Assistant Vice President

[Corporate Seal]

Attest:

Corporate Trust Officer

EXHIBIT D TO THE
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

HULK PURCHASE AGREEMENT

The Chesapeake and Ohio Railway Company

As of October 1, 1978

Connell Rice & Sugar Co., Inc.
(Connell Leasing Company Division)
45 Cardinal Drive
Westfield, New Jersey 07902
Attention of Grover Connell, President

Gentlemen:

The Chesapeake and Ohio Railway Company, a corporation organized under the laws of the Commonwealth of Virginia (the "Seller"), owns the railroad equipment described in Exhibit A hereto (collectively, the "Hulks" and individually a "Hulk"). The Seller desires to sell the Hulks and Connell Rice & Sugar Co., Inc. (Connell Leasing Company Division) (the "Buyer"), desires to purchase the Hulks for the Purchase Price set forth in Exhibit A (the "Purchase Price").

The Seller will, from time to time, prior to delivery thereof to the Builder for reconstruction, as provided in the Reconstruction and Conditional Sale Agreement (the "RCSA") dated as of the date hereof among the Buyer, Mercantile-Safe Deposit and Trust Company, not in its individual capacity but solely as agent (the "Agent") under a Participation Agreement (the "Participation Agreement") dated as of the date hereof, and The Chesapeake and Ohio Railway Company, in its capacity as builder (the "Builder"), deliver to the Buyer a Bill or Bills of Sale transferring title to a group or groups of Hulks and warranting that at the date of such Bill or Bills of Sale the Seller had legal title to such Hulks and good and lawful right to sell the same and that title to such Hulks transferred to the Buyer by such Bill or Bills of Sale was free of all claims, liens, security interests, security titles and other encumbrances of any nature whatsoever. On or after the date of such Bill or Bills of Sale, the Seller will deliver the Hulks in such group or groups to an authorized representative of the Buyer at such point or points within the United States of America as shall be specified by the Seller. The sale and delivery of the Hulks pursuant to this Agreement shall commence as

soon as practicable and shall be completed on or before such date as shall permit the completion of reconstruction of each Hulk by February 15, 1979.

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

The Buyer at the times hereafter specified will pay to the Seller the Purchase Price of each Hulk in each group subject to all the terms and conditions of this Agreement, including without limitation the receipt by the Buyer of (a) the Bill or Bills of Sale with respect thereto specified in the second and fifth paragraphs hereof, (b) a Certificate or Certificates of Acceptance signed by the Buyer's authorized representative stating that the Hulks in such group have been delivered to and accepted on behalf of the Buyer, and (c) a written opinion of counsel for the Seller dated the date of such Bill or Bills of Sale, addressed to the Buyer and stating that such Bill or Bills of Sale are valid and effective to transfer and upon delivery will transfer the Seller's title to such Hulks to the Buyer, and that on such date title to such Hulks was free of all claims, liens, security interests and other encumbrances of the Seller or anyone claiming through the Seller.

Each such Bill of Sale shall contain the following information with respect to each type of Hulk included in the group of Hulks covered thereby: quantity, description, the Seller's identifying numbers and place of delivery. Subject only to the conditions set forth in this Agreement and in Paragraph 7 of the Participation Agreement, the Buyer will pay the Purchase Price of each Hulk delivered and accepted as aforesaid to the Seller either on (i) the Closing Date relating to such Hulk fixed as provided in the RCSA or (ii) February 15, 1979, whichever is earlier.

The Buyer may assign and/or transfer any or all of

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

Notwithstanding the delivery of any Bill or Bills of Sale hereunder, the Seller agrees that all responsibility with respect to any Hulk covered by such Bill or Bills of Sale, its use and operation and risk of loss thereof, shall remain with the Seller until such Hulk is delivered to and accepted by the authorized representative of the Buyer, as provided above, and the Seller agrees to indemnify and hold the Buyer harmless from any claim made against the Buyer solely by reason of the transfer of title to the Hulks or with respect to the validity of such title, free from all claims, liens, security interests, security title or encumbrances of any nature other than those of the Buyer at the time of such delivery and acceptance. Upon such delivery and acceptance, all responsibility and risk of loss with respect to such Hulk shall pass to the Buyer.

In the event that any Hulk is not so delivered to the Buyer after the date of any Bill or Bills of Sale with respect thereto the Buyer will assign to the Seller, without warranty of any kind, whatever right, title and interest the Buyer may then have in such Hulk and such Hulk shall thereafter be excluded from the provisions of this Agreement.

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

Without limitation as to any other rights or actions which the Buyer may enforce against the Seller due to a breach by the Seller of its obligation set forth in the preceding sentence, in the event any such obligation has not been satisfied prior to payment for any Hulk by the Buyer, the Seller hereby agrees that the Buyer may, in lieu of making payments for any Hulks then to be made to the Seller hereunder, pay all or any portion of such payments to one or more holders of obligations secured by such encumbrances to the extent necessary to satisfy such obligations in full and to remove such encumbrances.

This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

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

If the foregoing arrangement concerning sale of the Hulks is satisfactory to the Buyer, please confirm by signing each of the enclosed counterparts of this letter and delivering same to the Agent for acknowledgment and return to Seller of all except one executed counterpart, and giving the telegraphic confirmation of execution to the Agent.

Very truly yours,

THE CHESAPEAKE AND OHIO
RAILWAY COMPANY,

[Corporate Seal]

by

Attest:

Assistant Vice-President and
Treasurer

Assistant Secretary

Accepted as of the date
first set forth above:

CONNELL RICE & SUGAR CO., INC.
(Connell Leasing Company Division),

[Corporate Seal]

Attest:

by

President

Secretary

Receipt of the executed counter-
parts of the foregoing is hereby
acknowledged as of this 1st day
of October 1978.

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY,
as Agent,

by

Assistant Vice President

STATE OF OHIO,)
) ss.:
COUNTY OF CUYAHOGA,)

On this day of October 1978, before me personally appeared L. C. ROIG, JR., to me personally known, who, being by me duly sworn, says that he is Assistant Vice-President and Treasurer of THE CHESAPEAKE AND OHIO RAILWAY COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that such instrument was this day signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission Expires

STATE OF NEW JERSEY,)
) ss.
COUNTY OF UNION,)

On this day of October 1978, before me personally appeared Grover Connell, to me personally known, who, being by me duly sworn, says that he is President of CONNELL RICE & SUGAR CO., INC. (Connell Leasing Company Division), that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission Expires

Hulk Purchase Agreement

EXHIBIT A

<u>Quantity</u>	<u>Description</u>	<u>Railroad Road Numbers*</u>	<u>Unit Hulk Purchase Price</u>	<u>Total Purchase Price</u>
40	50' 50-ton Box Cars	A	\$4,000	\$ 160,000
23	50' 50-ton Box Cars	B	4,000	92,000
18	50' 50-ton Box Cars	C	2,000	36,000
30	50' 50-ton Box Cars	D	3,000	90,000
30	50' 50-ton Box Cars	E	3,000	90,000
200	52'6" 70-ton Gondola Cars	F	4,000	800,000
207	70-ton Open Top Hoppers	G	4,000	828,000
155	70-ton Open Top Hoppers	H	4,000	620,000
<u>703</u>				<u>\$2,716,000</u>

* Each letter in the column below will be deemed to refer to the Railroad Road Numbers appearing opposite such letter as it appears elsewhere in this Exhibit A.

EXHIBIT A
(Continued)Railroad Road Numbers

A.

C&O

22002	22047	22111	22157
22004	22049	22113	22193
22008	22060	22114	22194
22017	22069	22128	22199
22021	22077	22132	22209
22025	22078	22137	22212
22032	22087	22141	22230
22033	22093	22143	22242
22038	22094	22150	22243
22041	22108	22156	22249

B.

C&O

27818	27958	28059	28700
27836	27963	28063	28797
27839	27975	28153	28809
27851	27982	28192	28824
27898	27983	28312	28846
27957	28043	28689	

C.

C&O

27831	28020	28501	28766
27885	28021	28530	28779
27926	28067	28568	28954
27954	28247	28669	
27996	28420	28692	

D.

C&O

19754	19787	19880	19950
19759	19789	19903	19952
19761	19792	19909	19953
19764	19804	19914	19961
19768	19824	19919	19977
19769	19839	19931	19979
19772	19842	19943	
19784	19858	19944	

E.

B&O

288016	288156	288363	288554
288061	288217	288384	288606
288066	288228	288399	288633
288072	288230	288414	288645
288123	288276	288470	288668
288127	288300	288497	288684
288138	288323	288526	
288151	288361	288529	

F.

B&O

352000	352144	352259	352363
352005	352147	352260	352365
352010	352151	352263	352369
352011	352153	352264	352370
352012	352154	352265	352372
352015	352161	352267	352373
352016	352165	352271	352375
352018	352167	352274	352378
352019	352169	352278	352382
352020	352171	352279	352383
352022	352176	352280	352387
352024	352177	352281	352388
352025	352178	352283	352390
352026	352179	352285	352391
352030	352180	352287	352395
352032	352182	352291	352396
352033	352188	352292	352398
352038	352190	352293	352400
352039	352192	352294	352401
352042	352193	352295	352402
352043	352194	352296	352408
352045	352195	352297	352409
352051	352198	352299	352411
352061	352201	352300	352415
352072	352202	352301	352418
352075	352203	352302	352422
352076	352208	352303	352424
352077	352209	352304	352425
352078	352210	352306	352431
352080	352211	352308	352433
352081	352212	352310	352434
352082	352213	352312	352435
352085	352216	352319	352438
352086	352221	352321	352439
352089	352224	352323	352442
352091	352231	352324	352444
352094	352234	352325	352445
352095	352235	352327	352447
352099	352238	352328	352456
352100	352239	352329	352457
352102	352240	352330	352462
352104	352246	352331	352466
352113	352247	352332	352469
352117	352248	352334	352474
352121	352250	352340	352475
352125	352251	352344	352476
352132	352252	352346	352494
352135	352253	352347	352496
352136	352254	352358	352497
352139	352255	352361	352499

G.

WM

71232	80028	80142	80318
71235	80030	80146	80323
71244	80032	80148	80334
71276	80034	80151	80345
71277	80037	80179	80348
71311	80040	80181	80354
71314	80053	80185	80368
71359	80055	80187	80370
71391	80071	80195	80372
71397	80073	80208	80379
71404	80078	80210	80391
71443	80080	80214	80397
71445	80082	80219	80412
71447	80096	80221	80435
71477	80099	80225	80456
80004	80119	80242	80482
80010	80128	80246	80483
80011	80131	80249	80489
80014	80134	80260	80491
80022	80140	80266	80497
80024	80141	80307	80498

B&O

10043	11311	12347	13518	14497
10059	11346	12363	13542	14509
10066	11393	12371	13555	14538
10084	11396	12526	13565	14559
10136	11448	12528	13679	14561
10155	11459	12535	13683	14570
10159	11471	12608	13771	14612
10180	11492	12662	13781	14636
10234	11495	12682	13785	14741
10315	11553	12685	13797	14753
10348	11570	12717	13939	14801
10378	11663	12841	13995	14804
10386	11677	12882	14029	14838
10407	11693	12895	14054	14841
10428	11847	12953	14107	14975
10432	11910	12990	14187	14976
10439	12025	13052	14193	14988
10543	12027	13076	14209	15090
10652	12045	13293	14241	15093
10722	12124	13302	14271	15118
10928	12131	13361	14328	15138
10932	12149	13457	14349	15158
10945	12234	13476	14378	15217
11075	12326	13501	14410	
11219	12330	13508	14466	

H.

C&O

103009	103348	103655	103967
103011	103351	103657	103974
103012	103359	103684	103975
103017	103362	103709	103993
103021	103368	103711	
103034	103382	103718	
103049	103395	103721	
103057	103410	103730	
103066	103417	103790	
103068	103419	103793	
103079	103437	103814	
103114	103451	103823	
103158	103466	103838	
103167	103485	103845	
103196	103487	103847	
103201	103489	103882	
103206	103504	103883	
103213	103515	103892	
103240	103525	103895	
103243	103530	103908	
103251	103557	103909	
103258	103565	103910	
103269	103567	103922	
103286	103584	103948	
103308	103591	103957	
103315	103609	103964	
103325	103635	103966	
150006	150396	150666	151053
150060	150406	150688	151066
150063	150412	150703	151093
150071	150457	150707	151096
150116	150464	150712	151159
150134	150483	150723	151176
150188	150498	150733	151209
150192	150500	150761	151227
150210	150517	150800	151243
150216	150525	150820	151266
150235	150531	150826	151271
150282	150534	150829	151313
150325	150542	150838	151367
150340	150549	150846	151368
150346	150586	150941	151403
150350	150657	150966	151451
150363	150659	150989	
150372	150662	150999	