

RECORDATION NO. 7697 Filed & Recorded

NOV 4 1974 - 3:30 PM

INTERSTATE COMMERCE COMMISSION

EQUIPMENT LEASE dated as of October 1, 1974, between MANUFACTURERS NATIONAL BANK OF DETROIT, a national banking association (the "Lessor"), as Trustee under a Trust Agreement dated as of October 1, 1974 (the "Trust Agreement") with AMERICAN ROAD EQUITY CORPORATION, a Delaware corporation ("AMREC"), and PORTEC, INC., a Delaware corporation (the "Manufacturer") (AMREC and the Manufacturer being hereinafter collectively called the "Trustors"); and THOMAS F. PATTON and RALPH S. TYLER, JR., Trustees of the property of ERIE LACKAWANNA RAILWAY COMPANY, Debtor, and the successors of said Trustees or any of them (said Trustees and their successors being hereinafter collectively called the "Lessee").

The Lessee and the Manufacturer have entered into a Purchase Order dated September 3, 1974 (the "Purchase Order") providing for the purchase by the Lessee of the equipment (collectively the "Equipment" and individually an "Item of Equipment") described in Schedule A hereto. The Equipment consists of auto racks (bi-level and tri-level) which are to be attached to flat cars leased by the Lessee from Trailer Train Company.

Pursuant to an Assignment dated as of the date hereof (the "Assignment") between the Lessee and the Lessor, the Lessee has assigned to the Lessor, and the Lessor has accepted, certain rights of the Lessee under the Purchase Order, including the right to purchase the Equipment in accordance with the terms of the Purchase Order.

The delivery of the Equipment is presently scheduled to take place on various dates between November 1, 1974 and March 31, 1975 (such latter date being hereinafter the "Cut-Off Date").

The Lessee desires to lease all of the Items of Equipment or such lesser number as are delivered, accepted and settled for under the Purchase Order on or prior to the Cut-Off Date, at the rentals and for the terms and upon the conditions hereinafter provided.

The aforesaid Thomas F. Patton and Ralph S. Tyler, Jr. have been duly appointed Trustees of the property of Erie Lackawanna Railway Company (the "Railroad"), by orders of the United States District Court for the Northern District of Ohio (the "Court"), in a proceeding under Section 77 of the Bankruptcy Act entitled "In the Matter of Erie Lackawanna Railway Company, Debtor, No. B-72-2838", and said appointment has been duly ratified by orders of the Interstate Commerce Commission, and said Trustees have duly qualified as such and are now in possession of and operating the property of the Railroad pursuant to the provisions and directions contained in orders of the Court.

By an order of the Court dated October 8, 1974, the form and terms of this Lease were approved by the Court in substantially the present form hereof, and the Lessee was duly authorized to execute and deliver this Lease.

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 Equipment to the Lessee upon the following terms and conditions.

SECTION 1. DELIVERY AND SETTLEMENT

1.1. Delivery and Acceptance of Equipment. The Lessor will cause each Item of Equipment to be tendered to the Lessee at the place or places at which such Item of Equipment is delivered to the Lessor under the Purchase Order. Upon such tender, the Lessee will cause an authorized representative of the Lessee to inspect the same, and if such Item of Equipment is found to conform to the specifications therefor, to accept delivery of such Item of Equipment and to execute and deliver to the Lessor and to the Manufacturer a certificate of acceptance (hereinafter called a "Certificate of Acceptance") substantially in the form attached hereto as Schedule B, whereupon such Item of Equipment shall

be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all of the terms and conditions of this Lease.

1.2. Settlement. The obligation of the Lessor to settle for any Item of Equipment pursuant to the Purchase Order shall be subject to the conditions set forth in the Purchase Order and to the following additional conditions:

(a) the representations and warranties of the Lessee contained in Section 7.2 hereof shall be true and accurate on and as of such delivery date as though made on and as of such delivery date, no event shall have occurred and be continuing which would constitute an Event of Default (as hereinafter defined) or would constitute an Event of Default but for the requirements that notice be given or time elapse or both and the Lessor shall have received a certificate signed by a responsible officer of the Railroad to such effect;

(b) the Lessor shall have received an opinion of counsel to the Lessee, addressed to the Lessor and the Trustors, in form and substance satisfactory to the Lessor and the Trustors, with respect to the matters set forth in Section 7.2 hereof; and as to such other matters as the Lessor and the Trustors may reasonably request; and

(c) the Lessor shall have received such other certificates and documents as the Lessor shall have reasonably requested.

SECTION 2. RENTALS AND PAYMENT DATES

2.1 Rentals for Equipment. The Lessee agrees to pay the Lessor, as rental for each Item of Equipment leased hereunder during the term of lease thereof,

consecutive monthly payments, payable in advance on the first day of each month commencing with the month following the month in which such Item of Equipment shall have been settled for pursuant to the Purchase Order, each such monthly payment to be in an amount equal to 1.4010% of the Purchase Price (as set forth in Schedule A hereto) of such Item; provided, however, that, at the time of such settlement, the Lessee shall pay to the Lessor in advance an amount equal to .0467% of such Purchase Price for each day elapsed from and including the day of such settlement to the last day of the month in which such settlement occurred; and provided, further, that if any of the payment dates referred to above is not a business day, the payment shall be payable on the next succeeding business day.

2.2. Place of Rental Payment. All payments provided for in this Lease to be made to the Lessor shall be made to the Lessor by wire transfer of immediately available funds to the office of the Lessor set forth below, or at such other place as the Lessor or its assigns shall specify in writing.

2.3. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rental, reduction thereof or set-off against rental, including, but not limited to, abatements, reductions or set-offs due to any present or future claims of the Lessee against the Lessor or the Trustors under this Lease, under the Purchase Order or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss or destruction of all or any of the Equipment from whatsoever cause, the taking or requisitioning of the Equipment by condemnation or otherwise, the lawful prohibition of the Lessee's use of the Equipment, the interference with such use by any private person or corporation, the invalidity or

unenforceability or lack of due authorization or other infirmity of this Lease, or lack of right, power or authority of the Lessor to enter into this Lease, 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 unless the obligation to pay the same shall be terminated pursuant to Section 11 hereof, or until, pursuant to Section 13 hereof, the Equipment has been returned to the possession of the Lessor (for all purposes of this Lease any Item of Equipment shall not be deemed to have been returned to the Lessor's possession until all of the Lessee's obligations with respect to the return, transportation and storage thereof have been performed). 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 Items of Equipment 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.

SECTION 3. TERM OF THE LEASE

The term of this Lease as to each Item of Equipment shall begin on the date of delivery to and acceptance by the Lessee of such Item of Equipment and, subject to the provisions of Sections 11 and 17 hereof, shall terminate eight years following the Cut-Off Date. This Lease shall not be effective as to any Items of Equipment not so delivered and accepted on or before the Cut-Off Date.

SECTION 4. TITLE TO THE EQUIPMENT

4.1. Retention of Title. The Lessor is acquiring full legal title to the Equipment under the Purchase Order (but only upon compliance with all the terms and conditions thereof) and it is understood that the Lessee shall acquire no right, title and interest to the Equipment except hereunder notwithstanding the delivery of the Equipment to and the possession and use thereof by the Lessee.

4.2. Duty to Number and Mark Equipment. The Lessee will cause each Item of Equipment to be kept numbered with the Railroad's road number as set forth in Schedule A hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting color upon each side of each item of Equipment in letters not less than one inch in height the following legend:

"Leased from Manufacturers National Bank of Detroit, Trustee, as
Lessor-Owner"

with appropriate changes therein and additions thereto as from time to time may be required by law in order to protect the title of the Lessor to such Item of Equipment and its rights under this Lease. The Lessee will not place any such Item of Equipment in operation or exercise any control or dominion over the same until the required legend shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced or destroyed. The Lessee will not change the road number of any Item of Equipment except with the consent of the Lessor and in accordance with a statement of new road numbers to be substituted therefor, which consent and statement previously shall have been filed with the Lessor by the Lessee and filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited.

4.3. Prohibition Against Certain Designations. Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Equipment to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on equipment used by it of the same or a similar type for convenience of identification of the right of the Lessee to use the Equipment under this Lease.

SECTION 5. DISCLAIMER OF WARRANTIES

THE LESSOR LEASES THE EQUIPMENT, AS-IS, IN WHATEVER CONDITION IT MAY BE, WITHOUT ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, BY EITHER THE LESSOR OR THE TRUSTORS, EACH EXPRESSLY DISCLAIMING ANY WARRANTY OR REPRESENTATION, EITHER EXPRESSED OR IMPLIED, AS TO (A) THE FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY OF ANY ITEM OR ITEMS OF EQUIPMENT, (B) THE LESSOR'S TITLE THERETO, (C) THE LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF, (D) THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE EQUIPMENT, OR (E) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE; provided, however, that nothing contained in this disclaimer shall limit or reduce the obligations of the Manufacturer to the Lessee or the Lessor under the Purchase Order. The Lessor hereby appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce, from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have as owner of the Equipment against the Manufacturer; provided, however, that if at any time an Event of

Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Equipment 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 Equipment 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 Equipment. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that all Items of Equipment 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.

SECTION 6. LESSEE'S INDEMNITY

6.1. Scope of Indemnity. The Lessee shall defend, indemnify and save harmless the Lessor and the Trustors and their successors and assigns from and against:

- (a) any and all loss or damage of or to the Equipment, ordinary wear and tear excepted, and
- (b) any claim, cause of action, loss, damages, liability, cost or expense (including counsel fees and costs in connection therewith) which may be incurred in any manner by or for the account of any of them (i) relating to the Equipment or any part thereof, including without limitation,

the construction, purchase, delivery, installation, ownership, leasing, return or storage of the Equipment or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects are latent or discoverable by the Lessor or by the Lessee), (ii) by reason or as the result of any act or omission of the Lessee for itself as agent or attorney-in-fact for the Lessor hereunder, (iii) as a result of claims for patent infringements, or (iv) as a result of claims for negligence or strict liability in tort.

6.2. Continuation of Indemnities and Assumptions. The indemnities and assumptions of liability in this Section 6 contained shall continue in full force and effect notwithstanding the termination of this Lease, or the termination of the term hereof in respect of any one or more Items of Equipment, whether by expiration of time, by operation of law or otherwise; provided, however, that such indemnities and assumption of liability shall not apply in respect of any matters referred to in subsection (a) of Section 6.1 hereof, occurring after the termination of this Lease, except for any such matters occurring before the return of the Equipment to the possession of the Lessor as provided in Section 13 hereof. The Lessee shall be entitled to control, and shall assume full responsibility for, the defense of such claim or liability.

6.3. Further Indemnity. In the event that the Trustors shall become obligated to make any payments to the Lessor in its individual capacity pursuant to the provisions of Sections 9 and 10 of the Trust Agreement which are not covered by Section 6.1 or Section 10.2 hereof, the Lessee shall pay such additional amounts to the Lessor as will enable the Trustors to fulfill completely their obligations pursuant to said provisions.

SECTION 7. COVENANTS, REPRESENTATIONS AND WARRANTIES

7.1. Compliance With Law. The Lessee agrees to comply with all laws, regulations, requirements and rules (including the rules of the United States Department of Transportation and the interchange rules of the Association of American Railroads) with respect to the use, maintenance and operation of each Item of Equipment subject to this Lease. In case such Item of Equipment is required to be changed, or any equipment or appliance is required to be installed thereon or replaced in order to comply with such laws, relations, requirements and rules, the Lessee agrees to make such changes, additions and replacements at the Lessee's cost and expense.

7.2. Representations and Warranties. The Lessee represents and warrants as follows:

(a) Thomas F. Patton and Ralph S. Tyler, Jr. have been duly appointed as Trustees of the property of the Railroad by orders of the United States District Court for the Northern District of Ohio; the appointment of said Trustees has been ratified by orders of the Interstate Commerce Commission; and said Trustees are duly vested with the title to the properties of the Railroad and have power and authority to carry on its business.

(b) The execution and delivery by the Lessee of this Lease have been duly authorized by an order of the Court (a copy of which has been provided to the Lessor); and this Lease and the Assignment are legal, valid, binding and enforceable against the Lessee in accordance with their respective terms.

(c) The rights of the Lessor as herein set forth and the title of the Lessor to the Equipment are free and clear of the lien, charge or security interest created by any mortgage, security agreement or other instrument binding upon the Railroad or the Lessee.

(d) Except for the authorization by the Court of the execution and delivery of this Lease by the Lessee, no governmental authorizations, approvals or exemptions are required for the execution and delivery of this Lease or for the validity and enforceability hereof or for the leasing of the Equipment hereunder, for the rentals and on the other terms and conditions herein provided, or if any such authorizations are required, they have been obtained (and copies thereof have been provided to the Lessor), and if any such authorizations shall hereinafter be required, they will be promptly sought, and copies thereof will be provided to the Lessor.

(e) No litigation or administrative proceedings are pending or to the knowledge of the Lessee are threatened against the Lessee, the adverse determination of which would affect the validity of this Lease or the rights of the Lessor to enforce the provisions hereof.

(f) Obligations to make rental and other payments under this Lease will constitute expenses of administration of the Lessee payable on a parity with other equipment obligations theretofore or thereafter assumed or incurred by the Lessee; and, upon occurrence of an Event of Default under this Lease, any claim for damages will constitute an expense of administration.

(g) This Lease has been duly filed and recorded with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act and duly deposited in the office of the Registrar General of Canada and notice of such deposit has been duly published or accepted for publication in the Canada Gazette in accordance with Section 86 of the Railway Act of Canada; and such filing, recordation and deposit will protect the Lessor's interests in and to the Equipment and no filing, recording or deposit (or giving of notice) with any other Federal, state, local or foreign government is necessary in order to protect the interests of the Lessor in and to the Equipment.

(h) The entering into and performance of this Lease will not result in any breach of, or constitute a default under, any indenture, mortgage, deed of trust, bank loan or credit agreement or other agreement or instrument to which the Lessee or the Railroad is a party or by which either of them may be bound, nor will such action result in a violation of the provisions of the certificate of incorporation or the by-laws of the Lessee or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Lessee or any of its properties.

SECTION 8. USE AND MAINTENANCE OF EQUIPMENT

The Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Lessee shall, at its own cost and expense, maintain and keep the Equipment (including any parts installed thereon or replacements made thereon) in the same order, condition and repair as when originally delivered to the Lessee (or installed), ordinary wear and tear excepted. The Lessee shall not modify any Item of Equipment so as to impair its operational capacity without the written authority and approval of the Lessor which shall not be unreasonably withheld. Any parts installed or replacements made by the Lessee upon any Item of Equipment shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Lessor, without cost or expense to the Lessor.

SECTION 9. LIENS ON THE EQUIPMENT

The Lessee shall pay or satisfy and discharge any and all claims against, through or under the Lessee and its successors or assigns which, if unpaid, might constitute or become a lien or a charge upon the Equipment, and any liens or charges which may be levied against or imposed upon any Item of Equipment as a result of the failure of the Lessee to perform or observe any of its covenants or agreements

under this Lease, but the Lessee shall not be required to pay or discharge any such claims so long as it shall, in good faith, with due diligence and by appropriate legal proceedings contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor to the Equipment. The Lessee's obligations under this Section 9 shall survive termination of this Lease.

SECTION 10. FILING, PAYMENT OF FEES AND TAXES

10.1 Filing. Prior to the delivery and acceptance of the first Item of Equipment, the Lessee will, at its sole expense, cause this Lease to be duly filed and recorded with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act and to be duly deposited in the office of the Registrar General of Canada; and the Lessee will cause the required notice of such deposit forthwith thereafter to be published in the Canada Gazette in accordance with Section 86 of the Railway Act of Canada. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record (and will re-file, re-register, re-deposit or re-record whenever required) any and all further instruments required by law or reasonably requested by the Lessor, for the purpose of protecting the Lessor's title to the Equipment to the satisfaction of the Lessor's counsel or for the purpose of carrying out the intention of this Lease, and in connection with any such action, will deliver to the Lessor proof of such filings and an opinion of the Lessee's counsel that such action has been properly taken. The Lessee will pay all costs, charges and expenses incident to any such filing, re-filing, recording, re-recording, depositing, re-depositing, registering and re-registering of any such instruments, or incident to the taking of such action.

10.2. Taxes.

(a) The rentals and other amounts otherwise required to be borne by the Lessee under this Lease are exclusive of all taxes, assessments, fees and charges (hereinafter called "Imposts") levied and imposed by any governmental unit (domestic or foreign), or any agency or instrumentality thereof:

(i) with respect to this Lease;

(ii) upon the Equipment or any interest of the Lessor and the Lessee therein;

(iii) upon or on account of the sale, purchase, ownership, possession, use, operation, maintenance, delivery or return of the Equipment; or

(iv) on account of or measured by the earnings or gross receipts arising from the Equipment, or the value added thereto, other than taxes imposed on or measured by the net income of the Lessor.

The Lessee shall bear the burden and make timely remittances to appropriate governmental units of all such excluded taxes, assessments, fees and charges and file timely, with each appropriate governmental unit, all returns, statements and reports legally required with respect thereto; provided, however, that the Lessor shall file required returns, statements, and reports relating to sales or use taxes, and taxes, fees and charges on or measured by the Lessor's earnings or gross receipts arising from the Equipment, or the value added by the Lessor thereto, and remit the amount thereof, and Lessee shall reimburse the Lessor promptly upon demand for the amount of such taxes, fees and charges.

(b) If the Lessor remits any Impost required hereunder to be borne by the Lessee, reimbursement thereof shall be made by the Lessee promptly upon the Lessor's demand.

(c) The Lessee shall not be required to remit to any governmental unit any Impost, unless remittance may not legally be withheld, if and so long as the Lessee shall in good faith, with due diligence, and by appropriate judicial or administrative proceedings, contest the validity, applicability or amount thereof; provided that no such contest shall be instituted unless the Lessee shall, at least ten days prior thereto, give to the Lessor written notice of the Lessee's intent to contest the Impost.

(d) The Lessee shall, whenever requested by the Lessor, submit to the Lessor copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to the Lessor of the Lessee's performance of its duties under this Section 10.2. The Lessee shall also furnish promptly upon request such data as the Lessor reasonably may require to permit the Lessor's compliance with the requirements of taxing jurisdictions.

(e) To the extent that the Lessee may be prohibited by law from performing in its own name the duties required by this Section 10.2, the Lessor hereby authorizes the Lessee to act in its name and on its behalf; provided, however, that the Lessee shall indemnify and hold the Lessor harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith, as a result of, or incident to, any action by the Lessee pursuant to this authorization.

SECTION 11. INSURANCE: RISK OF LOSS: PAYMENT FOR CASUALTY OCCURRENCE

11.1 Insurance.

(a) The Lessee will at all times after delivery and acceptance of each Item of Equipment self insure such Item against loss or damage from fire or other cause.

(b) The Lessee represents and warrants that, as of the date of execution of this Lease, it maintains in effect general public liability insurance with respect to its operations (including the Equipment) against damage because of bodily injury, including death, or damage to the property of others. Such liability insurance currently affords protection in an amount of not less than \$20,000,000 in excess of the first \$500,000 for damages resulting from any one accident. Such liability insurance shall not be cancelled or changed without 30 days prior written notice to the Lessor. The Lessor shall be named as an insured in each insurance policy relating to the Equipment.

(c) The Lessee covenants and agrees that it will furnish to the Lessor copies of the policies providing for the insurance required by this Section 11.1, together with certificates of insurance issued by the issuers of such insurance, as soon as practicable after the execution of this Lease.

11.2. Risk of Loss; Payment for Casualty Occurrences.

(a) The Lessee shall bear the risk of the Equipment being lost, destroyed or otherwise rendered permanently unfit or unavailable for use after delivery thereof to and acceptance by the Lessee hereunder. In the event that any Item of Equipment shall be or become worn out, lost, stolen, destroyed, or in the opinion of the Lessor, irreparably damaged, from any cause whatsoever, or requisitioned, taken over or nationalized by any governmental authority by condemnation or otherwise (except by a Reorganized Company, as hereinafter defined), and all of the obligations of the Lessee are not assumed by such governmental authority within 60 days after such event (such occurrences being hereinafter called Casualty Occurrences) during the term of this Lease, the Lessee shall, within 30 days after it shall have determined that such Item of Equipment has suffered a Casualty Occurrence, fully notify the Lessor with respect thereto. On the rental payment date next succeeding such notice the Lessee shall pay to the Lessor an amount equal to the sum of (i) the Casualty Value of such Item as of the date of such Casualty

Occurrence determined in accordance with Section 11.2(b) hereof and (ii) interest on the amount of such Casualty Value, computed at the rate of 12.5% per annum for the period from the first day of the consecutive three-month period in which such Casualty Occurrence occurred (of, if such Casualty Occurrence occurred prior to the Cut-Off Date, from the day on which such Item was delivered to and accepted by the Lessee hereunder) to and including the date of payment by the Lessee in respect of such Item, less (iii) the amount of any rentals paid with respect to such Item for the period for which interest was calculated pursuant to clause (ii) of this sentence. Upon the making of such payment by the Lessee, the rental for such Item shall cease to accrue, the term of this Lease as to such Item shall terminate and the title to such Item shall pass to and vest in the Lessee.

(b) The Casualty Value of each Item shall be determined for the period from the date of delivery and acceptance of such Item through the Cut-Off Date (designated as Period 1 in Schedule C hereto), and for each consecutive three-month period thereafter (designated as Periods 2 through 34 in Schedule C hereto), in which such Item shall have suffered a Casualty Occurrence, by applying the Applicable Percentage for such period to the Purchase Price of such Item, in accordance with Schedule C hereto.

(c) Except as hereinabove in this Section 11.2 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Item of Equipment after delivery to and acceptance thereof by the Lessee hereunder.

SECTION 12. REPORTS

12.1. Duty of Lessee to Furnish Annual Reports. On or before May 1 in each year, commencing with the year 1975, the Lessee will furnish to the Lessor an accurate statement, as of the preceding December 31 (a) showing the amount,

description and numbers of all Items of Equipment that may 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 such other information regarding the condition or state of repair of the Equipment as the Lessor may reasonably request, and (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4.2 hereof have been preserved or replaced.

12.2. Lessor's Inspection Rights. The Lessor shall have the right, at its sole cost and expense by its authorized representative, to inspect the Equipment and the Lessee's records with respect thereto, at such times and at such locations as shall be mutually agreed upon in order to confirm to the Lessor the existence and proper maintenance thereof during the continuance of this Lease.

12.3. Certificates of No Default. The Lessee will furnish to the Lessor, within 45 days after the close of each quarterly fiscal period of the Lessee, a certificate of the Lessee, signed by a principal financial officer of the Railroad, to the effect that the signer has reviewed the relevant terms of this Lease and has made, or caused to be made under his supervision, a review of the transactions and conditions of the Lessee during the preceding quarterly fiscal period, and that such review has not disclosed the existence during such period, nor does the signer have knowledge of the existence as at the date of such certificate, of any condition or event which constitutes an Event of Default hereunder or which, after notice or lapse of time or both, would constitute an Event of Default hereunder, or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action the Lessee has taken or is taking or proposes to take with respect thereto.

12.4. Financial Reports. The Lessee will furnish to the Lessor (i) within 45 days after the end of each of the first three quarterly fiscal periods in each fiscal year of the Railroad, a consolidated balance sheet of the Railroad and its consolidated subsidiaries prepared by it as of the close of such period, together with the related consolidated statements of income and of surplus for such period, all in reasonable detail and certified by the principal accounting or financial officer of the Railroad, (ii) within 120 days after the close of each fiscal year of the Railroad, a consolidated balance sheet of the Railroad and its consolidated subsidiaries as of the close of such fiscal year, together with the related consolidated statements of income and of surplus for such fiscal year, all in reasonable detail and certified by a recognized national firm of independent public accountants and (iii) such other information as is reasonably requested by the Lessor from time to time.

12.5. Other Reports. 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 of the Equipment or the leasing thereof to the Lessee.

SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM

Upon the expiration of the term of this Lease with respect to any Item of Equipment, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Item of Equipment to the Lessor upon such storage tracks of the Lessee or at such other location as the Lessor may designate, or in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Item of Equipment on such tracks or at such location for a period not exceeding 90 days and transport the same at any time within

such 90 day period to any reasonable place on the lines of railroad operated by the Lessee or elsewhere or to any connecting carrier for shipment, all as directed by the Lessor upon not less than 30 days' written notice to the Lessee. If the Lessor shall so request, such Item shall be removed from any flat car to which it may be attached, at the cost and expense of the Lessee. All movement and storage of each such Item is to be at the risk and expense 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 such Item, 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 Item of Equipment returned to the Lessor pursuant to this Section 13 shall (i) be in the same order, condition and repair as when originally delivered to the Lessee, ordinary wear and tear excepted, and (ii) meet all then applicable standards of the Department of Transportation and shall comply with any applicable interchange rules of the Association of American Railroads. The removal, assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so remove, assemble, deliver, store and transport the Equipment.

SECTION 14. DEFAULT

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

(a) Default shall be made in the payment of any part of the rental or other sums provided in Section 2 hereof or in Section 11 hereof and such default shall continue for five days; or

(b) The Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or of possession of the Equipment, or any portion thereof, except for requisitioning, taking over or nationalization as provided in Section 11 hereof, and shall fail or refuse to cause such assignment or transfer to be cancelled by agreement of all parties having any interest therein and to recover possession of such Equipment within 30 days; or

(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 and such default shall continue for 30 days after written notice from the Lessor to the Lessee, specifying the default and demanding the same to be remedied; or

(d) Any material representation made by the Lessee herein or hereunder or in any certificate or other instrument delivered under or pursuant to any provision hereof shall prove to have been false or incorrect in any material respect on the date as of which made; or

(e) The order dated October 8, 1974 of the Court in the pending proceedings for the reorganization of the Railroad, authorizing the execution and delivery of this Lease by the Lessee and its undertaking of the obligations, duties and liabilities hereof, shall be reversed, modified, amended or superseded in any material respect which might adversely affect any of the rights, powers, privileges and remedies of the Lessor under this Lease; and the order effecting such reversal, amendment, modification or superseding of said order shall not have been vacated or set aside or

stayed within 60 days from the date of entry thereof; or

(f) A plan of reorganization of the Railroad shall be approved by the Court in the pending proceedings for the reorganization of the Railroad and said plan does not provide for the assumption by a Reorganized Company (as hereinafter defined) of each and every obligation of the Lessee under this Lease in form and substance satisfactory to the Lessor; or

(g) A petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may be hereafter amended, shall be filed by or against any Reorganized Company (as hereinafter defined) and all the obligations of the Lessee under this Lease shall not have been duly assumed by a trustee or trustees within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier; or

(h) Any proceedings shall be commenced by or against any Reorganized Company (as hereinafter defined) for any relief 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 readjustment of the indebtedness payable hereunder), and all the obligations of the Lessee under this Lease shall not have been duly assumed by a trustee or trustees or receiver or receivers appointed for such Reorganized Company or for its property in connection with any such proceedings or otherwise given the same status as obligations assumed by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier.

The term "Reorganized Company" as used in this Lease shall mean any corporation (which may be the Railroad) or governmental agency which acquires a substantial portion of the lines of railroad comprised in the Railroad's estate, and thereafter shall include any successor which shall have become such in compliance with Section 15 hereof.

14.2. Remedies. If any Event of Default has occurred and is continuing, 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 right of the Lessee to the use of the Equipment shall absolutely cease and determine as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessee shall deliver possession of the Equipment to the Lessor in accordance with Section 13 hereof unless such delivery is impossible because the Equipment or any portion thereof was requisitioned, taken over or nationalized as described in Section 11 hereof and the Lessor may, without Court order or without any other authorization, by its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be and take possession of all or any of such Equipment (damages occasioned by such taking of possession being hereby expressly waived by the Lessee) and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or the Lessee's successors or assigns, to use the Equipment for any purpose whatever; but the Lessor shall nevertheless have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be

then due or which may become due and unpaid for the use of the Equipment (including rentals accruing on the Equipment after the date of default); and also to recover forthwith from the Lessee (to the extent not recovered pursuant to the foregoing) the following:

(i) as damages for loss of the bargain and not as a penalty, a sum, with respect to each Item of Equipment, equal to the excess of the Casualty Value thereof as of the date of the termination of this Lease over whichever of the following amounts the Lessor shall specify in such notice to the Lessee:

(a) the then present worth (computed on the basis of a 12.5% per annum discount) of the rentals which the Lessor reasonably estimates to be obtainable for such Item during the period from the date of said termination to the end of the then current term of lease thereof, or

(b) the fair market sales value which the Lessor reasonably estimates to be obtainable for such Item (or the actual selling price of such Item, net of all selling costs and expenses, if the Lessor shall have sold such Item within 60 days following the date of such notice), plus interest on such excess at the rate of 12.5% per annum commencing to accrue on the date of such notice, and

(ii) all accrued and unpaid rentals for such Equipment and any expenses incurred in the retaking, storage, repairing and lease, sale or other disposition, and reasonable attorneys' fees incurred by the Lessor, plus an amount equal to accrued taxes and other amounts payable hereunder by the Lessee with respect to the Equipment, all costs, expenses, losses and damages incurred or sustained by the Lessor by reason of such default, and interest at the rate of 12.5% per annum on each of the foregoing items in this subparagraph (ii) and on all other sums not paid when due under this Lease.

If on the date of such termination or repossession any Equipment is damaged, lost, stolen or destroyed or subject to requisition, takeover or nationalization by governmental agency, or is subject to any levy, seizure, assignment, application or sale for or by any creditor, Lessee shall also remain liable for payment of the Casualty Value as specified in Section 11 hereof.

14.3. Cumulative Remedies. 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 any of the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims of any right to assert any off-set against the rental payments due hereunder, and agrees to make the rental payments regardless of any off-set or claim which may be asserted by the Lessee on its behalf in connection with the lease of the Equipment.

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

14.5. Lessor Appointed Lessee's Agent. Without in any way limiting the obligations of the Lessee under the foregoing provisions of this Section 14, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Item of Equipment to the Lessor, to demand and take possession of such Item in the name and on behalf of the Lessee from whomsoever shall be at the time in possession of such Item. In connection therewith the Lessee will supply the Lessor with such documents as the Lessor may reasonably request.

SECTION 15. ASSIGNMENTS BY LESSEE: USE AND POSSESSION

15.1. Lessee's Rights to the Equipment. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease, but, without the prior written consent of the Lessor, the Lessee shall not assign, transfer or encumber its leasehold interest under this Lease in any of the Equipment. 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 Equipment, except to the extent permitted by the provisions of Section 15.2 hereof.

15.2. Use and Possession on Lines Other Than Lessee's Own. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the Equipment and to the use thereof upon its lines of railroad or upon lines of railroad over which the Lessee has trackage or other operating rights or over which railroad equipment of the Lessee is regularly operated pursuant to contract, and also to permit the use of the Equipment upon other railroads in the usual interchange of traffic, but only upon and subject to all the terms and conditions of this Lease. Notwithstanding the foregoing, the Lessee will not assign any Item of Equipment to service including the regular operation and maintenance thereof outside the United States of America. No assignment or sublease entered into by the Lessee hereunder shall relieve the Lessee of any liability or obligations hereunder which shall be and remain those of a principal and not a surety.

15.3. Merger, Consolidation or Acquisition of Lessee. With the prior written consent of the Lessor, the Lessee shall have the right to assign or transfer its leasehold interest under this Lease in the Equipment and possession of the Equipment to any corporation (which shall have duly assumed the obligations

hereunder of the Lessee) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety.

15.4. Assignment to Reorganized Company.

(a) Nothing in this Section 15 shall be deemed to limit the right of the Lessee to assign and transfer the Lessee's leasehold interest hereunder in the Equipment and the possession thereof to a Reorganized Company (as herein defined), or to a governmental agency empowered to acquire railroad equipment, provided that all the obligations then existing or to accrue of the Lessee under this Lease shall be assumed as a general obligation by such Reorganized Company or governmental agency.

(b) After any assignment and transfer of the Lessee's leasehold interest hereunder in the Equipment and the possession thereof as above permitted nothing in this Section 15 shall be deemed to limit the right of the Reorganized Company (as herein defined) as successor to the Lessee, at any time further to assign and transfer its leasehold interest hereunder in the Equipment and the possession thereof to any successor which shall have assumed all of the obligations hereunder of the Lessee and into or with which such Reorganized Company shall have merged or consolidated or which shall have acquired all or substantially all of the property of such Reorganized Company; nor shall anything in this Section 15 be deemed to limit such successive assignments and transfers.

SECTION 16. INTEREST ON OVERDUE RENTALS AND AMOUNTS PAID BY LESSOR

Anything to the contrary herein contained notwithstanding, any nonpayment of rentals due hereunder, or amounts expended by the Lessor on behalf of the Lessee, shall result in the additional obligation on the part of the Lessee to

pay an amount equal to 12.5% per annum on the overdue rentals and amounts expended for the period of time during which they are overdue or expended and not repaid.

SECTION 17. OPTIONS TO PURCHASE AND RENEW

17.1. Purchase Options. Provided that the Lessee is not in default hereunder, the Lessee shall have the following options to purchase:

(a) The Lessee shall have the right to purchase all or any of the Items of Equipment then leased hereunder on the eighth anniversary of the Cut-Off Date, or on any rental payment date during any renewal period provided for in Section 17.2 hereof, at a price equal to the Fair Market Value (determined as provided below) of such Items of Equipment. The Lessee shall give the Lessor written notice of any such election not less than six months prior to its exercise of the purchase option provided for in this Section 17.1. Payment of the option price, together with any rentals accrued and unpaid through the date of such payment, shall be made at the place of payment specified in Section 2 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 such Items of Equipment 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 this Lease. The Lessor shall not be required to make any representation or warranty as to the condition of such Items of Equipment or any other matters and any such purchase shall be without recourse to the Lessor.

(b) The Fair Market Value of an Item of Equipment 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 buyer-user (other than (i) a lessee currently in possession and (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell. If on or before four months prior to the date of purchase elected by the Lessee, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Value of an Item of Equipment, such value shall be determined in accordance with the foregoing definition by a qualified independent Appraiser. The term "Appraiser" shall mean such independent appraiser as the Lessor and the Lessee may mutually agree upon, or failing such agreement, a panel of three independent appraisers, one of whom shall be selected by the Lessor, the second by the Lessee and the third designated by the first two so selected. The Appraiser shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee. The determination so made shall be conclusively binding upon both the Lessor and the Lessee. The expenses and fees of the Appraiser shall be borne by the Lessee.

(c) Notwithstanding any election of the Lessee to purchase as provided in this Section 17.1, the provisions of Section 11 hereof shall continue in full force and effect until the date of purchase and the passage of ownership of the Items of Equipment purchased by the Lessee upon such date unless a purchase price, in excess of the Casualty Value of such Item, has been agreed upon by the parties pursuant to this Section 17.1, in which event such purchase price shall govern the amount payable under Section 11 hereof.

17.2. Renewal Options. Provided that the Lessee is not in default hereunder, the Lessee shall have the following renewal options:

(a) The Lessee shall have the option to renew and extend this Lease as to all or any of the Items of Equipment leased hereunder for one or more additional renewal terms of one year each (or such other duration as may be agreed upon by the Lessor and the Lessee), each upon and subject to the terms and conditions herein contained for the original term of this Lease; provided that the monthly rentals payable for and during any such renewal term shall be an amount equal to the Fair Rental Value (determined as provided below) of such Items of Equipment. Each renewal term shall commence immediately upon the expiration of the preceding term. The Lessee shall give the Lessor written notice of any such election six months prior to the commencement of any renewal term provided for in this Section 17.2.

(b) The Fair Rental Value of an Item of Equipment shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease. If on or before four months prior to the date of commencement of the renewal term elected by the Lessee, the Lessor and the Lessee are unable to agree upon a determination of the Fair Rental Value of an Item of Equipment, such value shall be determined in accordance with the foregoing definition by a qualified independent Appraiser. The term "Appraiser" shall mean such independent appraiser as the Lessor and the Lessee may mutually agree upon, or failing such agreement, a panel of three independent appraisers, one of whom shall be selected by the Lessor,

the second by the Lessee and the third designated by the first two so selected. The Appraiser shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee. The determination so made shall be conclusively binding upon both the Lessor and the Lessee. The expenses and fees of the Appraiser shall be borne by the Lessee.

17.3. Delivery of Equipment. Unless the Lessee has elected to purchase the Items of Equipment then leased hereunder or to renew this Lease in respect of such Items of Equipment as provided in this Section 17, all of such Items of Equipment shall be returned to the Lessor at the end of the original term, or the then current renewal term, as the case may be, in accordance with Section 13 hereof.

SECTION 18. TAXES.

18.1. Indemnity for Loss of Investment Tax Credit, Depreciation or Foreign Tax Credit. If (a) the Trustors

(i) shall not be entitled to full use of the investment tax credit allowed by Section 38 of the United States Internal Revenue Code of 1954, as amended (the "Code") for "new section 38 property" at the rate of 7% with respect to the total Purchase Price of the Equipment,

(ii) shall have any tax increased on account of the recomputation of investment tax credit under Section 47 of the Code, or

(iii) shall not be entitled to, for each of their respective taxable years (or portions thereof) during which this Lease is in effect, depreciation deductions on the total Purchase Price of the Equipment computed on the

basis of a method of depreciation provided by Section 167(b)(2), (3) or (4) of the Code, the asset depreciation range system of Section 167(m) of the Code, and Reg. Sec. 1.167(a)-11, and an asset depreciation period of not more than 12 years; and

(b) Loss of investment tax credit or depreciation or increase in tax under Section 47 of the Code is caused by any reason whatsoever, including, but not by way of limitation, any replacement or any change in the applicable law which is in effect at the time of the delivery of the Equipment, then the Lessee shall pay Supplemental Rent to the Lessor. Such Supplemental Rent shall be computed separately for each calendar year (or portion thereof) as the sum which, after deduction of all taxes required to be paid by the Trustors and the Lessor on receipt thereof, shall be equal to:

- (i) the amount of the investment tax credit lost by the Trustors, and
- (ii) the increase in the Trustors' tax on account of any recomputation of investment tax credit under Section 47 of the Code, and
- (iii) an amount sufficient to give the Trustors the same after-tax cash flow for such taxable year (or portion thereof) as would have resulted had depreciation deductions been allowed the Trustors on the total Purchase Price of the Equipment as set forth above, and
- (iv) any interest, addition to tax or penalty which may be assessed by the United States Government against the Trustors on the loss or recomputation of investment tax credit or of depreciation deductions.

Supplemental Rent shall not be reduced by any tax savings realized by the Trustors by reason of foreign taxes being imposed on the Trustors and the Lessor on the receipt of Supplemental Rent. Supplemental Rent shall be payable on written demand made at any time after payment of the additional income tax.

18.2. Use Outside of the United States. If any Item of Equipment shall be used in Canada or otherwise outside of the United States, the Lessee hereby agrees promptly to pay to the Lessor as Supplemental Rent an amount which, after deduction of all taxes required to be paid by the Lessor and the Trustors on receipt thereof, shall be equal to the excess of the foreign tax credit under Section 901 of the Code which would have been allowable to the Lessor and the Trustors with respect to such year and all prior years if the Lessor and the Trustors had not participated in the transactions contemplated by this Lease over the foreign tax credit actually allowable to the Lessor and the Trustors with respect to such years, together with any interest, penalties or additions to tax which may be assessed by the United States Government against the Lessor and the Trustors as a result of such loss of foreign tax credits. The good faith calculation by the Tax Department of Ford Motor Company of all amounts due under this Section 18.2 shall be binding on the Lessee. The Lessee hereby agrees that it will not have the right to inspect the tax returns or related documents of the Lessor and the Trustors to confirm such calculations.

18.3. Definition of "Trustors". For purposes of Sections 18.1 and 18.2 hereof, the term "Trustors" shall include the "common parents" and all other corporations included in their respective affiliated groups within the meaning of Section 1504 of the Code, of which the Trustors are or become a member.

18.4. References to Code. Reference in this Lease to specific sections of the Code shall be deemed to include comparable sections or provisions of any successor laws.

18.5. Survival of Indemnities. Except as otherwise provided, indemnities contained in this Section 18 shall survive the termination of this Lease and are expressly made for the benefit of, and shall be enforceable by, the Trustors and their respective successors, assigns, agents and servants.

SECTION 19. MISCELLANEOUS

19.1. Notices. Any 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 registered mails, first class postage prepaid, addressed as follows:

If to the Lessor: Manufacturers National Bank of Detroit
151 West Fort Street
Detroit, Michigan 48226
Attention: Corporate Trust Department

With copies to:

American Road Equity Corporation
P. O. Box 1729
Dearborn, Michigan 48121
Attention: Vice President-CIR Financing

and to:

Portec, Inc.
300 Windsor Drive
Oak Brook, Illinois 60521

If to the Lessee: Trustees of the Property of
Erie Lackawanna Railway Company, Debtor
Midland Building
101 Prospect Avenue, N.W.
Cleveland, Ohio 44115
Attention: Assistant Vice President-Finance

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

19.2. Execution in Counterparts. This Lease, and any lease supplemental hereto, may be executed in several counterparts, each of which so executed shall be deemed to be an original and in each case such counterparts shall constitute but one and the same instrument.

19.3. Law Governing. This Lease shall be governed by and construed in accordance with the laws of the State of Michigan; provided, however, that the parties shall be entitled to all rights conferred by any applicable Federal statute, rule or regulation.

19.4. Agreement for Benefit of Trustors. All rights of the Lessor hereunder shall inure to the benefit of the Trustors and any of the Trustors' assigns under the Trust Agreement.

19.5. Limitations of Liability.

(a) It is expressly understood and agreed by and between the Lessor and the Lessee and their respective successors and assigns: that this Lease is executed by Manufacturers National Bank of Detroit not individually or personally but solely as Trustee under the Trust Agreement in the exercise of the power and authority conferred and vested in it as such Trustee (and Manufacturers National Bank of Detroit hereby warrants that it possesses full power and authority to enter into and perform this Lease), that each and all of the representations, undertakings and agreements herein made on the part of the Lessor are each and every one of them made and intended not as personal representations, undertakings and agreements by the Lessor or the Trustors, or for the purpose or with the intention of binding the Lessor or the Trustors personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Trust Agreement, that this Lease is executed and delivered by the Lessor solely in the exercise of the powers expressly conferred upon the Lessor as trustee under the Trust Agreement, that actions to be taken by the Lessor pursuant to its obligations hereunder may, in certain instances, be taken by the Lessor only upon specific authority of the Trustors, that nothing herein contained shall be construed as creating any liability on the Lessor or the Trustors, individually or personally, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Lessee and

by each and every person now or hereafter claiming by, through or under the Lessee, and that so far as the Lessor or the Trustors individually or personally are concerned, the Lessee and any person claiming by, through or under the Lessee shall look solely to the Trust Estate as defined in the Trust Agreement for the performance of any obligation under this Lease. The term "Lessor" as used in this Lease shall include any trustee succeeding the Lessor as trustee under the Trust Agreement or the Trustors, if the trust created thereby is revoked and, where the context so requires, shall refer to the Trustors. Any obligation of the Lessor hereunder may be performed by the Trustors and any such performance shall not be construed as revocation of the trust created by the Trust Agreement. Nothing contained in this Lease shall restrict the operation of the provisions of the Trust Agreement with respect to its revocation or the resignation or removal of the Trustee thereunder.

(b) The liabilities and obligations of the aforementioned Trustees, Thomas F. Patton and Ralph S. Tyler, Jr., as well as of any such successor or additional trustees, under and in respect of this Lease, are the liabilities of such Trustees, or any or all of them, solely as trustees of the property of the Railroad, and not individually. Said Trustees and any successor or additional trustees shall not be relieved of their liabilities or obligations as such Trustees under or in respect of this Lease, except upon any assignment and transfer of the Lessee's leasehold interest hereunder in the Equipment and the possession thereof to a Reorganized Company or governmental agency as provided in Section 15 hereof.

MANUFACTURERS NATIONAL BANK OF DETROIT,
as Trustee

By *[Signature]*

SECOND ~~Its~~ Vice President AND TRUST OFFICER
Lessor

[Corporate Seal]

Attest:

[Signature]

Corporate Trust Officer

SECOND VICE PRESIDENT AND

THOMAS F. PATTON and RALPH S. TYLER, JR.,
as Trustees of the Property of
Erie Lackawanna Railway Company, Debtor

[Signature]

Trustee

[Signature]

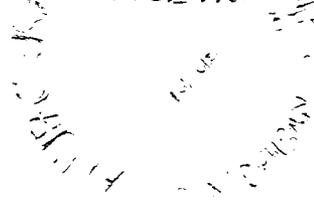
Trustee

Witness:

[Signature]

SECRETARY

Lessee



STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

On this 1st day of November, 1974, before me personally appeared DONALD E. BLACK to me personally known, who being by me duly sworn, says that he is a Vice President of ^{Trust Officer} Manufacturers National Bank of Detroit, 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.

[Seal]

My Commission Expires:

Elizabeth Zarek
Notary Public
ELIZABETH ZAREK
Notary Public Wayne County, Mich.
My Commission Expires Sept. 30, 1978

STATE OF OHIO)
) ss.
COUNTY OF CUYAHOGA)

On this 29 day of October, 1974, before me personally appeared Thomas F. Patton and Ralph S. Tyler, Jr., to me personally known, who being by me duly sworn, say that they are the Trustees of the Property of Erie Lackawanna Railway Company, Debtor, ~~and that one of the seals affixed to the foregoing instrument is the corporate seal of said Company,~~ and they acknowledged that the execution of the foregoing instrument was their free act and deed.

[Seal]

My Commission Expires:

Harry P. Gizler
Notary Public
HARRY P. GIZLER
NOTARY PUBLIC
My Commission Expires July 24, 1979

SCHEDULE A

<u>Description</u>	<u>Quantity</u>	<u>Number of Item</u>	<u>Purchase Price per Item*</u>	<u>Estimated Delivery Date</u>	<u>Place of Delivery</u>
Para Bi Bi-Level Auto Racks on TTX Flush Std. Deck Flat Cars with 22 Ga. Corrugated Galv. Steel Side Shielding and equipped with 40 Channel Style Ratchets and 40 Ford Std. Tie Down Chains	13	100 - 112	\$10,850.00	11/4/74 to 11/8/74	Novi, Michigan
Para Pak Low Level Auto Racks on TTX FLH21 Low Deck Flush Deck Flat Car with 22 Ga. Corrugated Galv. Steel Side Shielding and equipped with 60 Channel Style Ratchets and 60 Ford Std. Tie Down Chains	281	200 - 480	\$17,606.00	11/11/74 to 2/28/74	Novi, Michigan

* Including delivery and installation charges.

SCHEDULE B

CERTIFICATE OF ACCEPTANCE
UNDER EQUIPMENT LEASE

To: Manufacturers National Bank of Detroit,
as Trustee under Trust Agreement
dated as of October 1, 1974
("Trustee")

Portec, Inc.
("Manufacturer")

I, a duly appointed inspector and authorized representative of THOMAS F. PATTON and RALPH S. TYLER, JR., as Trustees of the property of Erie Lackawanna Railway Company, Debtor ("Lessee"), and of the above named Trustee, do hereby certify that I have inspected, received, approved and accepted delivery, on behalf of the Lessee under the Equipment Lease dated as of October 1, 1974 between the Trustee and the Lessee, and on behalf of the Trustee under the Purchase Order dated as of September 3, 1974 between the above named Manufacturer and the Lessee, of the following Items of Equipment (the "Equipment"):

TYPE OF EQUIPMENT:

PLACE ACCEPTED:

DATE ACCEPTED:

NUMBER OF ITEMS:

SERIAL NUMBERS OF ITEMS:

SERIAL NUMBERS OF FLAT CARS TO WHICH ATTACHED:

I do further certify that the Equipment is in good order and condition, and conforms to the specifications applicable thereto, and at the time of delivery to the Lessee there was plainly, distinctly, permanently and conspicuously marked in contrasting colors upon each side of each Item of Equipment the following legend in letters not less than one inch in height:

"Leased from Manufacturers National Bank of Detroit,
Trustee, as Lessor-Owner"

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

Inspector and Authorized Representative
of Lessee and Trustee

SCHEDULE C

CASUALTY VALUES

<u>Consecutive 3-Month Period</u>	<u>Applicable Percentage</u>
1*	100.00%
2	99.60
3	99.52
4	98.71
5	97.80
6	96.78
7	95.65
8	94.43
9	93.12
10	91.71
11	90.20
12	88.60
13	86.90
14	80.44
15	78.55
16	76.56
17	74.48
18	72.30
19	70.03
20	67.66
21	65.19
22	57.96
23	55.30
24	52.54
25	49.69
26	46.74
27	43.69
28	40.55
29	37.31
30	29.31
31	25.88
32	22.30
33	18.72
34 and thereafter	15.00

*Period 1 represents the period from the date of delivery and acceptance to the Cut-Off Date.

8265

NOTICE OF ASSIGNMENT

This is to advise that, effective April 1, 1976, 12:01 a.m., the Financing Agreement described below has been assigned to the Consolidated Rail Corporation by the Trustees of:

Erie Lackawanna Railway Company
Midland Building
Baltimore, Maryland 21201

The Financing Agreement is a Lease Agreement

, dated October 1, 1974

bearing the ICC recordation number 7697

The payee's name and address is:

Manufacturers National Bank of Detroit
151 West Fort Street
Detroit, Michigan 48226 Attn: Corporate Trust Department

This Notice of Assignment has been placed in the file of the ICC recordation number listed above and the entire assignment is contained in the ICC recordation file stamped in the margin of this assignment. A copy hereof will be promptly mailed to the payee listed above for distribution to the beneficial holder(s) of the Financing Agreement described in this Notice of Assignment.

Consolidated Rail Corporation