CRAVATH, SWAINE & MOORE

ONE CHASE MANHATTAN PLAZA
NEW YORK, N.Y. 10005

RALPH L. McAFEE
ALLEN F. MAULSBY
STEWARD R. BROSS, JR.
HENRY P. RIORDAN
JOHN R. HUPPER
SAMUEL C. BUTLER
WILLIAM J. SCHRENK, JR.
BENJAMIN F. CRANE
JOHN F. HUNT
GEORGE J. GILLESPIE, III
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
CHRISTINE BESHAR
ROBERT S. RIFKIND
DAVID BOIES
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
RICHARD L. HOFFMAN
JOSEPH A. MULLINS
MAX R. SHULMAN
WILLIAM P. DICKEY
STUART W. GOLD
JOHN W. WHITE
JOHN E. BEERBOWER
EVAN R. CHESLER
PATRICIA GEOGHEGAN
D. COLLIER KIRKHAM
MICHAEL L. SCHLER
DANIEL P. CUNNINGHAM
KRIS F. HEINZELMAN
B. ROBBINS KIESSLING
ROGER D. TURNER
PHILIP A. GELSTON
RORY O. MILLSON
NEIL P. WESTREICH
FRANCIS P. BARRON
RICHARD W. CLARY
WILLIAM P. ROGERS, JR.

COUNSEL
MAURICE T. MOORE

TELEPHONE
212 422-3000

TELEX
RCA 233663
WUD 125547
WUI 620976
TRT 177149

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

2 HONEY LANE, CHEAPSIDE
LONDON EC2V 8BT, ENGLAND
TELEPHONE: 1-606-1421
TELEX: 8814901
RAPIFAX/INFOTEC:
1-606-1425

14891 B
RECORDATION NO. ..... Filed 1425
FEB 03 1986 -2 15 AM
INTERSTATE COMMERCE COMMISSION

14891
RECORDATION NO. ..... Filed 1425
FEB 03 1986 -2 15 AM
INTERSTATE COMMERCE COMMISSION

14891 C
RECORDATION NO. ..... Filed 1425
FEB 03 1986 -2 15 AM
INTERSTATE COMMERCE COMMISSION

14891 A
RECORDATION NO. ..... Filed 1425
FEB 03 1986 -2 15 AM
INTERSTATE COMMERCE COMMISSION

February 3, 1986

Consolidated Rail Corporation
Lease Financing Dated as of January 15, 1986
10% Conditional Sale Indebtedness Due September 1, 2000

Dear Mr. Bayne:

Pursuant to 49 U.S.C. § 11303 and the Commission's rules and regulations thereunder, as amended, I enclose herewith on behalf of Consolidated Rail Corporation, for filing and recordation, counterparts of each of the following documents:

New Number

1. (a) Conditional Sale Agreement dated as of January 15, 1986, between General Motors Corporation (Electro-Motive Division), as Builder, and The Connecticut Bank and Trust Company, National Association, as Vendee; and

— A

(b) Agreement and Assignment dated as of January 15, 1986, between General Motors Corporation (Electro-Motive Division), as Builder, and Mercantile-Safe Deposit and Trust Company, as Agent.

— B

2. (a) Lease of Railroad Equipment dated as of January 15, 1986, between Consolidated Rail Corporation, as Lessee, and The Connecticut Bank and Trust Company, National Association, as Vendee; and

— C

(b) Assignment of Lease and Agreement dated as of January 15, 1986, between The Connecticut Bank and Trust Company, National Association, as Vendee, and Mercantile-Safe Deposit and Trust Company, as Agent.

ICC OF THE
FEB 10 PM '86
MOTOR CARRIER

Counterparts

The names and addresses of the parties to the aforementioned agreements are as follows:

1. Agent:

   Mercantile-Safe Deposit and Trust Company
   Two Hopkins Plaza
   Baltimore, Maryland 21203

2. Vendee:

   The Connecticut Bank and Trust Company,
   National Association
   One Constitution Plaza
   Hartford, Connecticut 06115

3. Builder-Vendor:

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

4. Lessee:

   Consolidated Rail Corporation
   1310 Six Penn Center Plaza
   Philadelphia, Pennsylvania 19104

Please file and record the documents referred to in this letter and index them under the names of the Agent, the Vendee, the Builder-Vendor and the Lessee.

The equipment covered by the aforementioned documents consist of the following:

30 Model SD-50 diesel electric locomotives bearing the Lessee's identification numbers CR 6805-6834, both inclusive, and also bears the legend "Ownership Subject to a Security Agreement Filed with The Interstate Commerce Commission".

There is also enclosed a check for $20 payable to the Interstate Commerce Commission, representing the fee for recording the Conditional Sale Agreement and related Agreement and Assignment (together constituting one document), and the Lease of Railroad Equipment and related Assignment of Lease and Agreement (together constituting one document).

Please stamp all counterparts of the enclosed documents with your official recording stamp. You will wish to retain one copy of the instruments and this transmittal letter for your files. It is requested that the remaining counterparts of the documents be delivered to the bearer of this letter.

Very truly yours,

Laurance V. Goodrich

Laurance V. Goodrich,
as Agent for Consolidated Rail
Corporation

James H. Bayne, Secretary,
Interstate Commerce Commission,
Washington, D. C. 20423

Encls.

Interstate Commerce Commission
Washington, D.C. 20423

2/5/86

OFFICE OF THE SECRETARY

Laurance V. Goodrich
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 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 2/3/86 at 2:15pm and assigned re-recordation number(s). 14891, 14891-A, 14891-B & 14891-C

Sincerely yours,

James H. Bayne

Secretary

Enclosure(s)

SE-30
(7/79)

11891
RECORDATION NO. FILED 1425
FEB 03 1986 -2 15 AM
INTERSTATE COMMERCE COMMISSION

[CS&M Ref. 3909-072]

CONDITIONAL SALE AGREEMENT

Dated as of January 15, 1986

between

GENERAL MOTORS CORPORATION
(ELECTRO-MOTIVE DIVISION)

and

THE CONNECTICUT BANK AND TRUST COMPANY,
NATIONAL ASSOCIATION,
as Trustee Under a Trust Agreement

10%Conditional Sale Indebtedness
due September 1, 2000

(30 SD-50 Diesel Electric Locomotives)

Conditional Sale Agreement

TABLE OF CONTENTS*

		Page
ARTICLE 1.	Assignment; Definitions	1
ARTICLE 2.	Construction and Sale	2
ARTICLE 3.	Inspection and Delivery	3
ARTICLE 4.	Purchase Price and Payment	5
ARTICLE 5.	Title to, and Security Interest in, the Equipment	9
ARTICLE 6.	Taxes	10
ARTICLE 7.	Maintenance; Casualty Occurrences ..	11
ARTICLE 8.	Reports	13
ARTICLE 9.	Marking of Equipment	13
ARTICLE 10.	Compliance with Laws and Rules	13
ARTICLE 11.	Possession and Use	14
ARTICLE 12.	Prohibition Against Liens	14
ARTICLE 13.	Indemnities and Warranties	15
ARTICLE 14.	Assignments	17
ARTICLE 15.	Defaults	18
ARTICLE 16.	Remedies	21
ARTICLE 17.	Applicable State Laws	25
ARTICLE 18.	Recording	26
ARTICLE 19.	Article Headings; Effect and Modification of Agreement	26
ARTICLE 20.	Notice	26
ARTICLE 21.	Immunities; Satisfaction of Undertakings	27
ARTICLE 22.	Law Governing	28
ARTICLE 23.	Execution	29
ARTICLE 24.	Payments to the Owner	29
SCHEDULE I	Allocation Schedule	
ANNEX A	Builder's Warranties	
ANNEX B	Specifications	
ANNEX C	Lease of Railroad Equipment	
ANNEX D	Assignment of Lease and Agreement	

---

* 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.

CONDITIONAL SALE AGREEMENT dated as of January 15, 1986, between GENERAL MOTORS CORPORATION (Electro-Motive Division), a Delaware corporation (the "Builder" or the "Vendor", as the context may require, all as more particularly set forth in Article 1 hereof) and THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association not in its individual capacity but solely as Trustee, except as herein otherwise specifically provided (the "Vendee"), under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with THE BANK OF NEW YORK, a New York corporation (the "Owner").

WHEREAS the Builder has agreed to construct, conditionally sell and deliver to the Vendee, and the Vendee has agreed to conditionally purchase, the railroad equipment described in Annex B hereto to the extent not excluded herefrom under the provisions hereof (the "Equipment"); and

WHEREAS the Vendee is entering into a Lease of Railroad Equipment with Consolidated Rail Corporation (the "Lessee") substantially in the form annexed hereto as Annex C (the "Lease") pursuant to which the Lessee will lease from the Vendee such number of units of Equipment as are delivered and accepted hereunder; and

WHEREAS Mercantile-Safe Deposit and Trust Company (hereinafter called the "Assignee" or the "Vendor" as more particularly set forth in Article 1 hereof), is acting as Agent for investors pursuant to a Participation Agreement dated as of the date hereof (the "Participation Agreement") among the Assignee, the Lessee, the Vendee, the Owner, and the Parties Named in Schedule A Thereto (together with their successors and assigns, the "Investors"), and all obligations of the Vendee to the Builder under the Purchase Order (as defined in the Participation Agreement) will be superseded by this Agreement.

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

ARTICLE 1. Assignment; Definitions. The parties hereto contemplate that the Vendee will purchase the

Equipment and provide the cash portion of the Purchase Price (as hereinafter defined) of the Equipment as is required under subparagraph (a) of the third paragraph of Article 4 hereof and that an amount equal to the balance of such Purchase Price shall be paid to the Builder by the Assignee pursuant to an Agreement and Assignment (the "CSA Assignment") dated as of the date hereof between the Builder and the Assignee.

The term "Vendor", whenever used in this Agreement, means, before any assignment of its rights hereunder, the Builder and any successor or successors for the time being to its manufacturing properties and business, and, after any such assignment, both any assignee or assignees for the time being of such particular assigned rights as regards such rights, and also any assignor as regards any rights hereunder that are retained or excluded from any assignment, and the term "Builder", whenever used in this Agreement, means, both before and after any such assignment, the Builder and any successor or successors for the time being to its manufacturing properties and business.

The parties hereto contemplate that the Vendee will assign to the Assignee, as security for the payment and performance of all the Vendee's obligations hereunder, certain rights, titles, and interests of the Vendee in and to the Lease, pursuant to an Assignment of Lease and Agreement substantially in the form of Annex D hereto (the "Lease Assignment").

ARTICLE 2. Construction and Sale. Pursuant to this Agreement, the Builder shall construct the units of Equipment and will conditionally sell and deliver to the Vendee, and the Vendee will conditionally purchase from the Builder and accept delivery of and pay for (as hereinafter provided and subject to the limitations hereinafter set forth), such Equipment, each unit of which shall be constructed in accordance with the specifications referred to in Annex B hereto and in accordance with such modifications thereof as may be agreed upon in writing among the Builder, the Vendee and the Lessee (which specifications and modifications, if any, are hereinafter called the "Specifications"). The design, quality and component parts of each unit of the Equipment shall conform, on the date of completion of manufacture thereof, to the Specifications and all United States Department of Transportation and Interstate Commerce Commission requirements and specifications and to all standards, if any, recommended by the Association of American Railroads reasonably interpreted as being

applicable to railroad equipment of the character of such unit, and each such unit will be new railroad equipment, will not incorporate any used components (or, if such components are incorporated, their aggregate cost will not be more than 20% of the cost of material and parts used in constructing such unit) and will not have been used by any person so as to preclude the "original use" of such unit, within the meaning of Sections 48(b)(2) and 167(c)(2) of the Internal Revenue Code of 1954, as amended, from commencing with the Vendee.

ARTICLE 3. Inspection and Delivery. The Builder will deliver the units of the Equipment to the Vendee at the place or places specified in Annex B hereto in accordance with the delivery schedule set forth in Annex B hereto; provided, however, that delivery of any unit of the Equipment shall not be made (i) until this Agreement and the Lease have been filed with the Interstate Commerce Commission pursuant to 49 U.S.C § 11303 and deposited with the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada and provision shall have been made for publication of notice of such deposit in The Canada Gazette; (ii) subsequent to the commencement of any proceedings or the occurrence of any event specified in clauses (c) or (d) of Article 15 hereof or the occurrence of any event of default (as described in Article 15 hereof), or event which, with the lapse of time and/or demand, could constitute such an event of default (any such commencement, occurrence, event of default or event being hereinafter in this Agreement called a "Default"); provided, the Builder has notice thereof; or (iii) if the Purchase Price for such unit when added to the aggregate Purchase Price of (A) all units theretofore delivered and accepted under and made subject to this Agreement and (B) all other units proposed to be delivered and accepted under and made subject to this Agreement concurrently with such unit would exceed the Maximum Purchase Price for the Equipment specified in Item 5 of Annex A hereto. The Builder agrees not to deliver any unit of the Equipment hereunder (a) following receipt of written notice from the Vendee or the Assignee (i) of a Default, or (ii) that the Maximum Purchase Price specified in Item 5 of Annex A hereto would be exceeded by any subsequent delivery of a unit, or (iii) of its determination that there has been a material adverse change in the business, prospects or financial condition of the Lessee since the date of the most recent financial statements referred to in the Paragraph 4(b) of the Participation Agreement, other than as may be set forth in the

Disclosure Letter referred to in the Participation Agreement, and (b) until it receives notice from the Vendee and the Assignee that the conditions contained in Paragraphs 8 and 9 of the Participation Agreement have been met.

Any unit of Equipment not delivered at the time of receipt by the Builder of the notice specified in clause (a) of the last sentence in the preceding paragraph of this Article 3 and any unit of Equipment not delivered and accepted hereunder on or prior to March 1, 1986, by reason of noncompliance with the conditions referred to in the next preceding paragraph or causes set forth in the next succeeding paragraph or otherwise shall be excluded from this Agreement and the Vendee shall be relieved of its obligation to purchase and pay for such unit of Equipment. If any unit of Equipment shall be excluded herefrom pursuant to the immediately preceding sentence, the Vendee and the Builder (and any assignee of the Builder) shall execute an agreement supplemental hereto limiting this Agreement to the units of Equipment not so excluded herefrom. Pursuant to the Participation Agreement the Lessee has agreed to purchase such excluded Equipment and any Equipment excluded from this Agreement pursuant to the first paragraph of Article 4 hereof from the Builder, upon the satisfaction or waiver of any conditions of the Purchase Order, all as provided in Paragraph 1 of the Participation Agreement. The Vendee agrees, upon any such exclusion, to take such steps, including the execution of instruments of transfer, as may be reasonably requested by the Lessee and at the Lessee's expense for the purpose of acknowledging and perfecting the interest of the Lessee in any unit of Equipment so excluded from this Agreement, and the Vendee shall have no further obligation or liability in respect of units so excluded.

The Builder's obligation as to the time of delivery set forth in Annex B 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 plant, equipment or facilities, delays in receiving necessary materials or delays of carriers or subcontractors.

During construction, 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 inspectors reasonable access

to its plant. The Builder agrees to inspect the materials used in the construction of the Equipment in accordance with its standard quality control practices. Upon completion of each unit or a number of units of the Equipment, such unit or units shall be presented to an inspector of the Vendee (who may be an employee of the Lessee) for inspection at the place specified for delivery, and if each such unit conforms to the Specifications, requirements 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 (the "Certificate of Acceptance") substantially in the form of Schedule C to the Lease; provided, however, that the Builder shall not thereby be relieved of its warranty referred to in Articles 2 and 13 hereof.

Upon delivery and acceptance of each such unit hereunder at the place specified for delivery, the Builder shall have no further responsibility for, nor bear any risk of, any damage to or the destruction or loss of such unit; provided, however, that the Builder shall not thereby be relieved of its warranty referred to in Articles 2 and 13 hereof.

Notwithstanding the foregoing or any other provision of this Agreement to the contrary, the delivery to and acceptance by or on behalf of the Vendee of any unit of Equipment excluded from this Agreement pursuant to the first paragraph of Article 4 hereof shall be ineffective, ab initio, to create in or transfer to the Vendee any legal or beneficial right or interest in such unit or (except as provided in the first paragraph of Article 4 hereof) to impose on the Vendee any liability, obligation or responsibility with respect thereto; any right or interest in any such unit, created in or transferred to or purported to be created in or transferred to the Vendee, shall be held by the Vendee solely as trustee for the benefit of the Builder.

ARTICLE 4. Purchase Price and Payment. The base price or prices per unit of the Equipment are set forth in Annex B hereto. Such base price or prices are subject to such increase or decrease as is agreed to by the Builder, the Vendee and the Lessee. The term "Purchase Price" as used herein shall mean the base price or prices per unit of the Equipment as so increased or decreased as set forth in the Builder's invoice or invoices delivered to the Vendee (the "Invoices") and, if the Purchase Price is other than the base price or prices set forth in Annex B, the Invoices shall be accompanied by, or have endorsed thereon, the agreement or approval of the Lessee and the Vendee. If on

any given day the aggregate Purchase Price of the Equipment for which delivery and acceptance has theretofore been or is then being made would, but for the provisions of this sentence, exceed the Maximum Purchase Price specified in Item 5 of Annex A hereto, the Builder (and any assignee of the Builder) and the Vendee will enter into an agreement excluding from this Agreement such unit or units of Equipment then proposed to be delivered and accepted for and specified by the Vendee, as will, after giving effect to such exclusion, reduce such aggregate Purchase Price to not more than such Maximum Purchase Price.

The Equipment shall be settled for in such number of Groups of units of Equipment as is provided in Item 2 of Annex A. The term "Group", as used herein, shall mean the Group of units of Equipment being settled for on any Closing Date. The delivery, inspection and acceptance hereunder of any unit of the Equipment after March 1, 1986, shall be null and void and ineffective to subject such unit of the Equipment to this Agreement or to constitute acceptance thereof on behalf of the Vendee for any purpose whatsoever. The term "Closing Date" with respect to any Group shall be such business day (not later than March 1, 1986) as shall be specified by the Lessee by six days prior written notice thereof with a concurrence of the Vendee, the Owner and the Builder. Such notice shall specify the Aggregate Purchase Price of such Group and a copy thereof shall be sent to the Builder, the Agent, the Vendee and the Owner. At least five days prior to each Closing Date, the Builder will present to the Vendee, the Owner, the Lessee and the Agent invoices for the Equipment to be settled for. The term "business days" as used herein means calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, Baltimore, Maryland, Philadelphia, Pennsylvania or Hartford, Connecticut, 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 in immediately available funds to the Vendor at such place as the Vendor may designate, the Purchase Price of the Equipment, as follows:

(a) at the closing on the Closing Date with respect to each Group an amount equal to 41.01544833% of

the aggregate Purchase Price of the units of Equipment in such Group; and

(b) in 15 installments, as hereinafter provided, in an amount equal to the aggregate Purchase Price of the units of the Equipment in such Group, less the aggregate amount paid or payable with respect thereto pursuant to subparagraph (a) of this paragraph.

The portion of the Purchase Price payable pursuant to subparagraph (b) of the preceding paragraph (the "CSA Indebtedness") shall be payable on March 1 of each year, commencing March 1, 1987, to and including March 1, 2000 and on September 1, 2000 (or, if any such date is not a business day, on the next succeeding business day). The unpaid balance of the CSA Indebtedness from time to time outstanding shall bear interest at the rate of 10% per annum. Interest on the unpaid balance of the CSA Indebtedness shall be payable to the extent accrued on each March 1 and September 1 of each year, commencing March 1, 1986, to and including March 1, 2001, (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 installments of principal, if any, and interest payable on each Payment Date shall be calculated so that the amount and allocation of principal and interest payable on each Payment Date shall be substantially in proportion to the allocation set forth in Schedule I hereto (subject to the provisions of Article 7 hereof) and the aggregate of such installments of principal will completely amortize the CSA Indebtedness. The Assignee will furnish to the Vendor and the Lessee promptly after the Closing Date a 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, except interest payable on March 1, 1986, shall be payable on an actual elapsed day, 365-day year, basis.

The Vendee will pay, to the extent legally enforceable, interest upon all amounts remaining unpaid after the same shall have become due and payable pursuant to the terms hereof at the rate of 11% per annum (the "Overdue Rate").

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. Except as provided in Article 7, the Vendee shall not have the privilege of prepaying any portion of the CSA Indebtedness prior to the date it becomes due.

Notwithstanding any other provision of this Agreement (including, but not limited to, any provision of Articles 15 and 16 hereof), but not limiting the effect of Article 21 hereof, the liability of the Vendee or any assignee of the Vendee for all payments to be made by it under this Agreement, including any liability arising out of or in connection with the performance of its obligations hereunder and excluding only the obligations set forth in the proviso in the third paragraph of Article 12 hereof and the payments to be made pursuant to subparagraph (a) of the third paragraph of this Article, shall not exceed an amount equal to, and shall be payable only out of, the "income and proceeds from the Equipment" (as hereinafter defined), and such payments shall be made by the Vendee only to the extent that the Vendee (or any assignee) shall have actually received sufficient "income and proceeds from the Equipment" to make such payments. In addition, it is agreed that the Vendee (and such assignee) (i) make no representation or warranty with respect to, and are not responsible for, the execution, validity, sufficiency or enforceability of the Lease (or any document relative thereto) insofar as it relates to the Lessee or to any of the Lessee's obligations thereunder and (ii) shall not be responsible for the performance or observance by the Lessee of any of its agreements, representations, indemnities, obligations or other undertakings under the Lease; it being understood that as to all such matters the Vendor will look solely to the Vendor's rights under this Agreement against the Equipment and to the Vendor's rights under the Lease (as assignee under the Lease Assignment) against the Lessee and 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 15 hereof shall have occurred and while it shall be continuing, so much of the following amounts as are indefeasibly received by the Vendee (or any such assignee) 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 defined in Article 7 hereof) paid for or with respect to the Equipment pursuant to the Lease and any and all other payments received under Section 10 or any other provision of the Lease, and (b) any and all payments or proceeds received for or with respect to the Equipment as the result of the sale, lease or other disposition thereof, 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 is indefeasibly received by the Vendee (or any such assignee) and as shall equal 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 equal 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) received by the Vendee (or any such assignee) prior to the existence of such an event of default which exceeded the amounts required to discharge that portion of the CSA Indebtedness (including such prepayments) and/or interest thereon due and payable on the date on which amounts with respect thereto received by the Vendee (or any such assignee) 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 payable under the Lease or (B) amounts excluded from the Lease Assignment pursuant to the first paragraph of Paragraph 1 thereof and amounts payable pursuant to Paragraph 19 of the Participation Agreement. Notwithstanding anything to the contrary contained in this Agreement, in the event the Vendor 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, the Vendor will limit its execution of such judgment to amounts payable pursuant to the limitations set forth in this Article 4. Nothing contained herein limiting the liability of the Vendee shall derogate from the right of the Vendor to proceed against the Equipment for the full unpaid Purchase Price of the Equipment and accrued interest thereon and all other payments and obligations hereunder.

ARTICLE 5. Title to, and Security Interest in, the Equipment. Upon delivery and acceptance of each Unit hereunder, title shall pass to the Vendee; provided, however, that the Vendor shall and hereby does retain a security interest in the Equipment until the Vendee shall have made all its payments under this Agreement, 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 parts installed on and additions and replacements made to any unit of the Equipment (except as otherwise

specifically provided in Section 9 of the Lease) shall constitute accessions to the Equipment 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 as otherwise specifically provided in Article 7 hereof, when and only when the Vendor shall have been paid the full indebtedness in respect of the Purchase Price of the Equipment, together with accrued interest and all other payments as herein provided, 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 a bill or bills of sale for the Equipment releasing its security interest therein to the Vendee or upon its order, free of all liens, security interests and other encumbrances created or retained hereby and deliver such bill or bills of sale to the Vendee and (b) execute and deliver at the same place, 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 the Equipment. The Vendee hereby waives any and all rights, existing or that may be acquired, in or to the payment of any penalty or damages for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file any certificate of payment in compliance with any law requiring the filing of the same, except for failure of the Vendor to do so within a reasonable time after written demand by the Vendee.

ARTICLE 6. Taxes. All payments to be made by the Vendee hereunder will be free of expense to the Vendor and the Investors for collection or other charges and will be free of expense to the Vendor and the Investors with respect to the amount of any Taxes (as defined in Section 6 of the Lease; excluding, however, any Taxes imposed on or measured by any fees or compensation received by the Vendor) all of which Taxes 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 Taxes 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 Taxes which might in any way affect title or interests of the Vendor or result in lien upon any part of the Equipment; provided, however, that the Vendee

shall be under no obligation to pay any Taxes of any kind so long as it or the Lessee is contesting in good faith and by appropriate legal or administrative proceedings such Taxes and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect the title or interests or property or rights of the Vendor in or to the Equipment or otherwise under this Agreement. If any Taxes 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 Taxes so paid unless the Vendor shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for the Vendor) or unless the Vendee shall have approved in writing the payment thereof. If the Vendor shall obtain a refund of all or any part of such Taxes previously reimbursed by the Vendee or an amount representing interest thereon, the Vendor shall pay the Vendee the amount of such refund or interest net of expenses.

ARTICLE 7. Maintenance; Casualty Occurrences. The Vendee shall, at its own cost and expense maintain each unit of Equipment in the condition required by Section 7 of the Lease.

In the event that any unit of the Equipment shall suffer a Casualty Occurrence (as defined in Section 7 of the Lease), the Vendee shall, promptly after it shall have determined or become aware that such unit has suffered a Casualty Occurrence, cause the Vendor to be fully informed in regard thereto. By the later of: (i) the Basic Rental Payment Date (as defined in the Lease)) next succeeding such event and (ii) the 90th day following such event (hereinafter called a "Casualty Payment Date"), the Vendee shall pay to the Vendor an amount equal to the Casualty Value (as hereinafter defined in this Article) of such unit as of the Basic Rental Payment Date on or next succeeding the date of such Casualty Occurrence 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 (after the payment of the interest and principal, if any, on any of the CSA Indebtedness due on such date) to prepay without penalty or premium the installments of the CSA Indebtedness (ratably

in accordance with the unpaid balance of each such installment) together with all unpaid and accrued interest thereon, and the Vendee will promptly furnish to the Vendor and the Lessee a revised schedule of payments of principal and interest with respect to the CSA Indebtedness thereafter to be made. In the event of the requisition for use by the United States Government or any other government or governmental entity of any unit of the Equipment not constituting a Casualty Occurrence, all of the Vendee's obligations hereunder with respect to such unit shall continue to the same extent as if such requisition had not occurred.

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 security 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 Casualty Value of each unit of the Equipment suffering a Casualty Occurrence shall be deemed to be that portion of the original Purchase Price thereof remaining unpaid on the Casualty Payment Date (after taking into account the scheduled payment of interest and principal on such date) with respect to such unit (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 Casualty Payment Date. For the purpose of this paragraph, each payment of the Purchase Price in respect of Equipment made pursuant to Article 4 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 the Equipment.

The Vendee will cause the Equipment to be insured as provided in the last paragraph of Section 7 of the Lease. 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 having received payment of the Casualty Value and provided no

Default shall have occurred and be continuing, 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 of Equipment not suffering a Casualty Occurrence shall be paid to the Vendee upon reasonable proof satisfactory to the Vendor that any damage to such unit in respect of which such proceeds were paid has been fully repaired so as to comply with the provisions of the first paragraph of this Article 7, provided no Default shall have occurred and be continuing.

ARTICLE 8. Reports. On or before the dates specified in Section 8 of the Lease, the Vendee shall cause to be furnished to the Vendor the certificates required by Section 8 of the Lease.

ARTICLE 9. Marking of Equipment. The Vendee will cause each unit of the Equipment to be kept numbered and marked as provided in Section 5 of the Lease. The Vendee will not permit any such unit to be placed in operation or exercise any control or dominion over the same until such markings shall have been made thereon and will replace or will cause to be replaced promptly any such markings which may be removed, defaced, obliterated or destroyed. The Vendee will not permit the identification number of any unit of the Equipment to be changed except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been filed with the Vendor and filed and deposited by the Vendee in all public offices where this Agreement shall have been filed 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 Equipment may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates.

ARTICLE 10. 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 Applicable Laws (as defined in Section 9 of the Lease); provided, however, that the Vendee or the Lessee may, in good faith, contest the validity or application of any such Applicable Law in any reasonable manner which does

not, in the reasonable opinion of the Vendor, adversely affect the property or rights of the Vendor under this Agreement.

ARTICLE 11. 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, upon and subject to all the terms and conditions of this Agreement.

The parties hereto acknowledge that the Vendee simultaneously 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, subject to the provision of Sections 4 and 12 of the Lease, be subordinated and junior in rank to the rights, and shall be subject to the remedies, of the Vendor under this Agreement.

ARTICLE 12. Prohibition Against Liens. The Vendee will pay or discharge any and all taxes and sums claimed by any party from, through or under the Vendee, the Owner or their successors or assigns which, if unpaid, might become a lien, charge or security interest on or with respect to the Equipment, or any unit thereof, or the interest of the Vendor therein, or the Vendee's interests in the Lease and the payments to be made thereunder, and will promptly discharge any such lien, charge or security interest 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 appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Vendor, materially and adversely affect the title or interests of the Vendor in or to the Equipment or otherwise under this Agreement. Any amounts paid by the Vendor in discharge of such 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 12 shall be subject to the limitations set forth in the last

paragraph of Article 4 hereof and the provisions of Article 21 hereof; provided, however, that the Vendee will pay or discharge any and all taxes, claims, liens, charges or security interests claimed by any party from, through or under the Vendee, whether in its individual capacity or as Trustee, or (to the extent it receives funds for such purpose) the Owner or their respective successors or assigns, not arising out of the transactions contemplated hereby (but including income taxes arising out of the receipt of rentals and other payments under the Lease and any other proceeds from the Equipment), which, if unpaid, (i) 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 or (ii) would result in the bankruptcy or reorganization of the Vendee or the Owner; but the Vendee 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 appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Vendor, materially and 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 13. Indemnities and Warranties. The Vendee agrees to indemnify, protect and hold harmless the Vendor and the Investors from and against all losses, damages, injuries, liabilities, claims (including without limitation claims for strict liability in tort) and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including but not limited to, counsel fees and expenses, 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 a security interest in the Equipment, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any of the Equipment, any claim for patent, trademark or copyright infringement, any accident in connection with the operation, use, condition, 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 a security interest therein 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, (a) any losses, damages, injuries or liabilities due to, and any claims for, wilful misconduct or gross negligence of the person otherwise to be indemnified and (b) in the case of the Builder, any losses, damages,

injuries, liabilities, claims and demands whatsoever arising out of any tort or strict liability by the Builder, breach of warranty or failure to perform any covenant hereunder by the Builder and except Taxes measured by net income and any matter covered by the Builder's warranty or patent indemnification referred to in Items 3 and 4 of Annex A hereto. 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 Vendor's security interest in, the Equipment, as provided in Article 5 hereof, or the termination of this Agreement in any manner whatsoever.

None of the indemnities in this Article shall be deemed to create any right of subrogation in any insurer or third party against the Vendee therefor, from or under the Vendor, whether because of any claim paid or defense provided for the benefit thereof or otherwise.

The Vendee will bear the responsibility for and risk of, and shall not be released from its obligations hereunder (except as provided in Article 21 hereof) in the event of, any damage to or the destruction or loss of any unit of or all the Equipment.

The Builder represents and warrants to the Vendee that, at the time of delivery and acceptance of each unit of Equipment under this Agreement, the Vendee will have good and marketable title to such unit, free and clear of all claims, liens, security interests and other encumbrances of any nature except only the rights of the Vendor under this Agreement and the rights of the Lessee under the Lease.

The Builder represents that it is not entering into this Agreement, or into any other transaction contemplated by the Participation Agreement, directly or indirectly in connection with any arrangement or understanding by it in any way involving any employee benefit plan (other than a governmental plan) with respect to which it, or, insofar as is known to it, any party to the Participation Agreement is a party in interest, all within the meaning of the Employee Retirement Income Security Act of 1974, as amended.

The agreements of the parties relating to the Builder's warranty of material and workmanship and patent indemnification, and the agreement of the parties relating

to the Builder's limitation of liability, are set forth in Items 3 and 4 of Annex A hereto.

ARTICLE 14. Assignments. The Vendee will not transfer the right to possession of any unit of the Equipment, or sell, assign or otherwise dispose of any of its rights under this Agreement, except as provided in the Trust Agreement.

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 may be 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 construct and deliver the Equipment in accordance herewith or to respond to its warranties and indemnities referred to in Articles 2 and 13 hereof, or relieve the Vendee of its obligations to the Builder contained in Articles 2, 3, 4, 6 and 13 hereof, Annex A hereto and this Article 14, or any other obligation which, according to its terms or context, is intended to survive an assignment.

Upon any such assignment, the assignor shall give written notice to the Vendee and the Lessee, together with a 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 at such address as it may direct.

The Vendee recognizes that this Agreement will be assigned to the Assignee as provided in the CSA Assignment. The Vendee expressly represents, for the purpose of assurance to any person, firm or corporation considering the acquisition of this Agreement or of all or any of the rights of the Vendor hereunder, and for the purpose of inducing such acquisition, that the rights of the Assignee to the entire unpaid indebtedness in respect of the Purchase Price of the Equipment or such part thereof as may be assigned together with interest thereon, as well as any other rights hereunder which may be so assigned, shall not be subject to

any defense, setoff, counterclaim or recoupment whatsoever arising out of any breach of any obligation of the Builder with respect to the Equipment or the construction, delivery or warranty thereof, or with respect to any indemnity herein contained, nor subject to any defense, setoff, counterclaim or recoupment whatsoever arising by reason of any other indebtedness or liability at any time owing to the Vendee or the Lessee by the Builder. Any and all such obligations, howsoever arising, shall be and remain enforceable by the Vendee or the Lessee, as the case may be, against and only against the Builder.

ARTICLE 15. Defaults. In the event that any one or more of the following events of default shall occur and be continuing:

(a) the Vendee shall fail to pay in full any sum payable by the Vendee when payment thereof shall be due hereunder (irrespective of the provisions of Article 4 or 21 hereof or any other provision of this Agreement limiting the liability of the Vendee) and such default shall continue for 10 business days after the date such payment is due and payable; or

(b) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Vendee (irrespective of the provisions of Article 4 or 21 hereof or any other provision of this Agreement limiting the liability of the Vendee) or the Lessee contained herein or in any agreement entered into concurrently herewith relating to the financing of the Equipment (other than the Lease), and such default shall continue for 30 days after written notice from the Vendor to the Vendee specifying the default and demanding that the same be remedied; or

(c) any proceeding shall be commenced by or against the Vendee or the Owner for any relief which includes, or might result in, any modification of the obligations of the Vendee or the Owner hereunder or under the Trust Agreement 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 readjustments of such obligations), 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 Owner hereunder and under the Trust Agreement, shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Vendee or the Owner or for its property 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 trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced; or

(d) 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 or use of any unit of the Equipment and the Vendee shall, for more than 30 days after demand in writing by the Vendor, fail to secure a reassignment or retransfer to the Vendee of such Agreement, interest or right; or

(e) an Event of Default (other than an Event of Default arising by reason of a failure of the Lessee to pay any amounts not constituting Payments, as defined in the Lease Assignment, or to perform any covenants related to amounts not constituting Payments) shall have occurred under the Lease, unless the Vendee shall have cured such Event of Default and any corresponding event of default hereunder (after giving effect to any applicable grace periods) within ten days after receipt by the Owner of written notice of such Event of Default from the Vendor; provided, however, that if (i) more than six Events of Default shall have occurred under clause (A) of Section 10 of the Lease with respect to the payment of Basic Rent (as defined in the Lease) or (ii) more than three such Events of Default with respect to the payment of Basic Rent shall have occurred on consecutive dates, then, in either such case, there shall be an event of default under this clause (e) whether or not the Vendee in fact cures a seventh, or a fourth consecutive, Event of Default with respect to the payment of Basic Rent and irrespective of whether the Vendor shall have given notice of such seventh, or such fourth consecutive, Event of Default to the Owner, and provided further, that, upon any cure being effected, the Owner shall be subrogated to the rights of the Vendor to receive from the Lessee (x) payment of any Basic Rent or other amount as to which the Vendee has cured a nonpayment and

(y) performance of any covenant as to which the Vendee has cured a non-performance, in each case, together with interest on overdue obligations to the extent provided in Section 16 of the Lease; and the Owner shall, if no other event of default shall then be continuing hereunder, be entitled to receive said moneys upon receipt thereof by the Vendor (it being understood, however, that any event described in clause (a) above, to the extent that there shall be a concurrent Event of Default under Section 10 of the Lease, shall not be deemed an event of default hereunder unless and until (i) the ten-day period, if any, during which, in accordance with the provisions of this clause (e) the Vendee may cure such Event of Default under the Lease and any corresponding event of default hereunder shall have expired and (ii) the Vendee shall not, during such period, have effected such cure);

then at any time after the occurrence of such an event of default and so long as such event of default is continuing the Vendor may, upon written notice to the Vendee and the Lessee and upon compliance with any legal requirements then in force and applicable to such action by the Vendor, declare (herein called a "Declaration of Default") the entire unpaid CSA Indebtedness, together with interest thereon then accrued and unpaid, immediately due and payable, without further demand, and thereafter the aggregate of the unpaid balance of the CSA Indebtedness and interest shall bear interest from the date of such Declaration of Default at the Overdue Rate, to the extent legally enforceable. In addition, if the Vendee does not pay the entire unpaid CSA Indebtedness, together with the interest thereon accrued and unpaid to the date of payment but without penalty or premium, within 30 days of such notice of Declaration of Default, the Vendor may at any time thereafter so long as such event of default is continuing (subject to the proviso in the second paragraph of Section 4 of the Lease relating to termination and to the Lessee's rights of possession, use and assignment under Sections 4 and 12 of the Lease) cause the Lease to terminate immediately upon the giving of the notice required by the Lease, but the Lessee shall remain liable as therein provided. Upon a Declaration of Default, subject to Article 4 hereof, the Vendor shall be entitled to recover judgment for the entire unpaid balance of the CSA Indebtedness so payable, with interest as aforesaid, subject to the provisions of Articles 4 and 21 hereof, and to collect such judgment out of the "income and proceeds of the Equipment" wherever situated and only out of the "income and proceeds of the Equipment".

The Vendor may, at its election, subject to the provisions of Paragraph 1 of the Lease Assignment, 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 and the Lessee 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 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 16. Remedies. Subject to the Lessee's rights under Sections 4 and 12 of the Lease, at any time during the continuance of a Declaration of Default, the Vendor may, upon such further notice, 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 any portion thereof, without liability to return to the Vendee any sums theretofore paid and free from all claims whatsoever, except as hereinafter in this Article 16 expressly provided, and may remove the same from possession and use of the Vendee or any other person and for such purpose may enter upon the premises of the Vendee 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, 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, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any unit or units have been interchanged or which may have possession thereof to return the unit or units) cause the Equipment to be placed upon such storage tracks of the

Lessee or any of its affiliates 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 or 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 (to the same extent as provided in Section 7 of the Lease), maintain and keep each such unit in good order and repair (to the same extent as provided in the first paragraph of Article 7 hereof) 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, 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 statute 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 16 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, the Owner and the Lessee by telegram or registered mail, and to any other persons to whom the law may require notice, within 60 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 60-day period described in the second proviso below, all the Vendee's rights in the Equipment shall thereupon terminate and all payments made by the Vendee or for its account may

be retained by the Vendor as compensation for the use of the Equipment; provided, however, that if the Vendee, before the expiration of the 60-day period described in the proviso below, should pay or cause to be paid to the Vendor the total unpaid balance of the CSA Indebtedness, 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; provided further, however, that if the Vendee, the Owner, the Lessee or any other persons notified under the terms of this paragraph object in writing to the Vendor within 60 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. 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 16.

Subject to the Lessee's rights under Sections 4 and 12 of the Lease, 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 (which shall not be less than 10 days) to the Vendee, the Lessee 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, the Owner, the Lessee or any other party claiming from, through or under the Vendee or the Lessee, 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 CSA Indebtedness, 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 upon receipt of such payment, expenses and fees by the Vendor, 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 or Philadelphia, Pennsylvania 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, the Vendee or the Owner may bid for and become the purchaser of the Equipment, or any unit thereof, so offered for sale. If an event which constitutes the event of default according to the CSA (except if such event also constitutes the Event of Default under the Lease) shall occur and be continuing, the Lessee may bid for and become the purchaser of the Equipment. The Vendee, the Lessee and the Owner shall be given written notice of such sale or the making of a contract for such sale not less than 10 business days prior thereto, by telegram or registered mail. 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 fewer than 40 offerees have been solicited in writing to submit bids), it shall be subject to the rights of the Lessee, the Vendee and the Owner to purchase or provide a purchaser, within 10 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 of the Equipment, it shall not be accountable to the Vendee or the Lessee (except to the extent of surplus money received as hereinafter provided in this Article 16), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all or any part of 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 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 aquiescence therein. Any extension of time for payment hereunder or other indulgence granted to the Vendee or the Lessee 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 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.

Subject to the third paragraph of this Article 16, 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 pay the amount of such deficiency to the Vendor upon demand, together with interest thereon from the date of such demand to the date of payment at the Overdue Rate, 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 4 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 16 are subject in all respects to all mandatory legal requirements at the time in force and applicable thereto.

ARTICLE 17. Applicable State Laws. Any provision of this Agreement prohibited by any applicable law of any jurisdiction 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, 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 18. Recording. The Vendee will cause this Agreement, any assignments hereof and any amendments or supplements hereto or thereto, to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 and deposited with the Registrar General of Canada (notice of such deposit to be forthwith given in The Canada Gazette) pursuant to Section 86 of the Railway Act of Canada; 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 counsel for the Vendor, of its interest in 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 19. Article Headings; Effect and Modification of Agreement. All article headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

Except for the Participation Agreement, this Agreement, including the Annexes hereto, exclusively and completely states the rights of the Vendor and the Vendee with respect to the Equipment and supersedes all other agreements, oral or written, with respect to 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 Vendor and the Vendee.

ARTICLE 20. Notice. Any notice required or permitted hereunder shall be deemed to have been received by

the addressee on the date of actual receipt (if such date is a business day, otherwise on the next business day), if transmitted by mail, air courier, telex, telecopy or similar transmission, or by hand, addressed as follows:

(a) to the Vendee, The Connecticut Bank and Trust Company, National Association, One Constitution Plaza, Hartford, Connecticut 06115, Attention: Corporate Trust Department, with a copy to The Bank of New York, 48 Wall Street, New York, N.Y. 10015, Attention: Leasing Group,

(b) to the Lessee, Consolidated Rail Corporation, 1310 Six Penn Center Plaza, Philadelphia, Pennsylvania 19103, Attention of Assistant Treasurer - Financing,

(c) to the Builder at its address specified in Item 1 of Annex A hereto,

(d) to the Assignee, Mercantile-Safe Deposit and Trust Company, (if by hand, 2 Hopkins Plaza), P.O. Box 2258, Baltimore, Maryland 21203, Attention of Corporate Trust Department, or as the Agent may otherwise specify,

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

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

ARTICLE 21. Immunities; Satisfaction of Undertakings. The obligations of the Vendee under the second and eighth paragraphs of Article 16 (including the provisions thereof with respect to insurance, maintenance and repair) and under Articles 3, 6, 7 (other than the second and third sentences of the second paragraph thereof which are subject to the provisions of the last paragraph of Article 4 hereof), 8, 9, 10, 12 (other than the proviso to the last paragraph thereof), 13 and 18 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 pursuant to Article 15 hereof.

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

The Vendee agrees not to enter into any supplement or amendment of the Trust Agreement except as provided in Section 8.01 thereof as in effect on the date of execution and delivery hereof.

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 York; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 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 and any rights arising out of the marking on the units of Equipment.

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. It shall not be necessary that any counterpart be signed by both the Vendee and the Builder so long as each such party has executed and delivered to the other one counterpart hereof. Although for convenience this Agreement is dated as of the date first above written, 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.

ARTICLE 24. Payments to the Owner. If (a) pursuant to the reorganization provisions of the Bankruptcy Reform Act of 1978, as amended, or any successor provision, the Owner is required, by reason of the Owner being held to have recourse liability to the debtor directly or indirectly, to make payment on account of any amount payable as principal or interest on the CSA Indebtedness, and (b) any such holder of CSA Indebtedness actually receives any Excess Amount which reflects any payment by the Owner on account of (a) above, then such holder shall promptly refund to the Owner such Excess Amount. For purposes of this Article 24, "Excess Amount" means the amount by which such payment exceeds the amount which would have been received by such holder if the Owner had not become subject to the recourse liability referred to in (a) above. It is the intention of the parties hereto that neither the Vendee nor the Owner shall have any recourse liability in respect of the CSA Indebtedness.

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

GENERAL MOTORS CORPORATION
(Electro-Motive Division)

[Seal]

by P.K. Hoglund
VICE PRESIDENT

Attest:

ASSISTANT SECRETARY

THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, not individually but solely as Trustee, except as otherwise hereinabove specifically provided,

[Seal]

by

_____
Authorized Officer

Attest:

_____
Authorized Officer

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this 31st day of January 1986, before me personally appeared P. K. HOGLUND, to me personally known, who, being by me duly sworn, says that he is a VICE PRESIDENT of GENERAL MOTORS CORPORATION (ELECTRO-MOTIVE DIVISION), that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission expires 3-25-89

STATE OF CONNECTICUT,)
) ss.:
COUNTY OF HARTFORD,)

On this day of 1986, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, that one of the seals affixed to the foregoing instrument is the seal of said association, that said instrument was signed and sealed on behalf of said association, 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 association.

Notary Public

[Notarial Seal]

My Commission Expires

SCHEDULE I

Allocation Schedule of Each $10,000,000 of 10% CSA Indebtedness

Payment Date	Debt Service	Interest Payment	Principal Repayment	Ending Principal Balance
March 1, 1986	$ *	$ *	$ *	$10,000,000.00
September 1, 1986	500,000.00	500,000.00	.00	10,000,000.00
March 1, 1987	894,636.35	500,000.00	394,636.35	9,605,363.65
September 1, 1987	480,268.18	480,268.18	.00	9,605,363.65
March 1, 1988	914,368.17	480,268.18	434,099.99	9,171,263.66
September 1, 1988	458,563.18	458,563.18	.00	9,171,263.66
March 1, 1989	936,073.17	458,563.18	477,509.99	8,693,753.67
September 1, 1989	434,687.68	434,687.68	.00	8,693,753.67
March 1, 1990	959,948.67	434,687.68	525,260.99	8,168,492.68
September 1, 1990	408,424.63	408,424.63	.00	8,168,492.68
March 1, 1991	986,211.72	408,424.63	577,787.09	7,590,705.59
September 1, 1991	379,535.28	379,535.28	.00	7,590,705.59
March 1, 1992	1,015,101.07	379,535.28	635,565.79	6,955,139.80
September 1, 1992	347,756.99	347,756.99	.00	6,955,139.80
March 1, 1993	734,696.46	347,756.99	386,939.47	6,568,200.33
September 1, 1993	328,410.02	328,410.02	.00	6,568,200.33
March 1, 1994	807,875.65	328,410.02	479,465.63	6,088,734.70
September 1, 1994	304,436.74	304,436.74	.00	6,088,734.70
March 1, 1995	889,968.81	304,436.74	585,532.07	5,503,202.63
September 1, 1995	275,160.13	275,160.13	.00	5,503,202.63
March 1, 1996	862,192.69	275,160.13	587,032.56	4,916,170.07
September 1, 1996	245,808.50	245,808.50	.00	4,916,170.07
March 1, 1997	847,138.90	245,808.50	601,330.40	4,314,839.67
September 1, 1997	215,741.98	215,741.98	.00	4,314,839.67
March 1, 1998	833,433.40	215,741.98	617,691.42	3,697,148.25
September 1, 1998	184,857.41	184,857.41	.00	3,697,148.25
March 1, 1999	1,390,137.23	184,857.41	1,205,279.82	2,491,868.43
September 1, 1999	124,593.42	124,593.42	.00	2,491,868.43
March 1, 2000	1,579,937.63	124,593.42	1,455,344.21	1,036,524.22
September 1, 2000	1,088,350.47	51,826.25	1,036,524.22	.00
TOTALS	$19,428,314.53	$9,428,314.53	$10,000,000.00	

* Interest only shall be payable to the extent accrued on this date.

Annex A

to

Conditional Sale Agreement

Item 1: General Motors Corporation (Electro-Motive Division) (hereinafter in this Annex called "GM"), La Grange, Illinois 60525.

Item 2: The Equipment shall be settled for in two Groups on February 10 and February 28, 1986, unless the parties hereto otherwise agree.

Item 3: GM warrants that the Equipment manufactured by it hereunder is of the kind and quality described in, and will be built in accordance with, and shall be in substantial conformance with, the Specifications referred to in Article 2 of this Agreement and is suitable for the ordinary purposes for which such Equipment is used and warrants each unit of such Equipment to be free from defects in material and workmanship which may develop under normal use and service within two years from date of delivery of such unit or before such unit has been operated 250,000 miles, whichever event shall first occur. GM agrees to correct such defects, which examination shall disclose to GM's satisfaction to be defective, by repair or replacement F. O. B. factory and such correction shall constitute fulfillment of GM's obligation with respect to such defect under this warranty. GM warrants specialities not of its own specification or design to the same extent that the suppliers of such specialities warrant such items to GM. GM further agrees with the Vendee that neither the inspection as provided in Article 3 of this Agreement, nor any examination, nor the acceptance of any units of the Equipment as provided in said Article 3 shall be deemed a waiver or modification by the Vendee of any of its rights under this Item 3.

THERE ARE NO WARRANTIES WITH RESPECT TO MATERIAL AND WORKMANSHIP, EXPRESSED OR IMPLIED, MADE BY GM EXCEPT THE WARRANTIES SET OUT ABOVE.

Item 4: GM shall defend any suit or proceeding brought against the Vendee, the Lessee and/or each assignee of GM's rights under this Agreement so far as the same is based on a claim that the Equipment of GM's specification, or any part thereof, furnished under this Agreement constitutes an infringement of any patent, if notified promptly in writing and given authority, information and assistance (at GM's expense) for the defense of same, and GM shall pay all damages and costs awarded therein against the Vendee, the Lessee and/or any such assignee.

In case any unit of such Equipment, or any part thereof, is in such suit held to constitute infringement and the use of such unit or part is enjoined, GM shall at its option and at its own expense either procure for the Vendee, the Lessee and any such assignee the right to continue using such unit or part, or replace the same with noninfringing equipment subject to this Agreement, or modify it so it becomes noninfringing, or remove such unit and refund the Purchase Price and the transportation and installation costs thereof. If the Purchase Price is so refunded, such refund shall be made to the assignee of GM's rights under this Agreement if this Agreement has been so assigned, which refund, to the extent of the unpaid CSA Indebtedness, shall be applied in like manner as payments in respect of Casualty Occurrences under Article 7 of this Agreement and, as long as no event of default or event which with the lapse of time and/or demand could constitute an event of default under this Agreement shall have occurred and be continuing, the balance shall be paid by such assignee to the Vendee.

GM will assume no liability for patent infringement by reason of purchase, manufacture, sale or use of devices not included in and covered by its specification. The foregoing states the entire liability of GM for patent infringement by the Equipment or any part thereof.

Item 5: The Maximum Purchase Price referred to in Article 4 of this Agreement is $40,688,586.00.

Annex B

to

Conditional Sale Agreement

Builder	Type	Builder's Specifications	Plant	Quantity	Lessee's Identification Numbers (Both Inclusive	Estimated Unit Base Price	Estimated Total Base Price	Estimated Time and Place of Delivery
General Motors Corporation (Electro-Motive Division)	SD-50	8115 and amendment 8115-11	La Grange, Illinois.	30	CR6805-6834	$1,292,471	$38,774,130	On or prior to 1/31/86-3/1/86, at La Grange, Illinois.

ANNEX C
TO
CONDITIONAL SALE AGREEMENT

[CS&M Ref. 3909-072]

LEASE OF RAILROAD EQUIPMENT

Dated as of January 15, 1986

between

CONSOLIDATED RAIL CORPORATION

and

THE CONNECTICUT BANK
AND TRUST COMPANY, NATIONAL ASSOCIATION,

as Trustee Under a Trust Agreement

TABLE OF CONTENTS 1/

		Page
§ 1.	Net Lease	L-2
§ 2.	Delivery and Acceptance of Units	L-3
§ 3.	Rentals	L-4
§ 4.	Term of Lease	L-7
§ 5.	Identification Marks	L-8
§ 6.	General Tax Indemnity	L-9
§ 7.	Maintenance; Casualty Occurrences; Insurance	L-12
§ 8.	Reports	L-18
§ 9.	Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification	L-18
§ 10.	Default	L-22
§ 11.	Return of Units upon Default	L-25
§ 12.	Assignment; Possession and Use	L-26
§ 13.	Renewal Option; Purchase Option	L-28
§ 14.	Return of Units upon Expiration of Term	L-29
§ 15.	Recording	L-31
§ 16.	Interest on Overdue Rentals	L-32
§ 17.	Lessor's Right To Perform for the Lessee	L-32
§ 18.	Notices	L-32
§ 19.	Severability; Effect and Modification of Lease	L-33
§ 20.	Execution	L-33
§ 21.	Law Governing	L-33
§ 22.	Lessor's Liability	L-33

SCHEDULE A Description of Units of Equipment

SCHEDULE B Casualty Value

SCHEDULE C Certificate of Acceptance

SCHEDULE D Basic Rent

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

LEASE OF RAILROAD EQUIPMENT dated as of January 15, 1986, between CONSOLIDATED RAIL CORPORATION, a Pennsylvania corporation (the "Lessee"), and THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, not individually but solely as Trustee (the "Lessor") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with THE BANK OF NEW YORK (the "Owner").

WHEREAS the Lessor is entering into a Conditional Sale Agreement dated as of the date hereof (the "CSA") with General Motors Corporation (Electro-Motive Division) (the "Builder") pursuant to which the Builder has agreed to manufacture, conditionally sell and deliver to the Lessor the units of railroad equipment described in Schedule A hereto (the "Equipment"); and

WHEREAS the Builder under an Agreement and Assignment dated as of the date hereof (the "CSA Assignment") is assigning its interests in the CSA to Mercantile-Safe Deposit and Trust Company, acting as Agent (hereinafter, together with its successors and assigns, called the "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement") with the Lessee, the Lessor, the Owner, the Vendor, and certain institutional investors (hereinafter called, together with their successors and assigns, the "Investors"); and

WHEREAS the Lessee desires to lease such number of units of Equipment as are delivered and accepted and settled for under the CSA (the "Units") at the rentals and for the terms and upon the conditions hereinafter provided; and

WHEREAS the parties contemplate that the Lessor will assign certain of its rights in this Lease to the Vendor by an Assignment of Lease and Agreement dated as of the date hereof (the "Lease Assignment"), and the Lessee will consent thereto by a Consent and Agreement (the "Consent");

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor

hereby leases the Units to the Lessee upon the following terms and conditions:

SECTION 1. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent or additional rent or setoff against or recoupment or reduction of rent or additional rent, including, but not limited to, abatements, setoffs, reductions or recoupments due or alleged to be due by reason of any past, present or future claims or counterclaims of the Lessee against the Lessor under this Lease or the CSA, or against the Owner, the Builder or the Vendor or otherwise; provided, however, that nothing in this Section 1 shall be deemed to impair the Lessee's right to assert and sue upon such claims in separate actions. The Lessee's obligations hereunder, including its obligations to pay all rentals, additional rentals and other amounts hereunder, shall be absolute and unconditional under any and all circumstances, and, except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. So long as no Event of Default, or event which with the lapse of time or the giving of notice, or both, would constitute an Event of Default, exists hereunder, if the Lessor or the Owner or anyone claiming through either of them (other than the Vendor or any Investor) shall interfere with the Lessee's right to possession and use of any Unit in accordance with the terms of this Lease as a result of any tax, claim, lien, charge or security interest that the Owner is then obligated to provide the funds to discharge pursuant to Paragraph 18 of the Participation Agreement, the Lessee's obligation to pay that portion of the rent, if any, which is not necessary to satisfy the obligations of the Vendee under

the CSA to pay interest and principal on the CSA Indebtedness (as defined in the CSA) with respect to such Unit hereunder shall abate for so long as such interference continues; provided, however, that an authorized officer of the Lessee shall have given 30 days' prior written notice thereof to the Lessor and the Owner in sufficient detail to identify such Unit and the source, nature and location of such interference, it being understood that (i) such prior notice is of the essence of this Lease and that such abatement of such rent by the Lessee without such prior notice will constitute an Event of Default under Section 10(A) after five business days and (ii) such abatement of such rent shall be the Lessee's sole remedy for such interference except that the Lessee may bring an action against the Lessor and the Owner to compel the Lessor or the Owner, as the case may be, to remove such interference. 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.

SECTION 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the CSA. The Lessor will cause each Unit to be delivered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under the CSA. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same and, if such Unit is found to be acceptable, to accept delivery of such Unit, and the Lessee shall timely execute and deliver to the Lessor a certificate of acceptance (the "Certificate of Acceptance") in the form annexed hereto as Schedule C, whereupon, except as provided in the next sentence hereof, such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease. The delivery, inspection and acceptance hereunder of any Unit of Equipment after April 1, 1986, shall be null and void and ineffective to subject such Unit to this Lease or to constitute acceptance thereof on behalf of the Lessor for any purpose whatsoever. The Lessee will give at least five business days' prior written notice to the Lessor, the Owner and the Vendor of the First Delivery Date (as defined in the Participation Agreement) and of each Closing Date with the Builder under the CSA.

SECTION 3. Rentals. (a) Basic Rent. The Lessee agrees to pay to the Lessor, as basic rental (the "Basic Rent") for each Unit during the Basic Term, 30 consecutive semiannual payments in arrears commencing six months from March 1, 1986 (said March 1, 1986, being hereinafter called the "Basic Rent Commencement Date" and each such subsequent semiannual date being hereinafter called a "Basic Rental Payment Date"). The Basic Rent payable on each Basic Rental Payment Date for each Unit shall be in accordance with Schedule D hereto.

(b) Interim Rent. The Lessee agrees to pay to the Lessor, on the Basic Rent Commencement Date, as interim rent for each Unit leased hereunder, an amount equal to the product of (i) the Purchase Price of such Unit, (ii) 0.025389297% and (iii) the number of calendar days from, and including, the Closing Date (as such term is defined in the Participation Agreement) with respect to such Unit to, but not including, the Basic Rent Commencement Date; provided, however, that in no event shall such interim rent be less than the amount of interest due and payable on such date on the CSA Indebtedness (as such term is defined in the CSA).

(c) Adjustment of Interim Rent, Basic Rent, and Casualty Values. With respect to any Unit, the interim rent, Basic Rent and the Casualty Values have been calculated on the following assumptions:

1. The Debt Transaction Expenses shall be $200,000. For purposes hereof, "Debt Transaction Expenses" shall mean those costs listed in clauses (i), (iii), and (iv) of Section 13 of the Participation Agreement.

2. The Closing Date (as such term is defined in the Participation Agreement) and delivery date with respect to all Units shall be January 31, 1986.

3. The Basic Rent Commencement Date shall be March 1, 1986.

If for any reason such assumptions are not correct, then the interim rent, the Basic Rent and the Casualty Values payable by the Lessee hereunder in respect of the Units shall be increased or decreased, as the case may be, by such amount as shall, in the reasonable opinion of the Owner, cause the Owner's Net Economic Return (as defined in the Participation Agreement) to be the same as if such assumptions had been correct. The Owner shall provide a

schedule of such rentals and Casualty Values to the Lessee promptly after the such calculations have been made by the Owner. The Lessee may seek verification of the Owner's calculation of such proposed adjustments in accordance with the verification procedures set forth in Paragraph 19(c) of the Participation Agreement. Any adjustments in the interim rent, Basic Rent and Casualty Values made pursuant to the foregoing provisions of this Section shall be made in such manner that this Lease will continue to be accounted for under Financial Accounting Standards Board Standard No. 13 in the same manner as this Lease was accounted for prior to such adjustments and shall be made in such manner as to comply with all applicable provisions of the Code, as amended, and all applicable regulations promulgated thereunder and administrative procedures published in connection therewith, including, without limitation, Revenue Procedures 75-21, 75-28, 76-30 and 79-48.

In the event any amendment, modification, addition or change in or to the provisions of the Code (as defined in Paragraph 19 of the Participation Agreement) enacted by the United States 99th Congress affects in any respect any of the assumptions set forth in clauses (ii), (iii) or (xii) of Paragraph 19(a) of the Participation Agreement (a "Tax Law Change"), the interim rent, Basic Rent and Casualty Values shall be increased or decreased, as the case may be, by such amount as shall in the opinion of the Owner cause the Owner's Net Economic Return to be the same as if such Tax Law Change had not been enacted. In such event, the Owner shall, within thirty (30) business days of the date of such Tax Law Change, notify the Lessee of the proposed adjustments to the interim rent, Basic Rent and Casualty Values. The Lessee may seek verification of the Owner's calculation of such proposed adjustments in accordance with the verification procedures set forth in Paragraph 19(c) of the Participation Agreement. The Lessee shall notify the Owner within ten (10) business days of its receipt of such proposed adjustments (or within ten (10) business days of the date on which such proposed adjustments are verified, as the case may be) whether the Lessee elects to terminate this Lease and purchase the Equipment. The Lessee shall, within thirty (30) days of its election, pay to the Lessor an amount equal to the greater of (X) the then Fair Market Value of the Equipment or (Y) the sum of (i) the aggregate Purchase Price of the Equipment, (ii) interest on the portion of the aggregate Purchase Price of the Equipment provided by the Owner from and including the date such portion was provided by the Owner to the date of payment by Lessee at the prime commercial lending rate of The Bank of New York as publicly

announced to be in effect from time to time (the "Prime Rate") (such rate to be adjusted on and as of the date of each change in the Prime Rate), calculated on the basis of a 360-day year for the actual number of days elapsed, but in no event in excess of the maximum interest rate permitted by law, and (iii) the aggregate amount of all transaction expenses paid or incurred by the Owner pursuant to Paragraph 13 of the Participation Agreement together with interest thereon at the Prime Rate (calculated and adjusted in the same manner as provided above) from and including the date when paid by the Owner to the date of payment by Lessee, less (iv) the amount of any Basic Rent paid by Lessee to the extent such Basic Rent was assigned to the Vendor and applied to the payment of principal on the CSA Indebtedness (as defined in the CSA) in accordance with the CSA and less (v) the excess, if any, of the amount of interim rent and Basic Rent paid by Lessee over the amount of principal and interest paid in respect of the CSA Indebtedness (the "Termination Price"). The Termination Price shall be payable by the Lessee by (i) the assumption by the Lessee of the CSA Indebtedness and all obligations of the Lessor under the CSA and (ii) the payment to the Lessor in immediately available funds of the balance of the Termination Price. In addition, if a Tax Law Change shall occur and if the Lessee shall elect not to exercise its option to terminate this Lease and purchase the Equipment, the Lessee and the Lessor each severally agree to pay one-half of all fees and expenses incurred by the Lessee, the Lessor, the Owner, the Vendor, the Agent and the Investors in connection with the operation of this Section and the exercise by the Lessee, the Lessor and the Owner of their respective rights hereunder. If a Tax Law Change shall occur and if Lessee shall exercise its option to terminate this Lease and purchase the Equipment, the Lessee shall pay all fees and expenses incurred by the Lessee, the Lessor, the Owner, the Vendor, the Agent and the Investors in connection with the operation of their respective rights hereunder. Any adjustments in the interim rent, Basic Rent and Casualty Values made pursuant to this Section shall be made in such manner that this Lease will continue to be accounted for under Financial Accounting Standards Board Standard No. 13 in the same manner as this Lease was accounted for prior to such Tax Law Change and shall be made in such manner as to comply with all applicable provisions of the Code, as amended, and all applicable regulations promulgated thereunder and administrative procedures published in connection therewith, including, without limitation, Revenue Procedures 75-21, 75-28, 76-30 and 79-48.

In no event shall the foregoing rentals payable on each Basic Rental Payment Date and the Casualty Values payable be less than the amounts required to enable the Trustee to satisfy its obligations to pay when due (determined without regard to any acceleration thereof) the CSA Indebtedness and interest thereon.

If any of the Rental Payment Dates or the Basic Rent Commencement Date 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 New York, New York, Baltimore, Maryland, Hartford, Connecticut, or Philadelphia, Pennsylvania are authorized or obligated to remain closed.

The Lessor irrevocably instructs the Lessee, until all amounts due under the CSA have been fully satisfied and discharged, to make all the payments provided for in this Lease, including, but not limited to, the payments provided for in this Section 3 and in Section 7 hereof, but excluding all payments not assigned to the Vendor pursuant to the Lease Assignment, at the principal office of the Vendor, for the account of the Lessor in care of the Vendor, with instructions to the Vendor first, to apply such payments to satisfy the obligations of the Lessor then due and payable under the CSA, and second, so long as no event of default under the CSA shall have occurred and be continuing, to pay any balance promptly to the Lessor at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph immediately available to the Vendor or other appropriate recipient by 12:00 noon, Baltimore time, on the date such payment is due.

SECTION 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of Sections 7 and 10 hereof, shall terminate on the fifteenth anniversary of the Basic Rent Commencement Date (the "Base Term"). The obligations of the Lessee and the Lessor hereunder (including, but not limited to, the obligations under Sections 1, 3, 6, 7, 9 and 14 hereof) and under Paragraph 19 of the Participation Agreement shall survive the expiration or termination of the term of this Lease and the full payment of all amounts payable under this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the CSA. If an event of default should occur under the CSA, the Vendor may terminate this Lease (or rescind its termination), all as provided therein; provided, however, that, so long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled (without regard to acts of misappropriation by its own employees) to apply the Payments (as defined in the Lease Assignment) in accordance with the Lease Assignment, this Lease may not be terminated and the Lessee shall be entitled to the rights of possession, use and assignment provided under Section 12 hereof.

SECTION 5. Identification Marks. The Lessee will cause each Unit to be numbered with the identification number set forth in Schedule A hereto, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION", with appropriate changes thereof as from time to time may be required by law or required in the opinion of the Vendor and the Lessor, in order to protect the Lessor's title and the Vendor's title to and interest in such Unit and the rights of the Lessor under this Lease and the rights of the Vendor under the CSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked and will replace promptly any such markings which may be removed, defaced, obliterated or destroyed. The Lessee will not change the identification number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and duly filed and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to the effect that such statement has been so filed and deposited, and that no other filing, deposit or giving of notice with or to any Federal, District of Columbia, state or local government or agency thereof is necessary to protect the rights of the Vendor and the Lessor in such Units.

Except as provided in the immediately preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a

designation that might be interpreted as a claim of ownership; provided, however, that the Units may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates.

SECTION 6. General Tax Indemnity. (a) Indemnity. The Lessee agrees to pay, and to indemnify and hold harmless the Lessor (both in its individual and trust capacity), the Vendor, the Owner and the Investors and their successors and assigns (the "Indemnified Persons") from all license and registration fees and all taxes, assessments, fees, withholdings, charges, imposts, levies and other governmental charges together with any penalties, fines, additions to tax or interest thereon, however imposed, whether levied or imposed upon any Indemnified Person by any Federal, state, District of Columbia or local government or governmental subdivision in the United States of America or by any foreign country or subdivision or taxing authority thereof, upon or with respect to, any Unit; the manufacture, purchase, sale, storage, ownership, delivery, leasing, re-leasing, subleasing, possession, use, operation, location, maintenance, repair, condition, transfer of title, return or other disposition thereof; the indebtedness with respect thereto; the rentals, receipts or earnings arising therefrom; or this Lease, the CSA, the Lease Assignment, the Consent, the CSA Assignment or the Participation Agreement or any document referred to herein or therein or any of the transactions contemplated hereby or thereby (all such taxes, assessments, fees, withholdings, charges, imposts, levies, other governmental charges, penalties, fines, additions to tax and interest imposed hereafter referred to as "Taxes"); excluding, however: (i) United States Federal income taxes, (ii) any net income taxes or other similar taxes measured by net income or net earnings imposed by any state or the District of Columbia or any local subdivision of any thereof in which any Indemnified Person maintains its principal place of business or is otherwise subject to income or franchise taxation by reason of other transactions, (iii) any claim for penalties, fines or interest resulting from an act, omission or misrepresentation of such Indemnified Person or anyone acting under, through, or on behalf of such Indemnified Person (other than the Lessee pursuant to this Section 6), and (iv) any Taxes imposed upon the Lessor, Vendor, or Owner as a result of the voluntary transfer of title, sale, or other disposition of the Units other than as a result of the exercise of any remedies pursuant to Section 10 hereof. Clause (iii) above shall not be read as any waiver of any right of action the Lessee may have in respect of any such act, omission or

misrepresentation of such Indemnified Person or anyone acting under, through, or on behalf of such Indemnified Person.

(b) Payment. All amounts payable to any Indemnified Person pursuant to this Section 6 shall make on an after-tax-basis and shall be paid promptly in immediately available funds and in any event within 15 days after receipt by the Lessee of written demand therefor from such Indemnified Person requesting reimbursement or indemnification for any Taxes, on the basis that such Indemnified Person has paid or within 15 days expects to pay such amounts.

(c) Contest. If any proceeding (including the written claim or written threat of such proceeding) is commenced against an Indemnified Person for any Taxes, such Indemnified Person shall promptly after obtaining knowledge thereof notify the Lessee. Each Indemnified Person will confer with the Lessee, if so requested, and will take such action in connection with contesting any such proceeding as the Lessee shall reasonably request; provided, however, that:

(i) within 30 days (or such shorter period as may be required by law) after notice by such Indemnified Person to the Lessee of such proceeding the Lessee shall request that it be contested;

(ii) such Indemnified Person, at its sole option, may forego any and all administrative appeals, proceedings, hearings and conferences with any applicable agency with respect to any such claim, accept the findings of such agency or otherwise terminate any audit or other administrative proceedings and may, at its sole option, either pay the Taxes and sue for a refund in such court as such Indemnified Person shall elect, or contest the proceeding in any appropriate forum; provided, however, that the Lessee shall have no obligation to indemnify such Indemnified Person for any such Taxes, if as a result of such Indemnified Person's foregoing of any such administrative appeals, proceedings, hearings or conferences, such Indemnified Person shall lose the right to contest the merits of such Taxes; and

(iii) prior to taking such action, the Lessee at its expense shall furnish such Indemnified Person in a timely manner with an opinion of independent tax

counsel satisfactory to such Indemnified Person to the effect that there exists a substantial likelihood of such Indemnified Person's prevailing on the merits in the contest of such proceeding; it being understood, however, that in no event shall such Indemnified Person be required to commence any proceeding pursuant to this paragraph (c) unless the Lessee shall have provided such Indemnified Person with sufficient funds on an interest-free basis to pay such Taxes as are required to be paid so to proceed.

Any contest required pursuant to the preceeding sentence shall, at the option of such Indemnified Person, be conducted by such Indemnified Person or the Lessee in the name of the Lessee or in the name of such Indemnified Person.

(d) Costs of Contest. The Lessee shall indemnify such Indemnified Person in a manner satisfactory to such Indemnified Person for any liability or loss which such Indemnified Person may incur from time to time as a result of participating in any proceeding described in paragraph (c) of this Section 6. The indemnification shall be an amount which, on an after-tax basis, shall be equal to all costs and expenses which the Indemnified Person may incur from time to time in connection with any such proceeding or any appeal thereof, including, without limitation, reasonable attorneys' and accountants' fees and disbursements, and the amount of any interest, tax or penalty which may ultimately be due and payable as a result of any such proceeding. Such amounts shall be payable within 15 days after the presentation to the Lessee of appropriate documentation in reasonable detail of such costs, expenses, interest, taxes, or penalties and the demand for payment thereof.

(e) Refund. So long as no Event of Default shall have occurred and be continuing, if an Indemnified Person shall obtain a refund of all or any part of such Taxes paid by the Lessee or with the Lessee's advance of funds, such Indemnified Person shall pay to the Lessee the amount of such refund, subject to the Lessee making the indemnification in paragraph (d) of this Section 6. If in addition to such a refund the Indemnified Person shall receive an amount representing interest on the amount of such refund, the Lessee shall be paid that proportion of such interest which is fairly attributable to Taxes paid by the Lessee prior to the receipt of such refund or with an advance provided by the Lessee.

(f) Reports. In case any report or return is required to be made relating to any Taxes, the Lessee will, at its own expense, make and timely file such reports and returns where permitted to do so under applicable rules and regulations (the interest of each Indemnified Person in the Units to be shown in a manner satisfactory to such Indemnified Person) or, where not so permitted, notify such Indemnified Person of such requirement and at the Lessee's expense prepare and deliver such reports to such Indemnified Person within a reasonable time prior to the time such reports are to be filed. Any expenses incurred by such Indemnified Person with respect to the submission or execution of any such report or return, or the filing or recording thereof, shall be reimbursed to such Indemnified Person by the Lessee in the manner provided in paragraph (d) of this Section 6. Each Indemnified Person agrees to provide the Lessee, in a timely manner, all information requested by the Lessee in the possession of such Indemnified Person which is reasonably required for the preparation and filing of such report or return.

All the obligations of the Lessee and any Indemnified Person under this Section 6 shall survive and continue, notwithstanding payment of all amounts under the CSA and the termination of this Lease, but only with respect to periods included in the term of this Lease except with respect to any charges, penalties, fines, additions to tax and interest. The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee or any subsidiary or affiliated corporation of the Lessee of the payment of any installments of principal or interest payable under the CSA, or a guarantee of any residual value of the Units following the expiration of the term hereof as such term may or may not be renewed.

SECTION 7. Maintenance; Casualty Occurrences; Insurance. The Lessee, at its own expense and in a manner no less thorough and complete than is the prudent industry standard for Class I line-haul railroads, will maintain, service and adhere to Lessee's standard preventive maintenance schedule with respect to each Unit which will include testing, repair and overhaul so that each Unit will remain (a) in as good operating condition as when delivered (ordinary wear and tear excepted), (b) in compliance with any and all applicable laws and regulations, and (c) suitable for immediate purchase or lease and immediate regular use in main line freight service by a Class I line-haul railroad (not then a debtor in any insolvency, bankruptcy or reorganization proceedings). In addition, during the period of

the Builder's warranty the Lessee shall not use or permit the use of any Unit in violation of any requirements of the Builder's warranty. In no event shall any Unit be maintained or serviced to a lesser standard for maintenance, or serviced on a basis less frequent than the maintenance standard, or maintenance or service scheduling basis, employed as of any given time during the term of this Lease by the Lessee for any similar equipment owned or leased by it at such given time.

In the event that any Unit shall be or become lost, stolen, destroyed or irreparably damaged, or in the opinion of the Lessee worn out from any cause whatsoever, permanently returned to the Builder pursuant to any patent indemnity provision of the CSA, or taken or requisitioned by condemnation or otherwise by the United States Government or by any other government or governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days (such occurrences being hereinafter called "Casualty Occurrences"), prior to the return of such Unit in the manner set forth in Section 14 hereof, the Lessee shall promptly (but in any event within 60 days after such Casualty Occurrence) and fully notify the Lessor, the Owner and the Vendor, with respect thereto. By the later of: (i) the Rental Payment Date next succeeding such event and (ii) the 90th day following such event, the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit then due and payable or accrued to such date (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is 180 days) plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the Rental Payment Date on or next succeeding the date of such Casualty Occurrence in accordance with Schedule B hereto referred to below, together with, if such payment is made pursuant to clause (ii) above, interest on the Casualty Value payment from the Rental Payment Date preceding such 90th day to such 90th day, at a rate equal to the higher of 10% or the "prime" rate of interest as announced from time to time by The Bank of New York. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, complete destruction or permanent return to the Builder of such Unit) the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component

thereof, at the best price obtainable on an "as is, where is" basis, and the Lessee may be a purchaser of such Unit (unless such Unit is declared worn out by the Lessee) and shall notify the Lessor prior to any such purchase by the Lessee. Provided that the Lessee has previously paid the Casualty Value to the Lessor and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor. The Lessee shall be entitled to credit against the Casualty Value payable in respect of any Unit permanently returned to the Builder pursuant to any patent indemnity provision of the CSA in an amount equal to any patent indemnity payment in respect of such Unit made by the Builder to the Lessor under the CSA.

The Casualty Value of each Unit as of any Rental Payment Date shall be an amount for that Unit calculated as set forth in Schedule B hereto. The Casualty Value of each Unit during any renewal term of this Lease shall be an amount equal to the Fair Market Value of such Unit at the beginning of such renewal term.

Whenever any Unit shall suffer a Casualty Occurrence after the final payment of rent in respect thereof is due pursuant to Section 3 hereof and before such Unit shall have been returned in the manner provided in Section 14 hereof, the Lessee shall promptly (as provided above) and fully notify the Lessor with respect thereto and, except as provided in Section 14 hereof, pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be an amount equal to the Casualty Value for such Unit on the last Rental Payment Date. 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 or return to the Builder of such Unit), the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any such Unit suffering a Casualty Occurrence, or any component thereof, at the best price obtainable on an "as is, where is" basis, and the Lessee may be purchaser of such Unit (unless such Unit is declared worn out by the Lessee) and shall notify the Lessor prior to any such purchase by the Lessee. Provided that the Lessee has previously paid the Casualty Value to the Lessor and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be

continuing, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

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

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

The Lessee will, at all times prior to the return of all Units to the Lessor, at its own expense, cause to be carried and maintained casualty insurance and public liability insurance in respect of the Units at the time subject hereto, against such risks, in such amounts and on such terms and conditions as are satisfactory to the Lessor and the Vendor; <u>provided</u>, <u>however</u>, that the Lessor and the Vendor will be reasonable in determining such terms and

conditions and, in any event, such insurance shall be comparable in amounts and against such risks as are customarily insured against by the Lessee in respect of similar equipment owned or leased by it, but in no event shall such coverage be for amounts or against risks less than the prudent industry standard for Class I line-haul railroads. All policies with respect to such insurance shall provide for payments to the Lessor (both in its individual and trust capacity), the Owner and the Vendor as additional named insureds and loss payees, as their interests may appear, shall provide for at least 30 days' prior written notice by the insurance carrier to the Lessor, the Owner and the Vendor in the event of cancelation, expiration or amendment (and the Lessee shall provide 30 days' prior written notice to the Lessor, the Owner and the Vendor in any such event), shall include waivers by the insurer of all claims for premiums against the Lessor, the Owner and the Vendor, and shall provide that losses are payable notwithstanding, among other things, any act of negligence of the Lessee, the Lessor, the Owner or the Vendor, more hazardous use or occupation of the Units than that permitted by such policies, any breach or violation by the Lessee, the Lessor, the Owner or the Vendor of any warranty, declaration, condition or other provision contained in any such policy, or foreclosure, notice of sale or any other proceeding in respect of the Units, or any change in the title to or ownership of any of the Units. Each such insurance policy shall expressly provide that all of the provisions thereof except the limits of liability (which shall be applicable to all insureds as a group) and liability for premiums (which shall be solely a liability of the Lessee) shall operate in the same manner as if they were a separate policy covering each insured and shall be primary without right of contribution from any insurance carried by the Lessor, the Owner or the Vendor. The Lessee shall, not later than June 15th of each year, commencing on or before First Delivery Date as defined in the Participation Agreement, furnish to the Lessor, the Owner and the Vendor a certificate of an independent insurance broker acceptable to the Lessor and the Vendor evidencing the maintenance of the insurance required hereunder. The Lessee shall, not later than 30 days prior to the expiration date of any of its insurance policy or policies required to be carried and maintained with respect to the Units under this Section 7, furnish to the Lessor, the Owner and the Vendor a written notice to the effect that (i) the Lessee is in good faith negotiating the renewal of such policy or policies; and (ii) the Lessee expects to furnish to the Lessor, the Owner and the Vendor certificates evidencing renewal of such policy or policies, as promptly as

practicable, but in no event later than 15 days after such expiration date. Five business days prior to such expiration date, the Lessee shall notify the Lessor, the Owner and the Vendor as to the status of such renewal negotiations. The Lessee shall furnish to the Lessor, the Owner and the Vendor certificates evidencing renewal of such policy or policies not later than 15 days after the expiration date of such policy or policies. In the event that the Lessee fails to renew such policy or policies on the expiration date of any of its policy or policies required to be carried or maintained with respect to the Units under this Section 7, the Lessee shall furnish to the Lessor, the Owner and the Vendor a prompt telephonic notice (promptly confirmed in writing) thereof. In the event that the Lessee shall fail to maintain insurance as herein provided, the Lessor may at its option on five business days' prior written notice to the Lessee (which notice may be given five business days prior to the expiration of such insurance) 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 such cost from the date of payment thereof at the Penalty Rate as defined in Article 16 hereof. The Lessee shall, at its own expense, make all proofs of loss and take all other steps necessary to collect the proceeds of such insurance. If the Lessor shall receive any insurance proceeds or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee's having made payment of the Casualty Value in respect of such Unit and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, pay such insurance proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value paid by the Lessee with respect to such Unit and, only if the insurance policy has been maintained by the Lessee, any balance of such insurance proceeds shall be paid to the Lessee (provided, however, that, if the Lessee failed to maintain such insurance policy, any balance of such insurance proceeds shall remain the property of the Lessor), and any balance of such condemnation payments shall remain the property of the Lessor (except to the extent such balance includes a pro rata share of the proceeds with respect to any readily removable property of the Lessee). All insurance proceeds received by the Lessor in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired, provided no Event of Default

(or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing. Any amounts paid or payable to the Lessor under the foregoing insurance shall not be reduced on account of any amount which may be paid or payable to the Lessor by reason of claims made under any other policies of insurance under which the Lessor is a beneficiary or claimant. Notwithstanding the foregoing, the Lessor shall in no event be obligated to participate in the funding of any self-insurance program of the Lessee. The Lessor and the Owner shall each have the right to carry insurance on the Units for their own benefit; provided that such insurance is carried at the expense of any person other than the Lessee.

SECTION 8. Reports. On or before April 30 in each year, commencing with the calendar year 1987, the Lessee will furnish to the Vendor, the Lessor and the Owner a certificate signed by the Chief Mechanical Officer of the Lessee (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the CSA, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or when withdrawn from use pending a determination of whether a Casualty Occurrence has occurred or pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request, (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by Section 5 hereof have been preserved or replaced and (c) the Units are being maintained in accordance with the provisions of the first paragraph of Section 7 of this Lease. The Lessor, at its sole expense, shall have the right by its agents to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease.

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

SECTION 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. NEITHER THE LESSOR IN

ITS INDIVIDUAL CAPACITY OR AS TRUSTEE, NOR THE BENEFICIARY, MAKES, HAS MADE OR SHALL BE DEEMED TO MAKE OR HAVE MADE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WHATSOEVER, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY AS TO THE TITLE (EXCEPT THAT THE LESSOR REPRESENTS THAT IT WILL HAVE WHATEVER TITLE IT RECEIVES FROM THE BUILDER IN RESPECT OF EACH UNIT), VALUE, CONDITION, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS FOR USE OF THE UNITS OR ANY PART THEREOF, AS TO THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, AS TO THE ABSENCE OF ANY INFRINGEMENT OF ANY PATENT, TRADEMARK, OR COPYRIGHT, AS TO THE ABSENCE OF ANY OBLIGATION BASED ON STRICT LIABILITY IN TORT OR OTHERWISE, OR ANY REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE UNITS OR ANY PART THEREOF (EXCEPT THAT THE LESSOR WARRANTS THAT SO LONG AS (i) NO EVENT OF DEFAULT EXISTS HEREUNDER, (ii) THE LESSEE IS COMPLYING WITH PROVISIONS OF THE CONSENT AND (iii) THE VENDOR IS ENTITLED (WITHOUT REGARD TO ACTS OF MISAPPROPRIATION BY ITS OWN EMPLOYEES) TO APPLY THE PAYMENTS (AS DEFINED IN THE LEASE ASSIGNMENT) IN ACCORDANCE WITH THE LEASE ASSIGNMENT, NEITHER THE LESSOR NOR ANY PERSON CLAIMING BY, THROUGH OR UNDER THE LESSOR SHALL INTERFERE WITH THE LESSEE'S QUIET ENJOYMENT OF THE UNITS AND SHALL BE ENTITLED TO THE OTHER RIGHTS OF POSSESSION, USE AND ASSIGNMENT PROVIDED UNDER SECTION 12 HEREOF), it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder, including but not limited to claims and rights, under Article 13 of the CSA; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, subleasing, servicing, maintenance, repair, improvement or replacement of any Units. The

Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described herein 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, at all times to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads, if applicable, and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units (collectively "Applicable Laws"), to the extent that such Applicable Laws 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, (i) such laws or rules require any alteration, replacement, addition or modification of or to any part on any Unit, the Lessee will comply therewith at its own expense (any such additions which are readily removable without material damage to the Units shall become the property of the Lessee if their removal would not adversely and materially affect the value of the Units and their installation was required by law for limited special use and not general operation) or (ii) such laws or rules require disposal, removal and dismantlement of or stripping any part or parts of the Equipment from the Equipment, the Lessee promptly will give the Lessor, Vendor and the Owner written notice to such effect in reasonable detail and will set forth in detail a reasonable course of action, determined by the Lessee in good faith and according to the Lessee's normal business practice, for such disposal, removal and dismantlement of or stripping such part or parts of the Equipment. The Lessee shall not dispose of, remove, dismantle or strip any such part or parts of the Equipment without the written consent of the Lessor, Vendor and Owner, which consent shall not be unreasonably withheld; <u>provided, however</u>, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor, the Owner or the Vendor, adversely affect the property or rights of the Lessor, the Owner or the Vendor under this Lease or under the CSA. The Lessee, at its own cost and expense, may from time to time make such

other additions, modifications and improvements to the Units during the term of this Lease as are readily removable without causing material damage to the Units (and do not adversely and materially affect the value of the Units). The additions, modifications and improvements made by the Lessee under the preceding sentence shall be owned by the Lessee, except to the extent such additions, modifications, or improvements are described in the following sentence. Any and all parts installed on and additions and replacements made to any Unit (i) which are not readily removable without causing material damage to such Unit and were installed or were added to such Unit in contravention of the provisions contained hereinabove, (ii) the cost of which is included in the Purchase Price of such Unit, (iii) in the course of ordinary maintenance of the Units or (iv) which are required for the operation or use of such Unit by the interchange rules of the Association of American Railroads or by the regulations of the Interstate Commerce Commission, the United States Department of Transportation or any other regulatory body, shall constitute accessions to such Unit and full ownership thereof free from any lien, charge, security interest or encumbrance (except for additions required by law for limited special use and not general operation which are readily removable without causing material damage to the Units and without adversely and materially affecting the value of the Units) shall immediately be vested in the Lessor.

The Lessee agrees to indemnify, protect and hold harmless the Lessor (both individually and in its trust capacity), the Owner, the Vendor and the Investors and their respective successors, assigns, agents and servants (hereinafter called "Indemnified Persons") from and against all losses, damages, injuries, liabilities, claims (including without limitation claims for strict liability, but excluding all losses, damages, injuries, liabilities due to, and any claims for wilful misconduct or gross negligence of the Indemnified Person otherwise to be indemnified) and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent, trademark and copyright liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of or the occurrence of a default, an event of default or an Event of Default under this Lease or any sublease entered into pursuant to Section 12 hereunder, the ownership of any Unit, the manufacture, ordering, acquisition, use, operation, condition, purchase, sublease, delivery, acceptance, rejection, storage or return of any Unit or any accident in

connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise expressly provided in Section 14 of this Lease; provided, however, that this paragraph shall not be read as a waiver of any right of action the Lessee may have in respect of any such act, omission or misrepresentation of such Indemified Person or anyone acting under, through, or on behalf of such Indemnified Person. The indemnities arising under this paragraph shall be paid on an after-tax basis and shall continue in full force and effect notwithstanding (i) the full payment of all obligations under this Lease or the expiration or termination of the term of this Lease and (ii) that an Indemnified Party may have a right to be indemnified by another party.

Except as otherwise expressly provided in Section 14, the Lessee shall bear the responsibility and risk for, and shall not be released from its obligations hereunder in the event of, any damage to or the destruction or loss of any or all of the Units of Equipment. The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required filing date (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than tax returns) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor of, or the interest of the Vendor in, the Units, or the leasing thereof to the Lessee.

The indemnities contained in this Section 9 shall survive the expiration or termination of this Lease with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination and are expressly made for the benefit of, and shall be enforceable by, any Indemnified Person. None of the indemnities in this Section 9 shall be deemed to create any rights of subrogation in any insurer or third party against the Lessee or the Lessor therefor, from or under any Indemnified Person, whether because of any claim paid or defense provided for the benefit thereof or otherwise. The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee of the payment of any installments of principal or interest payable under the CSA or a guarantee of the residual value of the Equipment.

SECTION 10. Default. If, during the continuance of this Lease, one or more of the following events (each

such event being herein sometimes called an "Event of Default") shall occur:

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

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

(C) default shall be made in observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Consent or in the Participation Agreement and such default shall continue for 30 days (except that such period shall be 15 days in the case of Lessee's failure to maintain the insurance coverage required by Section 7) after the earlier of (i) written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied and (ii) the date on which such default shall first become known to any officer of the Lessee;

(D) a petition for reorganization under Title 11 of the United States Code, as now constituted or as 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 this Lease shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceeding 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 such petition shall have been filed and otherwise in accordance with the provisions of 11 U.S.C. § 1168, or any successor provision as the same may hereafter be amended; or

(E) any other proceeding shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder under any bankruptcy or insolvency

laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of such obligations), and, unless such proceeding shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been and shall not continue to have been duly assumed in writing pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for the property of the Lessee in connection with any such proceeding 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 proceeding shall have been commenced;

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, subject to compliance with all mandatory requirements of law, enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may then be 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

rental period by a fraction of which the numerator is such number of days and the denominator is 180 days) including but not limited to any amounts due the Lessor pursuant to Section 6 hereof and paragraph 18 of the Participation Agreement; provided, however, that the Lessee shall not be relieved of its obligation under Section 6(c) hereof or Section 19 of the Participation Agreement except as specifically provided therein 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 rentals 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 rentals that the Lessor shall have the right to take possession of the Equipment upon an Event of Default under this Lease regardless of whether the Lessee is in reorganization.

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

SECTION 11. Return of Units upon Default. If this Lease shall terminate pursuant to Section 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the condition required by the first paragraph of Section 7 hereof. For the purpose of delivering possession, the Lessee shall:

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

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for

insurance, rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and

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

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and, upon application to any court of equity having jurisdiction, 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 expense, maintain and keep the Equipment in the condition required by the first paragraph of Section 7 hereof and will permit and cooperate with the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of any such Unit, to inspect the same in a reasonable manner consistent with current industry practices. All rent and per diem charges earned in respect of the Units after the date of termination of this Lease 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 $500 for each such day exceeds the actual earnings received by the Lessor with respect to such Unit for each such day.

Without in any way limiting the foregoing obligations of the Lessee under this Section 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of such Unit in the name and on behalf of the Lessee to obtain possession thereof from whomsoever shall be in possession of such Unit at the time.

SECTION 12. Assignment; Possession and Use. So long as no Event of Default exists hereunder, any rights arising under this Lease shall not be assignable in whole or in part by the Lessor or any assignee thereof without the written consent of the Lessee, which consent shall not be unreasonably withheld notwithstanding any policy of the

Lessee prohibiting assignments generally; provided, however, that the Lessee's consent shall not be required for an assignment to (i) a successor trustee appointed pursuant to the Trust Agreement, (ii) the Owner or (iii) an affiliated company of the Owner (the term "affiliate" for the purposes of this sentence means any corporation which (i) owns all of the stock of the Owner ("Parent") or (ii) a wholly owned, directly or indirectly, subsidiary of the Owner or the Parent which files a consolidated tax return together with the Owner. Upon the written notice by the Lessor or any assignee thereof to the Lessee of the request for assignment, the Lessee will have 10 business days to respond to such request; provided, however, that the Lessee's failure to respond within 10 business days shall be deemed to be approval. If the Lessee will not permit such assignment, the Lessee shall provide the Lessor with a written statement describing in reasonable detail the reasons for such denial. All the rights of the Lessor hereunder shall inure to the benefit of the Lessor's successors and assigns.

So long as no Event of Default exists hereunder, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease and, without the prior written consent of the Lessor, the Lessee may sublease the Units to, or permit their use by, a user incorporated in the United States of America (or any State thereof or the District of Columbia), upon lines of railroad owned or operated by the Lessee or such user or by a railroad company or companies incorporated in the United States of America (or any State thereof or the District of Columbia), or over which the Lessee, such user, or such railroad company or companies have trackage rights or rights for operation of their trains, and upon the lines of railroad of connecting and other carriers in the usual interchange of traffic or in through or run-through service, but only upon and subject to all the terms and conditions of this Lease; provided, however, that the Lessor's consent, not to be unreasonably withheld, must be obtained for any sublease that is for a term longer than six months; provided further, however, that the Lessee shall not sublease or permit the sublease or use of any Unit to service involving operation or maintenance outside the United States of America except that occasional service in Canada shall be permitted so long as such service in Canada does not involve regular operation and maintenance outside the United States of America; and provided further, however, that any such sublease or use shall be consistent with the provisions of Paragraph 19 of the Participation Agreement. No such assignment or sublease

shall relieve the Lessee of its obligations hereunder which shall be and remain those of a principal and not a surety.

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

SECTION 13. Renewal Option; Purchase Option. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may elect, by written notice delivered to the Lessor not more than 240 and not less than 180 days prior to the end of the original term of this Lease, to extend the term of this Lease in respect of all, but not less than all, the Units then covered by this Lease for an additional term of one year (or such longer term as the Lessor and the Lessee may agree upon) commencing on the scheduled expiration of the original term at a semiannual rental payable in arrears in semiannual payments, in an amount equal to the "Fair Market Rental" of such Units as of the commencement of such extended term, such rental payments to be made on each semiannual anniversary of the Basic Rent Commencement Date in each year of the extended term.

"Fair Market Rental" 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 and, in such determination, (i) it shall be assumed that the Units are in the condition and repair required by the first paragraph of Section 7 hereof and that they are free and clear of all liens, claims and encumbrances, (ii) the value of the additions, modifications and improvements as to which Lessee retains title pursuant to Section 9 shall not be included and (iii) costs of removal from the location of current use shall not be a deduction from such value.

Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, at

the end of the original term and at the end of the extended term of this Lease the Lessee may elect to purchase all but not less than all the Units then subject to this Lease at the then "Fair Market Value" of such Units, by giving written notice to the Lessor not more than 240 and not less than 180 days prior to the expiration of such term.

"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 a lessee currently in possession) and an informed and willing seller under no compulsion to sell and, in such determination, the same assumptions applicable to the determination of Fair Market Rental, as set forth in the second paragraph of this Section 13, shall be applied.

Upon payment of the purchase price pursuant to the exercise by the Lessee of its above-specified purchase rights and of all other amounts due with respect to the Units, the Lessor shall, upon request of the Lessee, execute and deliver to the Lessee, or to the Lessee's assignee or nominee, a bill of sale (without representations or warranties except that the Units so being sold are free and clear of all liens, charges, security interests and other encumbrances by or in favor of any person claiming by, through or under the Lessor and which the Lessor is obligated to discharge pursuant to the proviso to the last paragraph of Section 12 of the CSA) for such Units, and such other documents as may be required to release such Units from the terms and scope of this Lease and to transfer title thereto to the Lessee, or such assignee or nominee, in such form as may reasonably be requested by the Lessee, all at the Lessee's expense.

If the Lessor and the Lessee shall not have agreed on the Fair Market Rental or the Fair Market Value, as the case may be, on or before the date occurring 120 days prior to the expiration of the Base Term, the renewal and purchase options provided for in this Section 13 shall terminate.

SECTION 14. <u>Return of Units upon Expiration of Term.</u> Unless Lessee shall have purchased and paid for the Units, then as soon as practicable on or after the expiration of the term of this Lease with respect to any Unit, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon appropriate storage tracks of the Lessee at a location or locations mutually agreeable to Lessor and Lessee or, in

the absence of such mutual agreement, at a major maintenance terminal or terminals (not exceeding two) on the lines of the railroad as the Lessee may select, and permit the Lessor to store such Unit on such tracks for a period not exceeding 90 days following notification to the Lessor by the Lessee that all the Units have been assembled and delivered for storage (the "Storage Period") and transport the same, at any time within the Storage Period, to any place on the lines of railroad operated by the Lessee, or to any connecting carrier for shipment, all as directed by the Lessor, the movement and storage of such Units during the Storage Period to be at the expense and risk of the Lessee; and in the event that any Unit shall suffer a Casualty Occurrence during such Storage Period, the Lessee shall pay the Lessor the Casualty Value thereof as provided in Section 7 hereof; provided, however, that Lessee shall have no obligation to pay Lessor the Casualty Value for a Unit which suffers a Casualty Occurrence while being operated by the Lessor or its agents during the Storage Period, or which, at the specific direction of the Lessor, is stored or operated in a manner different from the normal storage or operational practice of the Lessee to the extent such Casualty Occurrence is attributable to such operation by the Lessor or its agents or to such different storage or operational practice directed by the Lessor. During such Storage Period the Lessee will permit the Lessor or any person designated by it, including the authorized representatives of any prospective purchaser, lessee or user of such Unit, to inspect the same in accordance with normal industry practice and consistent with the intended use of the Units; provided, however, that the Lessee shall not be liable, except in the case of negligence, wilful misconduct or strict liability of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, on behalf of either the Lessor or any prospective purchaser, lessee or user, such rights of inspection. Each Unit returned to the Lessor pursuant to this Section 14 shall be in the condition required by the first paragraph of Section 7 hereof and free and clear of all liens, charges, security interests or other encumbrances (other than liens, charges, security interests or other encumbrances created by the Lessor, the Owner or the Vendor or resulting from claims against the Lessor, the Vendor or the Owner not related to the ownership of the Units). The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance thereof. During the period that the Units are

being assembled and delivered for storage and during the Storage Period, the Lessee will, at its own expense, maintain and keep the Units in the condition required by the first paragraph of Section 7 hereof and will permit the Lessor or any person designated by it, including the authorized representatives of any prospective purchaser, lessee or user of any such Unit, to inspect the same. All rent and per diem charges earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day from the date of such termination an amount equal to the amount, if any, by which $500 for each such day exceeds the actual earnings received by the Lessor with respect to such Unit for each such day.

The Lessee further agrees, the Lessee's reasonable operational requirements permitting, that the Lessor, at the Lessor's cost and expense, may, after the expiration of the 90-day period referred to above, store such Units upon such storage tracks of the Lessee as the Lessee reasonably designates. The storage charge shall be in accordance with the then current applicable tariff.

SECTION 15. Recording. The Lessor, at its cost and expense, will cause this Lease and the CSA, prior to the delivery and acceptance of any Unit hereunder, and any assignment of either thereof, on or promptly after the Closing Date, to be filed in accordance with 49 U.S.C. § 11303 and deposited with the Registrar General of Canada (and notice of such deposit to be given forth in The Canada Gazette) pursuant to 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, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to its satisfaction, of the Vendor's and the Lessor's rights in the Units, or for the purpose of carrying out the intention of this Lease, the CSA and the assignments hereof and thereof to the Vendor; and the Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing, recording and other acts which may be required under this Section 15, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor.

SECTION 16. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount on the overdue rentals and other obligations for the period of time during which they are overdue at a rate equal to the higher of (i) 11% or (ii) the "prime" rate of interest as announced from time to time by The Bank of New York ("Penalty Rate").

SECTION 17. Lessor's Right To Perform for the Lessee. If the Lessee fails to perform or comply with any of its agreements contained herein, the Lessor may (but shall not be obligated to do so) upon notice to the Lessee itself perform or comply with such agreement, and the amount of the reasonable cost and expenses of the Lessor incurred in connection with such performance or compliance, together with interest on such amount at the Penalty Rate, shall be payable by the Lessee upon demand except as otherwise provided in this Lease. No such performance or compliance by the Lessor shall be deemed a waiver of the rights and remedies of the Lessor or any assignee of the Lessor against the Lessee hereunder or be deemed to cure the default of the Lessee hereunder.

SECTION 18. Notices. Any notice required or permitted hereunder shall be deemed to have been received by the addressee on the date of actual receipt (if such date is a business day, otherwise on the next business day) if transmitted by mail, air courier, telex, telecopy or similar transmission, or by hand, addressed as follows:

(a) if to the Lessor, at The Connecticut Bank and Trust Company, National Association, One Constitution Plaza, Hartford, Connecticut 06115, Attention of Corporate Trust Department, with a copy to the Owner at its address set forth in the Participation Agreement; and

(b) if to the Lessee, at Consolidated Rail Corporation, 1310 Six Penn Center Plaza, Philadelphia, Pennsylvania 19103, Attention of Assistant Treasurer-Financing;

or at such other address or either party shall have designated to the other party in writing. Copies of each such notice shall be given to the Vendor at P. O. Box 2258 (or if

by hand, 2 Hopkins Plaza), Baltimore, Maryland 21203, Attention of Corporate Trust Department.

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

This Lease exclusively and completely states the rights and obligations 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 signatories for the Lessor and the Lessee.

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 and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

SECTION 21. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of New York; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Lease or any assignment hereof shall be filed or deposited.

SECTION 22. Lessor's Liability. Anything herein to the contrary notwithstanding, each and all of the representations, undertakings and agreements herein made on the part of the financial institution acting as the Lessor are made and intended not as personal representations, undertakings and agreements by said financial institution or for the purpose or with the intention of binding it personally but

are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Lease is executed and delivered by the said financial institution solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and no personal liability or responsiblity is assumed hereunder by or shall at any time be enforceable against the said financial institution on account of any representation, undertaking or agreement hereunder of the Lessor, either being expressed or implied, all such personal liability, if any, being expressly waived by the Lessee and by all persons claiming by, through or under the Lessee; provided, however, that the Lessee or any person claiming by, through or under it, making claim hereunder, may look to the Trust Estate for satisfaction of the same.

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

CONSOLIDATED RAIL CORPORATION,

by

_____
Assistant Treasurer-Financing

[Seal]

Attest:

_____
Assistant Secretary

THE CONNECTICUT BANK AND
TRUST COMPANY,
NATIONAL ASSOCIATION,
not individually but solely as
Trustee,

by

_____
Authorized Officer

[Seal]

Attest:

_____
Authorized Officer

COMMONWEALTH OF PENNSYLVANIA,)
) ss:
COUNTY OF PHILADELPHIA,)

On this day of , 1986, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is the of CONSOLIDATED RAIL CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

_____
Notary Public

[Notarial Seal]

My commission expires

STATE OF CONNECTICUT,)
) ss.:
COUNTY OF HARTFORD,)

On this day of , 1986, before me personally appeared , to me personally known, who, being by me duly sworn, says that he/she is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, that one of the seals affixed to the foregoing instrument is the seal of said national association and that said instrument was signed and sealed on behalf of said national association by authority of its Board of Directors, and he/she acknowledged that the execution of the foregoing instrument was the free act and deed of said national association.

_____
Notary Public

[Notarial Seal]

My commission expires

Description of Units of Equipment

Type	Builder	Quantity	Lessee's Identification Numbers (Both Inclusive)
Model SD-50 diesel-electric locomotive	General Motors Corporation (Electro-Motive Division)	30	CR6805-6834

Casualty Value

(Exclusive of Rent)

Rental Payment Dates	Percentage of Purchase Price Per Unit
March 1, 1986	101.5548
September 1, 1986	104.6156
March 1, 1987	104.8914
September 1, 1987	103.7432
March 1, 1988	103.0929
September 1, 1988	101.3233
March 1, 1989	99.8000
September 1, 1989	97.4075
March 1, 1990	94.9645
September 1, 1990	91.9190
March 1, 1991	88.5430
September 1, 1991	85.1806
March 1, 1992	81.4318
September 1, 1992	81.0699
March 1, 1993	77.3226
September 1, 1993	76.8477
March 1, 1994	72.0758
September 1, 1994	71.4419
March 1, 1995	65.6387
September 1, 1995	64.9151
March 1, 1996	58.8597
September 1, 1996	58.0784
March 1, 1997	51.7369
September 1, 1997	50.8957
March 1, 1998	44.2617
September 1, 1998	43.4977
March 1, 1999	36.4352
September 1, 1999	36.6554
March 1, 2000	28.4670
September 1, 2000	20.0000
March 1, 2001	20.0000

Certificate of Acceptance

To: (the "Lessor")

I, the duly authorized representative for the Lessor and Consolidated Rail Corporation (the "Lessee") under the Lease of Railroad Equipment, dated as of January 15, 1986, do hereby certify that I inspected and accepted delivery thereunder of the following Units of Equipment:

TYPE OF EQUIPMENT: Diesel electric locomotive
MODEL: SD-50
DATE ACCEPTED:
NUMBER OF UNITS:
NUMBERED: CR
MANUFACTURER'S NUMBER:

I do further certify that the foregoing Units are in good order and condition, and appear to conform to the specifications, requirements and standards applicable thereto as provided in the Lease.

I do further certify that each of the foregoing Units has been marked upon each side of each such Unit in letters not less than one inch in height as follows:

"OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION".

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

_____
Authorized Representative of
Trustee and Lessee

BUILDER:

General Motors Corporation
(Electro-Motive Division)

Basic Rent

Basic Rental Payment Dates	Percentage of Purchase Price Per Unit
September 1, 1986	2.94922758
March 1, 1987	5.27697242
September 1, 1987	2.83284034
March 1, 1988	5.39335966
September 1, 1988	2.70481438
March 1, 1989	5.52138562
September 1, 1989	2.56398582
March 1, 1990	5.66221418
September 1, 1990	2.40907440
March 1, 1991	5.81712560
September 1, 1991	2.23867184
March 1, 1992	5.98752816
September 1, 1992	2.41314634
March 1, 1993	5.81305366
September 1, 1993	2.41200050
March 1, 1994	6.72809950
September 1, 1994	2.42962356
March 1, 1995	7.62447644
September 1, 1995	2.34663692
March 1, 1996	7.70746308
September 1, 1996	2.23127658
March 1, 1997	7.82282342
September 1, 1997	2.11373251
March 1, 1998	7.94036749
September 1, 1998	1.85443785
March 1, 1999	8.19966215
September 1, 1999	.73490871
March 1, 2000	9.31919129
September 1, 2000	10.01926534
March 1, 2001	.03483466
	137.10220000

ANNEX D
to
Conditional Sale Agreement
[CS&M Ref. 3909-072]

ASSIGNMENT OF LEASE AND AGREEMENT dated as of January 15, 1986 (this "Assignment"), between THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, not individually but solely as Trustee (the "Lessor") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with THE BANK OF NEW YORK (the "Owner"), MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent (the "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement").

WHEREAS the Lessor is entering into a Conditional Sale Agreement dated as of the date hereof (the "CSA") with General Motors Corporation (Electro-Motive Division) (the "Builder") providing for the sale to the Lessor of such units of railroad equipment (the "Units") described in Annex B thereto as are delivered to and accepted by the Lessor thereunder;

WHEREAS the Lessor and Consolidated Rail Corporation (the "Lessee") have entered into a Lease of Railroad Equipment dated as of the date hereof (the "Lease") which provides for the leasing by the Lessor to the Lessee of the Units; and

WHEREAS, in order to provide security for the obligations of the Lessor under the CSA and as an inducement to the Vendor and the Investors (as defined in the Participation Agreement) for whom the Vendor is acting to invest in the CSA Indebtedness (as defined in the CSA), the Lessor has agreed to assign 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, the parties hereto agree as follows:

1. The Lessor hereby assigns, transfers and sets over unto the Vendor, as collateral security for and to provide for the payment and performance of the obligations of the Lessor under the CSA, all the Lessor's rights, titles and interests, powers, privileges, and other benefits in, to and under the Lease (including those inuring to the benefit of the Owner), including, without limitation, the immediate

right to receive and collect all rentals, profits and other sums payable to or receivable from the Lessee by the Lessor under or pursuant to the provisions of the Lease (other than payments by the Lessee to the Lessor or the Owner under Sections 6 and 9 of the Lease) whether as rent, casualty payment, indemnity, liquidated damages, or otherwise (such moneys being hereinafter called the "Payments"), and the right to make all waivers, modifications 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 or with respect to the Lease. 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 attorney for the Lessor to ask, demand, sue for, collect and receive any and all Payments 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 first, to satisfy the obligations of the Lessor under the CSA which are due and payable on the date such Payments were required to be made pursuant to the Lease, and second, so long as no event of default or event which with the lapse of time and/or demand provided for in the CSA could constitute an event of default thereunder shall have occurred and be continuing, any balance shall be deemed to be held by the Vendor in trust for the Lessor and shall be paid immediately to the Lessor, by bank wire to the Lessor at such address as may be specified to the Vendor in writing, and such balance shall be retained by the Lessor. If the Vendor shall not receive any rental payment under Section 3 of the Lease or any Casualty Value under Section 7 of the Lease when due, the Vendor shall notify the Lessee, the Lessor and the Owner by telephone, confirmed in writing, at their addresses set forth in the Lease; <u>provided</u>, <u>however</u>, that the failure of the Vendor to so notify the Lessee, the Lessor and the Owner shall not affect the obligations of the Lessor hereunder or under the CSA; except that the Vendor may not declare an event of default under subparagraph (a) or (e) of Article 15 of the CSA arising solely by reason of the failure of the Lessee to make any such rental payment or payment of Casualty Value which, pursuant to subparagraph (e) of Article 15 of the CSA, would not constitute an event of default thereunder if the Lessor

complies with the provisions thereof, unless such event of default is not remedied within 10 business days after notification is given as aforesaid.

2. The assignment made by the Lessor hereunder is executed only as security and, therefore, the execution and delivery of this Assignment by the Lessor 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 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. The Lessor represents and warrants to the Vendor that the Lessor has not entered into any assignment of its interests in the Lease other than this Assignment, has not entered into any amendment or modification of the Lease and has not created or incurred or suffered to exist with respect to the Lease or with respect to any of its interests therein any claim, lien or charge arising by, through or under the Lessor.

The Lessor agrees that it will from time to time and at all times, at the reasonable request of the Vendor or its successors or assigns, make, execute and deliver all such further instruments of assignment, transfer and assurance and do such further acts and things as may be necessary and appropriate in the premises to give effect to the provisions herein set forth and more perfectly to confirm the rights, titles and interests hereby assigned and transferred to the Vendor or intended so to be.

4. The Lessor will faithfully abide by, perform and discharge each and every obligation and agreement which the Lease provides is to be performed by the Lessor; 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 of or from the obligations, covenants, conditions and agreements to be performed by the Lessee thereunder, 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.

5. The Lessor does hereby constitute the Vendor its true and lawful attorney, irrevocably, with full power (in the name of the Lessor or otherwise) to ask, require, demand, receive, compound and give acquittance for 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 to the Vendor may seem to be necessary or advisable in the premises.

6. Upon the full discharge and satisfaction of all sums due from the Lessor under the CSA, the Lessor's assignment hereunder of its rights in, to and under the Lease shall terminate, and all estate, right, title and interest of the Vendor in and to the Lease shall revert to the Lessor. However, the Vendor, if so requested by the Lessor at that time, will (a) execute an instrument releasing its entire estate, right, title and interest in the Lease and transferring such estate, right, title and interest to the Lessor and (b) execute, acknowledge and deliver any and all further instruments required by law or reasonably requested by the Lessor in order to confirm or further assure the interest in the Lease which shall have reverted or been so transferred to the Lessor.

7. The Lessor will pay and discharge any and all taxes, claims, liens, charges or security interests (other than those created by the CSA) 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, not arising out of the transactions contemplated by the CSA or the Lease (but including (to the extent it receives funds for such purpose) income taxes arising out of the receipt of rentals and other payments under the Lease and any other 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, 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 reasonable opinion of the Vendor, materially and adversely affect such interests of the Vendor.

8. The Lessor will, from time to time, execute, acknowledge and deliver any and all further instruments reasonably requested by the Vendor in order to confirm the interest of the Vendor hereunder.

9. 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.

10. This Assignment shall be governed by the laws of the State of New York, but the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing or deposit hereof, if any, as shall be conferred by the laws of the several jurisdictions in which this Assignment shall be filed or deposited.

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

12. The Vendor hereby agrees with the Lessor that the Vendor will not, so long as no event of default under Article 15 of the CSA 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, without the prior written consent of the Lessor, except the right to receive Payments under Paragraph 1 hereof and that, subject to the terms of the Lease and the CSA, the Lessor may, so long as no event of default under the CSA has occurred and is then continuing, exercise or enforce, or seek to exercise or enforce, its rights, powers, privileges, and remedies arising out of § 10(a) and § 10(b) of the Lease; <u>provided, however</u>, that the Lessor may, whether or not an event of default under the CSA has occurred and is then continuing, exercise or enforce, or seek to exercise and enforce, its rights, powers, privileges and remedies arising out of § 10(a) of the Lease in respect of its rights under §§ 6 and 9 of the Lease; <u>provided further, however</u>, that the Lessor shall not, without the prior written consent of the Vendor, terminate the Lease or otherwise exercise or enforce, or seek to exercise or enforce, any rights, powers, privileges and remedies arising out of § 10(b) of the Lease or take any action which would cause any termination of the Lease with respect to any Unit.

13. It is expressly understood and agreed by and between the parties hereto, anything in this Assignment to the contrary notwithstanding, that each and all of the representations, warranties, undertakings and agreements in this Assignment made on the part of the financial institution acting as Lessor are each and every one of them made and intended not as personal representations, warranties, undertakings and agreements by said financial institution, or for the purpose or with the intention of binding said financial institution personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Assignment is executed and delivered by said financial institution solely in the exercise of the powers expressly conferred upon said financial institution as trustee under the Trust Agreement; and that no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said financial institution, either expressed or implied, all such personal liability, if any, being expressly waived and released by the Vendor and by all persons claiming by, through or under the Vendor; provided, however, that the Vendor or any person claiming by, through or under the Vendor, making claim hereunder, may look to said Trust Estate for the satisfaction of the same.

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 and all others shall be deemed to be duplicates thereof. It shall not be

necessary that any counterpart be signed by both parties so long as each party shall sign at least one 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.

[Seal]

THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, not individually but solely as Trustee,

Attest:

by

_____
Authorized Officer

_____
Authorized Officer

[Seal]

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent,

Attest:

by

_____
Vice President

_____
Corporate Trust Officer

STATE OF CONNECTICUT,)
) ss.:
COUNTY OF HARTFORD,)

On this th day of , 1986 before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said association, and that said instrument was signed and sealed on behalf of said association 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 association.

_____
Notary Public

[Notarial Seal]

My Commission expires:

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

On this th day of , 1986 before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a 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, and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

_____
Notary Public

[Notarial Seal]

My Commission expires

CONSENT AND AGREEMENT

The undersigned, CONSOLIDATED RAIL CORPORATION (the "Lessee"), the lessee named in the Lease (the "Lease") referred to in the foregoing Assignment of Lease and Agreement (the "Lease Assignment"), hereby (a) acknowledges receipt of a copy of the Lease Assignment and (b) consents to all the terms and conditions of the Lease Assignment and agrees that:

(1) it will pay all Payments (as defined in Section 1 of the Lease Assignment) due and to become due under the Lease directly to Mercantile-Safe Deposit and Trust Company, as Agent (the "Vendor"), the assignee named in the Lease Assignment, by bank wire transfer of immediately available funds to Mercantile-Safe Deposit and Trust Company, Baltimore, Maryland, for credit to its Corporate Trust Department's Account No. 620081-8, with the notation that funds are "RE: Conrail 1/15/86" (or at such other address as may be furnished in writing to the Lessee 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 Lessee under the Lease as though the Vendor were named therein as the Lessor and that the Lessee will not assert against the Vendor any claim or defense the Lessee may have against the Lessor under the Lease;

(3) the Vendor shall not, by virtue of the Lease Assignment, 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 terminated, amended or modified, nor shall any waiver or release be given or accepted with respect thereto nor shall any action be taken or omitted by the Lessee the taking or omission of which might result in an alteration or impairment of the Lease or the Lease Assignment or this Consent and Agreement or of any of the rights created by any thereof.

This Consent and Agreement, when accepted by the Vendor by signing the acceptance at the foot hereof, shall be deemed to be a contract under the laws of the

Commonwealth of Pennsylvania and, for all purposes, shall be construed in accordance with the laws of said Commonwealth.

CONSOLIDATED RAIL CORPORATION,
as Lessee,

by

_____

The foregoing Consent and Agreement is hereby accepted, as of the 15th day of January 1986.

MERCANTILE-SAFE DEPOSIT AND
TRUST COMPANY,
as Agent,

by

_____
Vice President

[CS&M Ref. 3909-072]

CONDITIONAL SALE AGREEMENT

Dated as of January 15, 1986

between

GENERAL MOTORS CORPORATION
(ELECTRO-MOTIVE DIVISION)

and

THE CONNECTICUT BANK AND TRUST COMPANY,
NATIONAL ASSOCIATION,
as Trustee Under a Trust Agreement

10%Conditional Sale Indebtedness
due September 1, 2000

(30 SD-50 Diesel Electric Locomotives)

Conditional Sale Agreement

TABLE OF CONTENTS*

		Page
ARTICLE 1.	Assignment; Definitions	1
ARTICLE 2.	Construction and Sale	2
ARTICLE 3.	Inspection and Delivery	3
ARTICLE 4.	Purchase Price and Payment	5
ARTICLE 5.	Title to, and Security Interest in, the Equipment	9
ARTICLE 6.	Taxes	10
ARTICLE 7.	Maintenance; Casualty Occurrences ..	11
ARTICLE 8.	Reports	13
ARTICLE 9.	Marking of Equipment	13
ARTICLE 10.	Compliance with Laws and Rules	13
ARTICLE 11.	Possession and Use	14
ARTICLE 12.	Prohibition Against Liens	14
ARTICLE 13.	Indemnities and Warranties	15
ARTICLE 14.	Assignments	17
ARTICLE 15.	Defaults	18
ARTICLE 16.	Remedies	21
ARTICLE 17.	Applicable State Laws	25
ARTICLE 18.	Recording	26
ARTICLE 19.	Article Headings; Effect and Modification of Agreement	26
ARTICLE 20.	Notice	26
ARTICLE 21.	Immunities; Satisfaction of Undertakings	27
ARTICLE 22.	Law Governing	28
ARTICLE 23.	Execution	29
ARTICLE 24.	Payments to the Owner	29
SCHEDULE I	Allocation Schedule	
ANNEX A	Builder's Warranties	
ANNEX B	Specifications	
ANNEX C	Lease of Railroad Equipment	
ANNEX D	Assignment of Lease and Agreement	

---

* 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.

CONDITIONAL SALE AGREEMENT dated as of January 15, 1986, between GENERAL MOTORS CORPORATION (Electro-Motive Division), a Delaware corporation (the "Builder" or the "Vendor", as the context may require, all as more particularly set forth in Article 1 hereof) and THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association not in its individual capacity but solely as Trustee, except as herein otherwise specifically provided (the "Vendee"), under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with THE BANK OF NEW YORK, a New York corporation (the "Owner").

WHEREAS the Builder has agreed to construct, conditionally sell and deliver to the Vendee, and the Vendee has agreed to conditionally purchase, the railroad equipment described in Annex B hereto to the extent not excluded herefrom under the provisions hereof (the "Equipment"); and

WHEREAS the Vendee is entering into a Lease of Railroad Equipment with Consolidated Rail Corporation (the "Lessee") substantially in the form annexed hereto as Annex C (the "Lease") pursuant to which the Lessee will lease from the Vendee such number of units of Equipment as are delivered and accepted hereunder; and

WHEREAS Mercantile-Safe Deposit and Trust Company (hereinafter called the "Assignee" or the "Vendor" as more particularly set forth in Article 1 hereof), is acting as Agent for investors pursuant to a Participation Agreement dated as of the date hereof (the "Participation Agreement") among the Assignee, the Lessee, the Vendee, the Owner, and the Parties Named in Schedule A Thereto (together with their successors and assigns, the "Investors"), and all obligations of the Vendee to the Builder under the Purchase Order (as defined in the Participation Agreement) will be superseded by this Agreement.

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

ARTICLE 1. Assignment; Definitions. The parties hereto contemplate that the Vendee will purchase the

Equipment and provide the cash portion of the Purchase Price (as hereinafter defined) of the Equipment as is required under subparagraph (a) of the third paragraph of Article 4 hereof and that an amount equal to the balance of such Purchase Price shall be paid to the Builder by the Assignee pursuant to an Agreement and Assignment (the "CSA Assignment") dated as of the date hereof between the Builder and the Assignee.

The term "Vendor", whenever used in this Agreement, means, before any assignment of its rights hereunder, the Builder and any successor or successors for the time being to its manufacturing properties and business, and, after any such assignment, both any assignee or assignees for the time being of such particular assigned rights as regards such rights, and also any assignor as regards any rights hereunder that are retained or excluded from any assignment, and the term "Builder", whenever used in this Agreement, means, both before and after any such assignment, the Builder and any successor or successors for the time being to its manufacturing properties and business.

The parties hereto contemplate that the Vendee will assign to the Assignee, as security for the payment and performance of all the Vendee's obligations hereunder, certain rights, titles, and interests of the Vendee in and to the Lease, pursuant to an Assignment of Lease and Agreement substantially in the form of Annex D hereto (the "Lease Assignment").

ARTICLE 2. Construction and Sale. Pursuant to this Agreement, the Builder shall construct the units of Equipment and will conditionally sell and deliver to the Vendee, and the Vendee will conditionally purchase from the Builder and accept delivery of and pay for (as hereinafter provided and subject to the limitations hereinafter set forth), such Equipment, each unit of which shall be constructed in accordance with the specifications referred to in Annex B hereto and in accordance with such modifications thereof as may be agreed upon in writing among the Builder, the Vendee and the Lessee (which specifications and modifications, if any, are hereinafter called the "Specifications"). The design, quality and component parts of each unit of the Equipment shall conform, on the date of completion of manufacture thereof, to the Specifications and all United States Department of Transportation and Interstate Commerce Commission requirements and specifications and to all standards, if any, recommended by the Association of American Railroads reasonably interpreted as being

applicable to railroad equipment of the character of such unit, and each such unit will be new railroad equipment, will not incorporate any used components (or, if such components are incorporated, their aggregate cost will not be more than 20% of the cost of material and parts used in constructing such unit) and will not have been used by any person so as to preclude the "original use" of such unit, within the meaning of Sections 48(b)(2) and 167(c)(2) of the Internal Revenue Code of 1954, as amended, from commencing with the Vendee.

ARTICLE 3. Inspection and Delivery. The Builder will deliver the units of the Equipment to the Vendee at the place or places specified in Annex B hereto in accordance with the delivery schedule set forth in Annex B hereto; provided, however, that delivery of any unit of the Equipment shall not be made (i) until this Agreement and the Lease have been filed with the Interstate Commerce Commission pursuant to 49 U.S.C § 11303 and deposited with the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada and provision shall have been made for publication of notice of such deposit in The Canada Gazette; (ii) subsequent to the commencement of any proceedings or the occurrence of any event specified in clauses (c) or (d) of Article 15 hereof or the occurrence of any event of default (as described in Article 15 hereof), or event which, with the lapse of time and/or demand, could constitute such an event of default (any such commencement, occurrence, event of default or event being hereinafter in this Agreement called a "Default"); provided, the Builder has notice thereof; or (iii) if the Purchase Price for such unit when added to the aggregate Purchase Price of (A) all units theretofore delivered and accepted under and made subject to this Agreement and (B) all other units proposed to be delivered and accepted under and made subject to this Agreement concurrently with such unit would exceed the Maximum Purchase Price for the Equipment specified in Item 5 of Annex A hereto. The Builder agrees not to deliver any unit of the Equipment hereunder (a) following receipt of written notice from the Vendee or the Assignee (i) of a Default, or (ii) that the Maximum Purchase Price specified in Item 5 of Annex A hereto would be exceeded by any subsequent delivery of a unit, or (iii) of its determination that there has been a material adverse change in the business, prospects or financial condition of the Lessee since the date of the most recent financial statements referred to in the Paragraph 4(b) of the Participation Agreement, other than as may be set forth in the

Disclosure Letter referred to in the Participation Agreement, and (b) until it receives notice from the Vendee and the Assignee that the conditions contained in Paragraphs 8 and 9 of the Participation Agreement have been met.

Any unit of Equipment not delivered at the time of receipt by the Builder of the notice specified in clause (a) of the last sentence in the preceding paragraph of this Article 3 and any unit of Equipment not delivered and accepted hereunder on or prior to March 1, 1986, by reason of noncompliance with the conditions referred to in the next preceding paragraph or causes set forth in the next succeeding paragraph or otherwise shall be excluded from this Agreement and the Vendee shall be relieved of its obligation to purchase and pay for such unit of Equipment. If any unit of Equipment shall be excluded herefrom pursuant to the immediately preceding sentence, the Vendee and the Builder (and any assignee of the Builder) shall execute an agreement supplemental hereto limiting this Agreement to the units of Equipment not so excluded herefrom. Pursuant to the Participation Agreement the Lessee has agreed to purchase such excluded Equipment and any Equipment excluded from this Agreement pursuant to the first paragraph of Article 4 hereof from the Builder, upon the satisfaction or waiver of any conditions of the Purchase Order, all as provided in Paragraph 1 of the Participation Agreement. The Vendee agrees, upon any such exclusion, to take such steps, including the execution of instruments of transfer, as may be reasonably requested by the Lessee and at the Lessee's expense for the purpose of acknowledging and perfecting the interest of the Lessee in any unit of Equipment so excluded from this Agreement, and the Vendee shall have no further obligation or liability in respect of units so excluded.

The Builder's obligation as to the time of delivery set forth in Annex B 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 plant, equipment or facilities, delays in receiving necessary materials or delays of carriers or subcontractors.

During construction, 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 inspectors reasonable access

to its plant. The Builder agrees to inspect the materials used in the construction of the Equipment in accordance with its standard quality control practices. Upon completion of each unit or a number of units of the Equipment, such unit or units shall be presented to an inspector of the Vendee (who may be an employee of the Lessee) for inspection at the place specified for delivery, and if each such unit conforms to the Specifications, requirements 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 (the "Certificate of Acceptance") substantially in the form of Schedule C to the Lease; provided, however, that the Builder shall not thereby be relieved of its warranty referred to in Articles 2 and 13 hereof.

Upon delivery and acceptance of each such unit hereunder at the place specified for delivery, the Builder shall have no further responsibility for, nor bear any risk of, any damage to or the destruction or loss of such unit; provided, however, that the Builder shall not thereby be relieved of its warranty referred to in Articles 2 and 13 hereof.

Notwithstanding the foregoing or any other provision of this Agreement to the contrary, the delivery to and acceptance by or on behalf of the Vendee of any unit of Equipment excluded from this Agreement pursuant to the first paragraph of Article 4 hereof shall be ineffective, ab initio, to create in or transfer to the Vendee any legal or beneficial right or interest in such unit or (except as provided in the first paragraph of Article 4 hereof) to impose on the Vendee any liability, obligation or responsibility with respect thereto; any right or interest in any such unit, created in or transferred to or purported to be created in or transferred to the Vendee, shall be held by the Vendee solely as trustee for the benefit of the Builder.

ARTICLE 4. Purchase Price and Payment. The base price or prices per unit of the Equipment are set forth in Annex B hereto. Such base price or prices are subject to such increase or decrease as is agreed to by the Builder, the Vendee and the Lessee. The term "Purchase Price" as used herein shall mean the base price or prices per unit of the Equipment as so increased or decreased as set forth in the Builder's invoice or invoices delivered to the Vendee (the "Invoices") and, if the Purchase Price is other than the base price or prices set forth in Annex B, the Invoices shall be accompanied by, or have endorsed thereon, the agreement or approval of the Lessee and the Vendee. If on

any given day the aggregate Purchase Price of the Equipment for which delivery and acceptance has theretofore been or is then being made would, but for the provisions of this sentence, exceed the Maximum Purchase Price specified in Item 5 of Annex A hereto, the Builder (and any assignee of the Builder) and the Vendee will enter into an agreement excluding from this Agreement such unit or units of Equipment then proposed to be delivered and accepted for and specified by the Vendee, as will, after giving effect to such exclusion, reduce such aggregate Purchase Price to not more than such Maximum Purchase Price.

The Equipment shall be settled for in such number of Groups of units of Equipment as is provided in Item 2 of Annex A. The term "Group", as used herein, shall mean the Group of units of Equipment being settled for on any Closing Date. The delivery, inspection and acceptance hereunder of any unit of the Equipment after March 1, 1986, shall be null and void and ineffective to subject such unit of the Equipment to this Agreement or to constitute acceptance thereof on behalf of the Vendee for any purpose whatsoever. The term "Closing Date" with respect to any Group shall be such business day (not later than March 1, 1986) as shall be specified by the Lessee by six days prior written notice thereof with a concurrence of the Vendee, the Owner and the Builder. Such notice shall specify the Aggregate Purchase Price of such Group and a copy thereof shall be sent to the Builder, the Agent, the Vendee and the Owner. At least five days prior to each Closing Date, the Builder will present to the Vendee, the Owner, the Lessee and the Agent invoices for the Equipment to be settled for. The term "business days" as used herein means calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, Baltimore, Maryland, Philadelphia, Pennsylvania or Hartford, Connecticut, 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 in immediately available funds to the Vendor at such place as the Vendor may designate, the Purchase Price of the Equipment, as follows:

(a) at the closing on the Closing Date with respect to each Group an amount equal to 41.01544833% of

the aggregate Purchase Price of the units of Equipment in such Group; and

(b) in 15 installments, as hereinafter provided, in an amount equal to the aggregate Purchase Price of the units of the Equipment in such Group, less the aggregate amount paid or payable with respect thereto pursuant to subparagraph (a) of this paragraph.

The portion of the Purchase Price payable pursuant to subparagraph (b) of the preceding paragraph (the "CSA Indebtedness") shall be payable on March 1 of each year, commencing March 1, 1987, to and including March 1, 2000 and on September 1, 2000 (or, if any such date is not a business day, on the next succeeding business day). The unpaid balance of the CSA Indebtedness from time to time outstanding shall bear interest at the rate of 10% per annum. Interest on the unpaid balance of the CSA Indebtedness shall be payable to the extent accrued on each March 1 and September 1 of each year, commencing March 1, 1986, to and including March 1, 2001, (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 installments of principal, if any, and interest payable on each Payment Date shall be calculated so that the amount and allocation of principal and interest payable on each Payment Date shall be substantially in proportion to the allocation set forth in Schedule I hereto (subject to the provisions of Article 7 hereof) and the aggregate of such installments of principal will completely amortize the CSA Indebtedness. The Assignee will furnish to the Vendor and the Lessee promptly after the Closing Date a 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, except interest payable on March 1, 1986, shall be payable on an actual elapsed day, 365-day year, basis.

The Vendee will pay, to the extent legally enforceable, interest upon all amounts remaining unpaid after the same shall have become due and payable pursuant to the terms hereof at the rate of 11% per annum (the "Overdue Rate").

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. Except as provided in Article 7, the Vendee shall not have the privilege of prepaying any portion of the CSA Indebtedness prior to the date it becomes due.

Notwithstanding any other provision of this Agreement (including, but not limited to, any provision of Articles 15 and 16 hereof), but not limiting the effect of Article 21 hereof, the liability of the Vendee or any assignee of the Vendee for all payments to be made by it under this Agreement, including any liability arising out of or in connection with the performance of its obligations hereunder and excluding only the obligations set forth in the proviso in the third paragraph of Article 12 hereof and the payments to be made pursuant to subparagraph (a) of the third paragraph of this Article, shall not exceed an amount equal to, and shall be payable only out of, the "income and proceeds from the Equipment" (as hereinafter defined), and such payments shall be made by the Vendee only to the extent that the Vendee (or any assignee) shall have actually received sufficient "income and proceeds from the Equipment" to make such payments. In addition, it is agreed that the Vendee (and such assignee) (i) make no representation or warranty with respect to, and are not responsible for, the execution, validity, sufficiency or enforceability of the Lease (or any document relative thereto) insofar as it relates to the Lessee or to any of the Lessee's obligations thereunder and (ii) shall not be responsible for the performance or observance by the Lessee of any of its agreements, representations, indemnities, obligations or other undertakings under the Lease; it being understood that as to all such matters the Vendor will look solely to the Vendor's rights under this Agreement against the Equipment and to the Vendor's rights under the Lease (as assignee under the Lease Assignment) against the Lessee and 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 15 hereof shall have occurred and while it shall be continuing, so much of the following amounts as are indefeasibly received by the Vendee (or any such assignee) 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 defined in Article 7 hereof) paid for or with respect to the Equipment pursuant to the Lease and any and all other payments received under Section 10 or any other provision of the Lease, and (b) any and all payments or proceeds received for or with respect to the Equipment as the result of the sale, lease or other disposition thereof, 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 is indefeasibly received by the Vendee (or any such assignee) and as shall equal 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 equal 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) received by the Vendee (or any such assignee) prior to the existence of such an event of default which exceeded the amounts required to discharge that portion of the CSA Indebtedness (including such prepayments) and/or interest thereon due and payable on the date on which amounts with respect thereto received by the Vendee (or any such assignee) 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 payable under the Lease or (B) amounts excluded from the Lease Assignment pursuant to the first paragraph of Paragraph 1 thereof and amounts payable pursuant to Paragraph 19 of the Participation Agreement. Notwithstanding anything to the contrary contained in this Agreement, in the event the Vendor 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, the Vendor will limit its execution of such judgment to amounts payable pursuant to the limitations set forth in this Article 4. Nothing contained herein limiting the liability of the Vendee shall derogate from the right of the Vendor to proceed against the Equipment for the full unpaid Purchase Price of the Equipment and accrued interest thereon and all other payments and obligations hereunder.

ARTICLE 5. Title to, and Security Interest in, the Equipment. Upon delivery and acceptance of each Unit hereunder, title shall pass to the Vendee; provided, however, that the Vendor shall and hereby does retain a security interest in the Equipment until the Vendee shall have made all its payments under this Agreement, 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 parts installed on and additions and replacements made to any unit of the Equipment (except as otherwise

specifically provided in Section 9 of the Lease) shall constitute accessions to the Equipment 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 as otherwise specifically provided in Article 7 hereof, when and only when the Vendor shall have been paid the full indebtedness in respect of the Purchase Price of the Equipment, together with accrued interest and all other payments as herein provided, 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 a bill or bills of sale for the Equipment releasing its security interest therein to the Vendee or upon its order, free of all liens, security interests and other encumbrances created or retained hereby and deliver such bill or bills of sale to the Vendee and (b) execute and deliver at the same place, 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 the Equipment. The Vendee hereby waives any and all rights, existing or that may be acquired, in or to the payment of any penalty or damages for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file any certificate of payment in compliance with any law requiring the filing of the same, except for failure of the Vendor to do so within a reasonable time after written demand by the Vendee.

ARTICLE 6. Taxes. All payments to be made by the Vendee hereunder will be free of expense to the Vendor and the Investors for collection or other charges and will be free of expense to the Vendor and the Investors with respect to the amount of any Taxes (as defined in Section 6 of the Lease; excluding, however, any Taxes imposed on or measured by any fees or compensation received by the Vendor) all of which Taxes 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 Taxes 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 Taxes which might in any way affect title or interests of the Vendor or result in lien upon any part of the Equipment; provided, however, that the Vendee

shall be under no obligation to pay any Taxes of any kind so long as it or the Lessee is contesting in good faith and by appropriate legal or administrative proceedings such Taxes and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect the title or interests or property or rights of the Vendor in or to the Equipment or otherwise under this Agreement. If any Taxes 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 Taxes so paid unless the Vendor shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for the Vendor) or unless the Vendee shall have approved in writing the payment thereof. If the Vendor shall obtain a refund of all or any part of such Taxes previously reimbursed by the Vendee or an amount representing interest thereon, the Vendor shall pay the Vendee the amount of such refund or interest net of expenses.

ARTICLE 7. Maintenance; Casualty Occurrences. The Vendee shall, at its own cost and expense maintain each unit of Equipment in the condition required by Section 7 of the Lease.

In the event that any unit of the Equipment shall suffer a Casualty Occurrence (as defined in Section 7 of the Lease), the Vendee shall, promptly after it shall have determined or become aware that such unit has suffered a Casualty Occurrence, cause the Vendor to be fully informed in regard thereto. By the later of: (i) the Basic Rental Payment Date (as defined in the Lease)) next succeeding such event and (ii) the 90th day following such event (hereinafter called a "Casualty Payment Date"), the Vendee shall pay to the Vendor an amount equal to the Casualty Value (as hereinafter defined in this Article) of such unit as of the Basic Rental Payment Date on or next succeeding the date of such Casualty Occurrence 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 (after the payment of the interest and principal, if any, on any of the CSA Indebtedness due on such date) to prepay without penalty or premium the installments of the CSA Indebtedness (ratably

in accordance with the unpaid balance of each such installment) together with all unpaid and accrued interest thereon, and the Vendee will promptly furnish to the Vendor and the Lessee a revised schedule of payments of principal and interest with respect to the CSA Indebtedness thereafter to be made. In the event of the requisition for use by the United States Government or any other government or governmental entity of any unit of the Equipment not constituting a Casualty Occurrence, all of the Vendee's obligations hereunder with respect to such unit shall continue to the same extent as if such requisition had not occurred.

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 security 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 Casualty Value of each unit of the Equipment suffering a Casualty Occurrence shall be deemed to be that portion of the original Purchase Price thereof remaining unpaid on the Casualty Payment Date (after taking into account the scheduled payment of interest and principal on such date) with respect to such unit (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 Casualty Payment Date. For the purpose of this paragraph, each payment of the Purchase Price in respect of Equipment made pursuant to Article 4 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 the Equipment.

The Vendee will cause the Equipment to be insured as provided in the last paragraph of Section 7 of the Lease. 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 having received payment of the Casualty Value and provided no

Default shall have occurred and be continuing, 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 of Equipment not suffering a Casualty Occurrence shall be paid to the Vendee upon reasonable proof satisfactory to the Vendor that any damage to such unit in respect of which such proceeds were paid has been fully repaired so as to comply with the provisions of the first paragraph of this Article 7, provided no Default shall have occurred and be continuing.

ARTICLE 8. Reports. On or before the dates specified in Section 8 of the Lease, the Vendee shall cause to be furnished to the Vendor the certificates required by Section 8 of the Lease.

ARTICLE 9. Marking of Equipment. The Vendee will cause each unit of the Equipment to be kept numbered and marked as provided in Section 5 of the Lease. The Vendee will not permit any such unit to be placed in operation or exercise any control or dominion over the same until such markings shall have been made thereon and will replace or will cause to be replaced promptly any such markings which may be removed, defaced, obliterated or destroyed. The Vendee will not permit the identification number of any unit of the Equipment to be changed except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been filed with the Vendor and filed and deposited by the Vendee in all public offices where this Agreement shall have been filed 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 Equipment may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates.

ARTICLE 10. 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 Applicable Laws (as defined in Section 9 of the Lease); provided, however, that the Vendee or the Lessee may, in good faith, contest the validity or application of any such Applicable Law in any reasonable manner which does

not, in the reasonable opinion of the Vendor, adversely affect the property or rights of the Vendor under this Agreement.

ARTICLE 11. 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, upon and subject to all the terms and conditions of this Agreement.

The parties hereto acknowledge that the Vendee simultaneously 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, subject to the provision of Sections 4 and 12 of the Lease, be subordinated and junior in rank to the rights, and shall be subject to the remedies, of the Vendor under this Agreement.

ARTICLE 12. Prohibition Against Liens. The Vendee will pay or discharge any and all taxes and sums claimed by any party from, through or under the Vendee, the Owner or their successors or assigns which, if unpaid, might become a lien, charge or security interest on or with respect to the Equipment, or any unit thereof, or the interest of the Vendor therein, or the Vendee's interests in the Lease and the payments to be made thereunder, and will promptly discharge any such lien, charge or security interest 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 appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Vendor, materially and adversely affect the title or interests of the Vendor in or to the Equipment or otherwise under this Agreement. Any amounts paid by the Vendor in discharge of such 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 12 shall be subject to the limitations set forth in the last

paragraph of Article 4 hereof and the provisions of Article 21 hereof; provided, however, that the Vendee will pay or discharge any and all taxes, claims, liens, charges or security interests claimed by any party from, through or under the Vendee, whether in its individual capacity or as Trustee, or (to the extent it receives funds for such purpose) the Owner or their respective successors or assigns, not arising out of the transactions contemplated hereby (but including income taxes arising out of the receipt of rentals and other payments under the Lease and any other proceeds from the Equipment), which, if unpaid, (i) 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 or (ii) would result in the bankruptcy or reorganization of the Vendee or the Owner; but the Vendee 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 appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Vendor, materially and 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 13. Indemnities and Warranties. The Vendee agrees to indemnify, protect and hold harmless the Vendor and the Investors from and against all losses, damages, injuries, liabilities, claims (including without limitation claims for strict liability in tort) and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including but not limited to, counsel fees and expenses, 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 a security interest in the Equipment, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any of the Equipment, any claim for patent, trademark or copyright infringement, any accident in connection with the operation, use, condition, 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 a security interest therein 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, (a) any losses, damages, injuries or liabilities due to, and any claims for, wilful misconduct or gross negligence of the person otherwise to be indemnified and (b) in the case of the Builder, any losses, damages,

injuries, liabilities, claims and demands whatsoever arising out of any tort or strict liability by the Builder, breach of warranty or failure to perform any covenant hereunder by the Builder and except Taxes measured by net income and any matter covered by the Builder's warranty or patent indemnification referred to in Items 3 and 4 of Annex A hereto. 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 Vendor's security interest in, the Equipment, as provided in Article 5 hereof, or the termination of this Agreement in any manner whatsoever.

None of the indemnities in this Article shall be deemed to create any right of subrogation in any insurer or third party against the Vendee therefor, from or under the Vendor, whether because of any claim paid or defense provided for the benefit thereof or otherwise.

The Vendee will bear the responsibility for and risk of, and shall not be released from its obligations hereunder (except as provided in Article 21 hereof) in the event of, any damage to or the destruction or loss of any unit of or all the Equipment.

The Builder represents and warrants to the Vendee that, at the time of delivery and acceptance of each unit of Equipment under this Agreement, the Vendee will have good and marketable title to such unit, free and clear of all claims, liens, security interests and other encumbrances of any nature except only the rights of the Vendor under this Agreement and the rights of the Lessee under the Lease.

The Builder represents that it is not entering into this Agreement, or into any other transaction contemplated by the Participation Agreement, directly or indirectly in connection with any arrangement or understanding by it in any way involving any employee benefit plan (other than a governmental plan) with respect to which it, or, insofar as is known to it, any party to the Participation Agreement is a party in interest, all within the meaning of the Employee Retirement Income Security Act of 1974, as amended.

The agreements of the parties relating to the Builder's warranty of material and workmanship and patent indemnification, and the agreement of the parties relating

to the Builder's limitation of liability, are set forth in Items 3 and 4 of Annex A hereto.

ARTICLE 14. Assignments. The Vendee will not transfer the right to possession of any unit of the Equipment, or sell, assign or otherwise dispose of any of its rights under this Agreement, except as provided in the Trust Agreement.

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 may be 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 construct and deliver the Equipment in accordance herewith or to respond to its warranties and indemnities referred to in Articles 2 and 13 hereof, or relieve the Vendee of its obligations to the Builder contained in Articles 2, 3, 4, 6 and 13 hereof, Annex A hereto and this Article 14, or any other obligation which, according to its terms or context, is intended to survive an assignment.

Upon any such assignment, the assignor shall give written notice to the Vendee and the Lessee, together with a 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 at such address as it may direct.

The Vendee recognizes that this Agreement will be assigned to the Assignee as provided in the CSA Assignment. The Vendee expressly represents, for the purpose of assurance to any person, firm or corporation considering the acquisition of this Agreement or of all or any of the rights of the Vendor hereunder, and for the purpose of inducing such acquisition, that the rights of the Assignee to the entire unpaid indebtedness in respect of the Purchase Price of the Equipment or such part thereof as may be assigned together with interest thereon, as well as any other rights hereunder which may be so assigned, shall not be subject to

any defense, setoff, counterclaim or recoupment whatsoever arising out of any breach of any obligation of the Builder with respect to the Equipment or the construction, delivery or warranty thereof, or with respect to any indemnity herein contained, nor subject to any defense, setoff, counterclaim or recoupment whatsoever arising by reason of any other indebtedness or liability at any time owing to the Vendee or the Lessee by the Builder. Any and all such obligations, howsoever arising, shall be and remain enforceable by the Vendee or the Lessee, as the case may be, against and only against the Builder.

ARTICLE 15. Defaults. In the event that any one or more of the following events of default shall occur and be continuing:

(a) the Vendee shall fail to pay in full any sum payable by the Vendee when payment thereof shall be due hereunder (irrespective of the provisions of Article 4 or 21 hereof or any other provision of this Agreement limiting the liability of the Vendee) and such default shall continue for 10 business days after the date such payment is due and payable; or

(b) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Vendee (irrespective of the provisions of Article 4 or 21 hereof or any other provision of this Agreement limiting the liability of the Vendee) or the Lessee contained herein or in any agreement entered into concurrently herewith relating to the financing of the Equipment (other than the Lease), and such default shall continue for 30 days after written notice from the Vendor to the Vendee specifying the default and demanding that the same be remedied; or

(c) any proceeding shall be commenced by or against the Vendee or the Owner for any relief which includes, or might result in, any modification of the obligations of the Vendee or the Owner hereunder or under the Trust Agreement 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 readjustments of such obligations), 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 Owner hereunder and under the Trust Agreement, shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Vendee or the Owner or for its property 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 trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced; or

(d) 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 or use of any unit of the Equipment and the Vendee shall, for more than 30 days after demand in writing by the Vendor, fail to secure a reassignment or retransfer to the Vendee of such Agreement, interest or right; or

(e) an Event of Default (other than an Event of Default arising by reason of a failure of the Lessee to pay any amounts not constituting Payments, as defined in the Lease Assignment, or to perform any covenants related to amounts not constituting Payments) shall have occurred under the Lease, unless the Vendee shall have cured such Event of Default and any corresponding event of default hereunder (after giving effect to any applicable grace periods) within ten days after receipt by the Owner of written notice of such Event of Default from the Vendor; provided, however, that if (i) more than six Events of Default shall have occurred under clause (A) of Section 10 of the Lease with respect to the payment of Basic Rent (as defined in the Lease) or (ii) more than three such Events of Default with respect to the payment of Basic Rent shall have occurred on consecutive dates, then, in either such case, there shall be an event of default under this clause (e) whether or not the Vendee in fact cures a seventh, or a fourth consecutive, Event of Default with respect to the payment of Basic Rent and irrespective of whether the Vendor shall have given notice of such seventh, or such fourth consecutive, Event of Default to the Owner, and provided further, that, upon any cure being effected, the Owner shall be subrogated to the rights of the Vendor to receive from the Lessee (x) payment of any Basic Rent or other amount as to which the Vendee has cured a nonpayment and

(y) performance of any covenant as to which the Vendee has cured a non-performance, in each case, together with interest on overdue obligations to the extent provided in Section 16 of the Lease, and the Owner shall, if no other event of default shall then be continuing hereunder, be entitled to receive said moneys upon receipt thereof by the Vendor (it being understood, however, that any event described in clause (a) above, to the extent that there shall be a concurrent Event of Default under Section 10 of the Lease, shall not be deemed an event of default hereunder unless and until (i) the ten-day period, if any, during which, in accordance with the provisions of this clause (e) the Vendee may cure such Event of Default under the Lease and any corresponding event of default hereunder shall have expired and (ii) the Vendee shall not, during such period, have effected such cure);

then at any time after the occurrence of such an event of default and so long as such event of default is continuing the Vendor may, upon written notice to the Vendee and the Lessee and upon compliance with any legal requirements then in force and applicable to such action by the Vendor, declare (herein called a "Declaration of Default") the entire unpaid CSA Indebtedness, together with interest thereon then accrued and unpaid, immediately due and payable, without further demand, and thereafter the aggregate of the unpaid balance of the CSA Indebtedness and interest shall bear interest from the date of such Declaration of Default at the Overdue Rate, to the extent legally enforceable. In addition, if the Vendee does not pay the entire unpaid CSA Indebtedness, together with the interest thereon accrued and unpaid to the date of payment but without penalty or premium, within 30 days of such notice of Declaration of Default, the Vendor may at any time thereafter so long as such event of default is continuing (subject to the proviso in the second paragraph of Section 4 of the Lease relating to termination and to the Lessee's rights of possession, use and assignment under Sections 4 and 12 of the Lease) cause the Lease to terminate immediately upon the giving of the notice required by the Lease, but the Lessee shall remain liable as therein provided. Upon a Declaration of Default, subject to Article 4 hereof, the Vendor shall be entitled to recover judgment for the entire unpaid balance of the CSA Indebtedness so payable, with interest as aforesaid, subject to the provisions of Articles 4 and 21 hereof, and to collect such judgment out of the "income and proceeds of the Equipment" wherever situated and only out of the "income and proceeds of the Equipment".

The Vendor may, at its election, subject to the provisions of Paragraph 1 of the Lease Assignment, 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 and the Lessee 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 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 16. Remedies. Subject to the Lessee's rights under Sections 4 and 12 of the Lease, at any time during the continuance of a Declaration of Default, the Vendor may, upon such further notice, 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 any portion thereof, without liability to return to the Vendee any sums theretofore paid and free from all claims whatsoever, except as hereinafter in this Article 16 expressly provided, and may remove the same from possession and use of the Vendee or any other person and for such purpose may enter upon the premises of the Vendee 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, 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, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any unit or units have been interchanged or which may have possession thereof to return the unit or units) cause the Equipment to be placed upon such storage tracks of the

Lessee or any of its affiliates 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 or 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 (to the same extent as provided in Section 7 of the Lease), maintain and keep each such unit in good order and repair (to the same extent as provided in the first paragraph of Article 7 hereof) 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, 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 statute 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 16 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, the Owner and the Lessee by telegram or registered mail, and to any other persons to whom the law may require notice, within 60 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 60-day period described in the second proviso below, all the Vendee's rights in the Equipment shall thereupon terminate and all payments made by the Vendee or for its account may

be retained by the Vendor as compensation for the use of the Equipment; provided, however, that if the Vendee, before the expiration of the 60-day period described in the proviso below, should pay or cause to be paid to the Vendor the total unpaid balance of the CSA Indebtedness, 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; provided further, however, that if the Vendee, the Owner, the Lessee or any other persons notified under the terms of this paragraph object in writing to the Vendor within 60 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. 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 16.

Subject to the Lessee's rights under Sections 4 and 12 of the Lease, 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 (which shall not be less than 10 days) to the Vendee, the Lessee 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, the Owner, the Lessee or any other party claiming from, through or under the Vendee or the Lessee, 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 CSA Indebtedness, 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 upon receipt of such payment, expenses and fees by the Vendor, 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 or Philadelphia, Pennsylvania 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, the Vendee or the Owner may bid for and become the purchaser of the Equipment, or any unit thereof, so offered for sale. If an event which constitutes the event of default according to the CSA (except if such event also constitutes the Event of Default under the Lease) shall occur and be continuing, the Lessee may bid for and become the purchaser of the Equipment. The Vendee, the Lessee and the Owner shall be given written notice of such sale or the making of a contract for such sale not less than 10 business days prior thereto, by telegram or registered mail. 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 fewer than 40 offerees have been solicited in writing to submit bids), it shall be subject to the rights of the Lessee, the Vendee and the Owner to purchase or provide a purchaser, within 10 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 of the Equipment, it shall not be accountable to the Vendee or the Lessee (except to the extent of surplus money received as hereinafter provided in this Article 16), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all or any part of 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 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 aquiescence therein. Any extension of time for payment hereunder or other indulgence granted to the Vendee or the Lessee 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 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.

Subject to the third paragraph of this Article 16, 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 pay the amount of such deficiency to the Vendor upon demand, together with interest thereon from the date of such demand to the date of payment at the Overdue Rate, 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 4 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 16 are subject in all respects to all mandatory legal requirements at the time in force and applicable thereto.

ARTICLE 17. Applicable State Laws. Any provision of this Agreement prohibited by any applicable law of any jurisdiction 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, 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 18. Recording. The Vendee will cause this Agreement, any assignments hereof and any amendments or supplements hereto or thereto, to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 and deposited with the Registrar General of Canada (notice of such deposit to be forthwith given in The Canada Gazette) pursuant to Section 86 of the Railway Act of Canada; 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 counsel for the Vendor, of its interest in 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 19. Article Headings; Effect and Modification of Agreement. All article headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

Except for the Participation Agreement, this Agreement, including the Annexes hereto, exclusively and completely states the rights of the Vendor and the Vendee with respect to the Equipment and supersedes all other agreements, oral or written, with respect to 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 Vendor and the Vendee.

ARTICLE 20. Notice. Any notice required or permitted hereunder shall be deemed to have been received by

the addressee on the date of actual receipt (if such date is a business day, otherwise on the next business day), if transmitted by mail, air courier, telex, telecopy or similar transmission, or by hand, addressed as follows:

(a) to the Vendee, The Connecticut Bank and Trust Company, National Association, One Constitution Plaza, Hartford, Connecticut 06115, Attention: Corporate Trust Department, with a copy to The Bank of New York, 48 Wall Street, New York, N.Y. 10015, Attention: Leasing Group,

(b) to the Lessee, Consolidated Rail Corporation, 1310 Six Penn Center Plaza, Philadelphia, Pennsylvania 19103, Attention of Assistant Treasurer - Financing,

(c) to the Builder at its address specified in Item 1 of Annex A hereto,

(d) to the Assignee, Mercantile-Safe Deposit and Trust Company, (if by hand, 2 Hopkins Plaza), P.O. Box 2258, Baltimore, Maryland 21203, Attention of Corporate Trust Department, or as the Agent may otherwise specify,

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

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

ARTICLE 21. Immunities; Satisfaction of Undertakings. The obligations of the Vendee under the second and eighth paragraphs of Article 16 (including the provisions thereof with respect to insurance, maintenance and repair) and under Articles 3, 6, 7 (other than the second and third sentences of the second paragraph thereof which are subject to the provisions of the last paragraph of Article 4 hereof), 8, 9, 10, 12 (other than the proviso to the last paragraph thereof), 13 and 18 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 pursuant to Article 15 hereof.

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

The Vendee agrees not to enter into any supplement or amendment of the Trust Agreement except as provided in Section 8.01 thereof as in effect on the date of execution and delivery hereof.

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 York; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 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 and any rights arising out of the marking on the units of Equipment.

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. It shall not be necessary that any counterpart be signed by both the Vendee and the Builder so long as each such party has executed and delivered to the other one counterpart hereof. Although for convenience this Agreement is dated as of the date first above written, 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.

ARTICLE 24. Payments to the Owner. If (a) pursuant to the reorganization provisions of the Bankruptcy Reform Act of 1978, as amended, or any successor provision, the Owner is required, by reason of the Owner being held to have recourse liability to the debtor directly or indirectly, to make payment on account of any amount payable as principal or interest on the CSA Indebtedness, and (b) any such holder of CSA Indebtedness actually receives any Excess Amount which reflects any payment by the Owner on account of (a) above, then such holder shall promptly refund to the Owner such Excess Amount. For purposes of this Article 24, "Excess Amount" means the amount by which such payment exceeds the amount which would have been received by such holder if the Owner had not become subject to the recourse liability referred to in (a) above. It is the intention of the parties hereto that neither the Vendee nor the Owner shall have any recourse liability in respect of the CSA Indebtedness.

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

GENERAL MOTORS CORPORATION
(Electro-Motive Division),

[Seal] by

_____

Attest:

_____

THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, not individually but solely as Trustee, except as otherwise hereinabove specifically provided,

[Seal]

by

Authorized Officer

Attest:

Authorized Officer

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this day of 1986, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a of GENERAL MOTORS CORPORATION (ELECTRO-MOTIVE DIVISION), that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission expires

STATE OF CONNECTICUT,)
) ss.:
COUNTY OF HARTFORD,)

On this 31st day of JANUARY 1986, before me personally appeared V. KREUSCHER, to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, that one of the seals affixed to the foregoing instrument is the seal of said association, that said instrument was signed and sealed on behalf of said association, 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 association.

Earla Mae Sheppard
Notary Public

[Notarial Seal]

My Commission Expires

EARLA MAE SHEPPARD
NOTARY PUBLIC
MY COMMISSION EXPIRES MARCH 31, 1988

SCHEDULE I

Allocation Schedule of Each $10,000,000 of 10% CSA Indebtedness

Payment Date	Debt Service	Interest Payment	Principal Repayment	Ending Principal Balance
March 1, 1986	$ *	$ *	$ *	$10,000,000.00
September 1, 1986	500,000.00	500,000.00	.00	10,000,000.00
March 1, 1987	894,636.35	500,000.00	394,636.35	9,605,363.65
September 1, 1987	480,268.18	480,268.18	.00	9,605,363.65
March 1, 1988	914,368.17	480,268.18	434,099.99	9,171,263.66
September 1, 1988	458,563.18	458,563.18	.00	9,171,263.66
March 1, 1989	936,073.17	458,563.18	477,509.99	8,693,753.67
September 1, 1989	434,687.68	434,687.68	.00	8,693,753.67
March 1, 1990	959,948.67	434,687.68	525,260.99	8,168,492.68
September 1, 1990	408,424.63	408,424.63	.00	8,168,492.68
March 1, 1991	986,211.72	408,424.63	577,787.09	7,590,705.59
September 1, 1991	379,535.28	379,535.28	.00	7,590,705.59
March 1, 1992	1,015,101.07	379,535.28	635,565.79	6,955,139.80
September 1, 1992	347,756.99	347,756.99	.00	6,955,139.80
March 1, 1993	734,696.46	347,756.99	386,939.47	6,568,200.33
September 1, 1993	328,410.02	328,410.02	.00	6,568,200.33
March 1, 1994	807,875.65	328,410.02	479,465.63	6,088,734.70
September 1, 1994	304,436.74	304,436.74	.00	6,088,734.70
March 1, 1995	889,968.81	304,436.74	585,532.07	5,503,202.63
September 1, 1995	275,160.13	275,160.13	.00	5,503,202.63
March 1, 1996	862,192.69	275,160.13	587,032.56	4,916,170.07
September 1, 1996	245,808.50	245,808.50	.00	4,916,170.07
March 1, 1997	847,138.90	245,808.50	601,330.40	4,314,839.67
September 1, 1997	215,741.98	215,741.98	.00	4,314,839.67
March 1, 1998	833,433.40	215,741.98	617,691.42	3,697,148.25
September 1, 1998	184,857.41	184,857.41	.00	3,697,148.25
March 1, 1999	1,390,137.23	184,857.41	1,205,279.82	2,491,868.43
September 1, 1999	124,593.42	124,593.42	.00	2,491,868.43
March 1, 2000	1,579,937.63	124,593.42	1,455,344.21	1,036,524.22
September 1, 2000	1,088,350.47	51,826.25	1,036,524.22	.00
TOTALS	$19,428,314.53	$9,428,314.53	$10,000,000.00	

* Interest only shall be payable to the extent accrued on this date.

Annex A

to

Conditional Sale Agreement

Item 1: General Motors Corporation (Electro-Motive Division) (hereinafter in this Annex called "GM"), La Grange, Illinois 60525.

Item 2: The Equipment shall be settled for in two Groups on February 10 and February 28, 1986, unless the parties hereto otherwise agree.

Item 3: GM warrants that the Equipment manufactured by it hereunder is of the kind and quality described in, and will be built in accordance with, and shall be in substantial conformance with, the Specifications referred to in Article 2 of this Agreement and is suitable for the ordinary purposes for which such Equipment is used and warrants each unit of such Equipment to be free from defects in material and workmanship which may develop under normal use and service within two years from date of delivery of such unit or before such unit has been operated 250,000 miles, whichever event shall first occur. GM agrees to correct such defects, which examination shall disclose to GM's satisfaction to be defective, by repair or replacement F. O. B. factory and such correction shall constitute fulfillment of GM's obligation with respect to such defect under this warranty. GM warrants specialities not of its own specification or design to the same extent that the suppliers of such specialities warrant such items to GM. GM further agrees with the Vendee that neither the inspection as provided in Article 3 of this Agreement, nor any examination, nor the acceptance of any units of the Equipment as provided in said Article 3 shall be deemed a waiver or modification by the Vendee of any of its rights under this Item 3.

THERE ARE NO WARRANTIES WITH RESPECT TO MATERIAL AND WORKMANSHIP, EXPRESSED OR IMPLIED, MADE BY GM EXCEPT THE WARRANTIES SET OUT ABOVE.

Item 4: GM shall defend any suit or proceeding brought against the Vendee, the Lessee and/or each assignee of GM's rights under this Agreement so far as the same is based on a claim that the Equipment of GM's specification, or any part thereof, furnished under this Agreement constitutes an infringement of any patent, if notified promptly in writing and given authority, information and assistance (at GM's expense) for the defense of same, and GM shall pay all damages and costs awarded therein against the Vendee, the Lessee and/or any such assignee.

In case any unit of such Equipment, or any part thereof, is in such suit held to constitute infringement and the use of such unit or part is enjoined, GM shall at its option and at its own expense either procure for the Vendee, the Lessee and any such assignee the right to continue using such unit or part, or replace the same with noninfringing equipment subject to this Agreement, or modify it so it becomes noninfringing, or remove such unit and refund the Purchase Price and the transportation and installation costs thereof. If the Purchase Price is so refunded, such refund shall be made to the assignee of GM's rights under this Agreement if this Agreement has been so assigned, which refund, to the extent of the unpaid CSA Indebtedness, shall be applied in like manner as payments in respect of Casualty Occurrences under Article 7 of this Agreement and, as long as no event of default or event which with the lapse of time and/or demand could constitute an event of default under this Agreement shall have occurred and be continuing, the balance shall be paid by such assignee to the Vendee.

GM will assume no liability for patent infringement by reason of purchase, manufacture, sale or use of devices not included in and covered by its specification. The foregoing states the entire liability of GM for patent infringement by the Equipment or any part thereof.

Item 5: The Maximum Purchase Price referred to in Article 4 of this Agreement is $40,688,586.00.

Annex B

to

Conditional Sale Agreement

Builder	Type	Builder's Specifications	Plant	Quantity	Lessee's Identification Numbers (Both Inclusive	Estimated Unit Base Price	Estimated Total Base Price	Estimated Time and Place of Delivery
General Motors Corporation (Electro-Motive Division)	SD-50	8115 and amendment 8115-11	La Grange, Illinois.	30	CR6805-6834	$1,292,471	$38,774,130	On or prior to 1/31/86-3/1/86, at La Grange, Illinois.

ANNEX C
TO
CONDITIONAL SALE AGREEMENT

[CS&M Ref. 3909-072]

LEASE OF RAILROAD EQUIPMENT

Dated as of January 15, 1986

between

CONSOLIDATED RAIL CORPORATION

and

THE CONNECTICUT BANK
AND TRUST COMPANY, NATIONAL ASSOCIATION,

as Trustee Under a Trust Agreement

TABLE OF CONTENTS 1/

		Page
§ 1.	Net Lease	L-2
§ 2.	Delivery and Acceptance of Units	L-3
§ 3.	Rentals	L-4
§ 4.	Term of Lease	L-7
§ 5.	Identification Marks	L-8
§ 6.	General Tax Indemnity	L-9
§ 7.	Maintenance; Casualty Occurrences; Insurance	L-12
§ 8.	Reports	L-18
§ 9.	Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification	L-18
§ 10.	Default	L-22
§ 11.	Return of Units upon Default	L-25
§ 12.	Assignment; Possession and Use	L-26
§ 13.	Renewal Option; Purchase Option	L-28
§ 14.	Return of Units upon Expiration of Term	L-29
§ 15.	Recording	L-31
§ 16.	Interest on Overdue Rentals	L-32
§ 17.	Lessor's Right To Perform for the Lessee	L-32
§ 18.	Notices	L-32
§ 19.	Severability; Effect and Modification of Lease	L-33
§ 20.	Execution	L-33
§ 21.	Law Governing	L-33
§ 22.	Lessor's Liability	L-33

SCHEDULE A Description of Units of Equipment

SCHEDULE B Casualty Value

SCHEDULE C Certificate of Acceptance

SCHEDULE D Basic Rent

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

LEASE OF RAILROAD EQUIPMENT dated as of January 15, 1986, between CONSOLIDATED RAIL CORPORATION, a Pennsylvania corporation (the "Lessee"), and THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, not individually but solely as Trustee (the "Lessor") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with THE BANK OF NEW YORK (the "Owner").

WHEREAS the Lessor is entering into a Conditional Sale Agreement dated as of the date hereof (the "CSA") with General Motors Corporation (Electro-Motive Division) (the "Builder") pursuant to which the Builder has agreed to manufacture, conditionally sell and deliver to the Lessor the units of railroad equipment described in Schedule A hereto (the "Equipment"); and

WHEREAS the Builder under an Agreement and Assignment dated as of the date hereof (the "CSA Assignment") is assigning its interests in the CSA to Mercantile-Safe Deposit and Trust Company, acting as Agent (hereinafter, together with its successors and assigns, called the "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement") with the Lessee, the Lessor, the Owner, the Vendor, and certain institutional investors (hereinafter called, together with their successors and assigns, the "Investors"); and

WHEREAS the Lessee desires to lease such number of units of Equipment as are delivered and accepted and settled for under the CSA (the "Units") at the rentals and for the terms and upon the conditions hereinafter provided; and

WHEREAS the parties contemplate that the Lessor will assign certain of its rights in this Lease to the Vendor by an Assignment of Lease and Agreement dated as of the date hereof (the "Lease Assignment"), and the Lessee will consent thereto by a Consent and Agreement (the "Consent");

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor

hereby leases the Units to the Lessee upon the following terms and conditions:

SECTION 1. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent or additional rent or setoff against or recoupment or reduction of rent or additional rent, including, but not limited to, abatements, setoffs, reductions or recoupments due or alleged to be due by reason of any past, present or future claims or counterclaims of the Lessee against the Lessor under this Lease or the CSA, or against the Owner, the Builder or the Vendor or otherwise; provided, however, that nothing in this Section 1 shall be deemed to impair the Lessee's right to assert and sue upon such claims in separate actions. The Lessee's obligations hereunder, including its obligations to pay all rentals, additional rentals and other amounts hereunder, shall be absolute and unconditional under any and all circumstances, and, except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. So long as no Event of Default, or event which with the lapse of time or the giving of notice, or both, would constitute an Event of Default, exists hereunder, if the Lessor or the Owner or anyone claiming through either of them (other than the Vendor or any Investor) shall interfere with the Lessee's right to possession and use of any Unit in accordance with the terms of this Lease as a result of any tax, claim, lien, charge or security interest that the Owner is then obligated to provide the funds to discharge pursuant to Paragraph 18 of the Participation Agreement, the Lessee's obligation to pay that portion of the rent, if any, which is not necessary to satisfy the obligations of the Vendee under

the CSA to pay interest and principal on the CSA Indebtedness (as defined in the CSA) with respect to such Unit hereunder shall abate for so long as such interference continues; provided, however, that an authorized officer of the Lessee shall have given 30 days' prior written notice thereof to the Lessor and the Owner in sufficient detail to identify such Unit and the source, nature and location of such interference, it being understood that (i) such prior notice is of the essence of this Lease and that such abatement of such rent by the Lessee without such prior notice will constitute an Event of Default under Section 10(A) after five business days and (ii) such abatement of such rent shall be the Lessee's sole remedy for such interference except that the Lessee may bring an action against the Lessor and the Owner to compel the Lessor or the Owner, as the case may be, to remove such interference. 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.

SECTION 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the CSA. The Lessor will cause each Unit to be delivered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under the CSA. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same and, if such Unit is found to be acceptable, to accept delivery of such Unit, and the Lessee shall timely execute and deliver to the Lessor a certificate of acceptance (the "Certificate of Acceptance") in the form annexed hereto as Schedule C, whereupon, except as provided in the next sentence hereof, such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease. The delivery, inspection and acceptance hereunder of any Unit of Equipment after April 1, 1986, shall be null and void and ineffective to subject such Unit to this Lease or to constitute acceptance thereof on behalf of the Lessor for any purpose whatsoever. The Lessee will give at least five business days' prior written notice to the Lessor, the Owner and the Vendor of the First Delivery Date (as defined in the Participation Agreement) and of each Closing Date with the Builder under the CSA.

SECTION 3. Rentals. (a) Basic Rent. The Lessee agrees to pay to the Lessor, as basic rental (the "Basic Rent") for each Unit during the Basic Term, 30 consecutive semiannual payments in arrears commencing six months from March 1, 1986 (said March 1, 1986, being hereinafter called the "Basic Rent Commencement Date" and each such subsequent semiannual date being hereinafter called a "Basic Rental Payment Date"). The Basic Rent payable on each Basic Rental Payment Date for each Unit shall be in accordance with Schedule D hereto.

(b) Interim Rent. The Lessee agrees to pay to the Lessor, on the Basic Rent Commencement Date, as interim rent for each Unit leased hereunder, an amount equal to the product of (i) the Purchase Price of such Unit, (ii) 0.025389297% and (iii) the number of calendar days from, and including, the Closing Date (as such term is defined in the Participation Agreement) with respect to such Unit to, but not including, the Basic Rent Commencement Date; provided, however, that in no event shall such interim rent be less than the amount of interest due and payable on such date on the CSA Indebtedness (as such term is defined in the CSA).

(c) Adjustment of Interim Rent, Basic Rent, and Casualty Values. With respect to any Unit, the interim rent, Basic Rent and the Casualty Values have been calculated on the following assumptions:

1. The Debt Transaction Expenses shall be $200,000. For purposes hereof, "Debt Transaction Expenses" shall mean those costs listed in clauses (i), (iii), and (iv) of Section 13 of the Participation Agreement.

2. The Closing Date (as such term is defined in the Participation Agreement) and delivery date with respect to all Units shall be January 31, 1986.

3. The Basic Rent Commencement Date shall be March 1, 1986.

If for any reason such assumptions are not correct, then the interim rent, the Basic Rent and the Casualty Values payable by the Lessee hereunder in respect of the Units shall be increased or decreased, as the case may be, by such amount as shall, in the reasonable opinion of the Owner, cause the Owner's Net Economic Return (as defined in the Participation Agreement) to be the same as if such assumptions had been correct. The Owner shall provide a

schedule of such rentals and Casualty Values to the Lessee promptly after the such calculations have been made by the Owner. The Lessee may seek verification of the Owner's calculation of such proposed adjustments in accordance with the verification procedures set forth in Paragraph 19(c) of the Participation Agreement. Any adjustments in the interim rent, Basic Rent and Casualty Values made pursuant to the foregoing provisions of this Section shall be made in such manner that this Lease will continue to be accounted for under Financial Accounting Standards Board Standard No. 13 in the same manner as this Lease was accounted for prior to such adjustments and shall be made in such manner as to comply with all applicable provisions of the Code, as amended, and all applicable regulations promulgated thereunder and administrative procedures published in connection therewith, including, without limitation, Revenue Procedures 75-21, 75-28, 76-30 and 79-48.

In the event any amendment, modification, addition or change in or to the provisions of the Code (as defined in Paragraph 19 of the Participation Agreement) enacted by the United States 99th Congress affects in any respect any of the assumptions set forth in clauses (ii), (iii) or (xii) of Paragraph 19(a) of the Participation Agreement (a "Tax Law Change"), the interim rent, Basic Rent and Casualty Values shall be increased or decreased, as the case may be, by such amount as shall in the opinion of the Owner cause the Owner's Net Economic Return to be the same as if such Tax Law Change had not been enacted. In such event, the Owner shall, within thirty (30) business days of the date of such Tax Law Change, notify the Lessee of the proposed adjustments to the interim rent, Basic Rent and Casualty Values. The Lessee may seek verification of the Owner's calculation of such proposed adjustments in accordance with the verification procedures set forth in Paragraph 19(c) of the Participation Agreement. The Lessee shall notify the Owner within ten (10) business days of its receipt of such proposed adjustments (or within ten (10) business days of the date on which such proposed adjustments are verified, as the case may be) whether the Lessee elects to terminate this Lease and purchase the Equipment. The Lessee shall, within thirty (30) days of its election, pay to the Lessor an amount equal to the greater of (X) the then Fair Market Value of the Equipment or (Y) the sum of (i) the aggregate Purchase Price of the Equipment, (ii) interest on the portion of the aggregate Purchase Price of the Equipment provided by the Owner from and including the date such portion was provided by the Owner to the date of payment by Lessee at the prime commercial lending rate of The Bank of New York as publicly

announced to be in effect from time to time (the "Prime Rate") (such rate to be adjusted on and as of the date of each change in the Prime Rate), calculated on the basis of a 360-day year for the actual number of days elapsed, but in no event in excess of the maximum interest rate permitted by law, and (iii) the aggregate amount of all transaction expenses paid or incurred by the Owner pursuant to Paragraph 13 of the Participation Agreement together with interest thereon at the Prime Rate (calculated and adjusted in the same manner as provided above) from and including the date when paid by the Owner to the date of payment by Lessee, less (iv) the amount of any Basic Rent paid by Lessee to the extent such Basic Rent was assigned to the Vendor and applied to the payment of principal on the CSA Indebtedness (as defined in the CSA) in accordance with the CSA and less (v) the excess, if any, of the amount of interim rent and Basic Rent paid by Lessee over the amount of principal and interest paid in respect of the CSA Indebtedness (the "Termination Price"). The Termination Price shall be payable by the Lessee by (i) the assumption by the Lessee of the CSA Indebtedness and all obligations of the Lessor under the CSA and (ii) the payment to the Lessor in immediately available funds of the balance of the Termination Price. In addition, if a Tax Law Change shall occur and if the Lessee shall elect not to exercise its option to terminate this Lease and purchase the Equipment, the Lessee and the Lessor each severally agree to pay one-half of all fees and expenses incurred by the Lessee, the Lessor, the Owner, the Vendor, the Agent and the Investors in connection with the operation of this Section and the exercise by the Lessee, the Lessor and the Owner of their respective rights hereunder. If a Tax Law Change shall occur and if Lessee shall exercise its option to terminate this Lease and purchase the Equipment, the Lessee shall pay all fees and expenses incurred by the Lessee, the Lessor, the Owner, the Vendor, the Agent and the Investors in connection with the operation of their respective rights hereunder. Any adjustments in the interim rent, Basic Rent and Casualty Values made pursuant to this Section shall be made in such manner that this Lease will continue to be accounted for under Financial Accounting Standards Board Standard No. 13 in the same manner as this Lease was accounted for prior to such Tax Law Change and shall be made in such manner as to comply with all applicable provisions of the Code, as amended, and all applicable regulations promulgated thereunder and administrative procedures published in connection therewith, including, without limitation, Revenue Procedures 75-21, 75-28, 76-30 and 79-48.

In no event shall the foregoing rentals payable on each Basic Rental Payment Date and the Casualty Values payable be less than the amounts required to enable the Trustee to satisfy its obligations to pay when due (determined without regard to any acceleration thereof) the CSA Indebtedness and interest thereon.

If any of the Rental Payment Dates or the Basic Rent Commencement Date 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 New York, New York, Baltimore, Maryland, Hartford, Connecticut, or Philadelphia, Pennsylvania are authorized or obligated to remain closed.

The Lessor irrevocably instructs the Lessee, until all amounts due under the CSA have been fully satisfied and discharged, to make all the payments provided for in this Lease, including, but not limited to, the payments provided for in this Section 3 and in Section 7 hereof, but excluding all payments not assigned to the Vendor pursuant to the Lease Assignment, at the principal office of the Vendor, for the account of the Lessor in care of the Vendor, with instructions to the Vendor first, to apply such payments to satisfy the obligations of the Lessor then due and payable under the CSA, and second, so long as no event of default under the CSA shall have occurred and be continuing, to pay any balance promptly to the Lessor at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph immediately available to the Vendor or other appropriate recipient by 12:00 noon, Baltimore time, on the date such payment is due.

SECTION 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of Sections 7 and 10 hereof, shall terminate on the fifteenth anniversary of the Basic Rent Commencement Date (the "Base Term"). The obligations of the Lessee and the Lessor hereunder (including, but not limited to, the obligations under Sections 1, 3, 6, 7, 9 and 14 hereof) and under Paragraph 19 of the Participation Agreement shall survive the expiration or termination of the term of this Lease and the full payment of all amounts payable under this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the CSA. If an event of default should occur under the CSA, the Vendor may terminate this Lease (or rescind its termination), all as provided therein; provided, however, that, so long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled (without regard to acts of misappropriation by its own employees) to apply the Payments (as defined in the Lease Assignment) in accordance with the Lease Assignment, this Lease may not be terminated and the Lessee shall be entitled to the rights of possession, use and assignment provided under Section 12 hereof.

SECTION 5. Identification Marks. The Lessee will cause each Unit to be numbered with the identification number set forth in Schedule A hereto, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION", with appropriate changes thereof as from time to time may be required by law or required in the opinion of the Vendor and the Lessor, in order to protect the Lessor's title and the Vendor's title to and interest in such Unit and the rights of the Lessor under this Lease and the rights of the Vendor under the CSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked and will replace promptly any such markings which may be removed, defaced, obliterated or destroyed. The Lessee will not change the identification number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and duly filed and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to the effect that such statement has been so filed and deposited, and that no other filing, deposit or giving of notice with or to any Federal, District of Columbia, state or local government or agency thereof is necessary to protect the rights of the Vendor and the Lessor in such Units.

Except as provided in the immediately preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a

designation that might be interpreted as a claim of ownership; provided, however, that the Units may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates.

SECTION 6. General Tax Indemnity. (a) Indemnity. The Lessee agrees to pay, and to indemnify and hold harmless the Lessor (both in its individual and trust capacity), the Vendor, the Owner and the Investors and their successors and assigns (the "Indemnified Persons") from all license and registration fees and all taxes, assessments, fees, withholdings, charges, imposts, levies and other governmental charges together with any penalties, fines, additions to tax or interest thereon, however imposed, whether levied or imposed upon any Indemnified Person by any Federal, state, District of Columbia or local government or governmental subdivision in the United States of America or by any foreign country or subdivision or taxing authority thereof, upon or with respect to, any Unit; the manufacture, purchase, sale, storage, ownership, delivery, leasing, re-leasing, subleasing, possession, use, operation, location, maintenance, repair, condition, transfer of title, return or other disposition thereof; the indebtedness with respect thereto; the rentals, receipts or earnings arising therefrom; or this Lease, the CSA, the Lease Assignment, the Consent, the CSA Assignment or the Participation Agreement or any document referred to herein or therein or any of the transactions contemplated hereby or thereby (all such taxes, assessments, fees, withholdings, charges, imposts, levies, other governmental charges, penalties, fines, additions to tax and interest imposed hereafter referred to as "Taxes"); excluding, however: (i) United States Federal income taxes, (ii) any net income taxes or other similar taxes measured by net income or net earnings imposed by any state or the District of Columbia or any local subdivision of any thereof in which any Indemnified Person maintains its principal place of business or is otherwise subject to income or franchise taxation by reason of other transactions, (iii) any claim for penalties, fines or interest resulting from an act, omission or misrepresentation of such Indemnified Person or anyone acting under, through, or on behalf of such Indemnified Person (other than the Lessee pursuant to this Section 6), and (iv) any Taxes imposed upon the Lessor, Vendor, or Owner as a result of the voluntary transfer of title, sale, or other disposition of the Units other than as a result of the exercise of any remedies pursuant to Section 10 hereof. Clause (iii) above shall not be read as any waiver of any right of action the Lessee may have in respect of any such act, omission or

misrepresentation of such Indemnified Person or anyone acting under, through, or on behalf of such Indemnified Person.

(b) Payment. All amounts payable to any Indemnified Person pursuant to this Section 6 shall make on an after-tax-basis and shall be paid promptly in immediately available funds and in any event within 15 days after receipt by the Lessee of written demand therefor from such Indemnified Person requesting reimbursement or indemnification for any Taxes, on the basis that such Indemnified Person has paid or within 15 days expects to pay such amounts.

(c) Contest. If any proceeding (including the written claim or written threat of such proceeding) is commenced against an Indemnified Person for any Taxes, such Indemnified Person shall promptly after obtaining knowledge thereof notify the Lessee. Each Indemnified Person will confer with the Lessee, if so requested, and will take such action in connection with contesting any such proceeding as the Lessee shall reasonably request; provided, however, that:

(i) within 30 days (or such shorter period as may be required by law) after notice by such Indemnified Person to the Lessee of such proceeding the Lessee shall request that it be contested;

(ii) such Indemnified Person, at its sole option, may forego any and all administrative appeals, proceedings, hearings and conferences with any applicable agency with respect to any such claim, accept the findings of such agency or otherwise terminate any audit or other administrative proceedings and may, at its sole option, either pay the Taxes and sue for a refund in such court as such Indemnified Person shall elect, or contest the proceeding in any appropriate forum; provided, however, that the Lessee shall have no obligation to indemnify such Indemnified Person for any such Taxes, if as a result of such Indemnified Person's foregoing of any such administrative appeals, proceedings, hearings or conferences, such Indemnified Person shall lose the right to contest the merits of such Taxes; and

(iii) prior to taking such action, the Lessee at its expense shall furnish such Indemnified Person in a timely manner with an opinion of independent tax

counsel satisfactory to such Indemnified Person to the effect that there exists a substantial likelihood of such Indemnified Person's prevailing on the merits in the contest of such proceeding; it being understood, however, that in no event shall such Indemnified Person be required to commence any proceeding pursuant to this paragraph (c) unless the Lessee shall have provided such Indemnified Person with sufficient funds on an interest-free basis to pay such Taxes as are required to be paid so to proceed.

Any contest required pursuant to the preceeding sentence shall, at the option of such Indemnified Person, be conducted by such Indemnified Person or the Lessee in the name of the Lessee or in the name of such Indemnified Person.

(d) Costs of Contest. The Lessee shall indemnify such Indemnified Person in a manner satisfactory to such Indemnified Person for any liability or loss which such Indemnified Person may incur from time to time as a result of participating in any proceeding described in paragraph (c) of this Section 6. The indemnification shall be an amount which, on an after-tax basis, shall be equal to all costs and expenses which the Indemnified Person may incur from time to time in connection with any such proceeding or any appeal thereof, including, without limitation, reasonable attorneys' and accountants' fees and disbursements, and the amount of any interest, tax or penalty which may ultimately be due and payable as a result of any such proceeding. Such amounts shall be payable within 15 days after the presentation to the Lessee of appropriate documentation in reasonable detail of such costs, expenses, interest, taxes, or penalties and the demand for payment thereof.

(e) Refund. So long as no Event of Default shall have occurred and be continuing, if an Indemnified Person shall obtain a refund of all or any part of such Taxes paid by the Lessee or with the Lessee's advance of funds, such Indemnified Person shall pay to the Lessee the amount of such refund, subject to the Lessee making the indemnification in paragraph (d) of this Section 6. If in addition to such a refund the Indemnified Person shall receive an amount representing interest on the amount of such refund, the Lessee shall be paid that proportion of such interest which is fairly attributable to Taxes paid by the Lessee prior to the receipt of such refund or with an advance provided by the Lessee.

(f) Reports. In case any report or return is required to be made relating to any Taxes, the Lessee will, at its own expense, make and timely file such reports and returns where permitted to do so under applicable rules and regulations (the interest of each Indemnified Person in the Units to be shown in a manner satisfactory to such Indemnified Person) or, where not so permitted, notify such Indemnified Person of such requirement and at the Lessee's expense prepare and deliver such reports to such Indemnified Person within a reasonable time prior to the time such reports are to be filed. Any expenses incurred by such Indemnified Person with respect to the submission or execution of any such report or return, or the filing or recording thereof, shall be reimbursed to such Indemnified Person by the Lessee in the manner provided in paragraph (d) of this Section 6. Each Indemnified Person agrees to provide the Lessee, in a timely manner, all information requested by the Lessee in the possession of such Indemnified Person which is reasonably required for the preparation and filing of such report or return.

All the obligations of the Lessee and any Indemnified Person under this Section 6 shall survive and continue, notwithstanding payment of all amounts under the CSA and the termination of this Lease, but only with respect to periods included in the term of this Lease except with respect to any charges, penalties, fines, additions to tax and interest. The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee or any subsidiary or affiliated corporation of the Lessee of the payment of any installments of principal or interest payable under the CSA, or a guarantee of any residual value of the Units following the expiration of the term hereof as such term may or may not be renewed.

SECTION 7. Maintenance; Casualty Occurrences; Insurance. The Lessee, at its own expense and in a manner no less thorough and complete than is the prudent industry standard for Class I line-haul railroads, will maintain, service and adhere to Lessee's standard preventive maintenance schedule with respect to each Unit which will include testing, repair and overhaul so that each Unit will remain (a) in as good operating condition as when delivered (ordinary wear and tear excepted), (b) in compliance with any and all applicable laws and regulations, and (c) suitable for immediate purchase or lease and immediate regular use in main line freight service by a Class I line-haul railroad (not then a debtor in any insolvency, bankruptcy or reorganization proceedings). In addition, during the period of

the Builder's warranty the Lessee shall not use or permit the use of any Unit in violation of any requirements of the Builder's warranty. In no event shall any Unit be maintained or serviced to a lesser standard for maintenance, or serviced on a basis less frequent than the maintenance standard, or maintenance or service scheduling basis, employed as of any given time during the term of this Lease by the Lessee for any similar equipment owned or leased by it at such given time.

In the event that any Unit shall be or become lost, stolen, destroyed or irreparably damaged, or in the opinion of the Lessee worn out from any cause whatsoever, permanently returned to the Builder pursuant to any patent indemnity provision of the CSA, or taken or requisitioned by condemnation or otherwise by the United States Government or by any other government or governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days (such occurrences being hereinafter called "Casualty Occurrences"), prior to the return of such Unit in the manner set forth in Section 14 hereof, the Lessee shall promptly (but in any event within 60 days after such Casualty Occurrence) and fully notify the Lessor, the Owner and the Vendor, with respect thereto. By the later of: (i) the Rental Payment Date next succeeding such event and (ii) the 90th day following such event, the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit then due and payable or accrued to such date (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is 180 days) plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the Rental Payment Date on or next succeeding the date of such Casualty Occurrence in accordance with Schedule B hereto referred to below, together with, if such payment is made pursuant to clause (ii) above, interest on the Casualty Value payment from the Rental Payment Date preceding such 90th day to such 90th day, at a rate equal to the higher of 10% or the "prime" rate of interest as announced from time to time by The Bank of New York. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, complete destruction or permanent return to the Builder of such Unit) the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component

thereof, at the best price obtainable on an "as is, where is" basis, and the Lessee may be a purchaser of such Unit (unless such Unit is declared worn out by the Lessee) and shall notify the Lessor prior to any such purchase by the Lessee. Provided that the Lessee has previously paid the Casualty Value to the Lessor and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor. The Lessee shall be entitled to credit against the Casualty Value payable in respect of any Unit permanently returned to the Builder pursuant to any patent indemnity provision of the CSA in an amount equal to any patent indemnity payment in respect of such Unit made by the Builder to the Lessor under the CSA.

The Casualty Value of each Unit as of any Rental Payment Date shall be an amount for that Unit calculated as set forth in Schedule B hereto. The Casualty Value of each Unit during any renewal term of this Lease shall be an amount equal to the Fair Market Value of such Unit at the beginning of such renewal term.

Whenever any Unit shall suffer a Casualty Occurrence after the final payment of rent in respect thereof is due pursuant to Section 3 hereof and before such Unit shall have been returned in the manner provided in Section 14 hereof, the Lessee shall promptly (as provided above) and fully notify the Lessor with respect thereto and, except as provided in Section 14 hereof, pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be an amount equal to the Casualty Value for such Unit on the last Rental Payment Date. 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 or return to the Builder of such Unit), the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any such Unit suffering a Casualty Occurrence, or any component thereof, at the best price obtainable on an "as is, where is" basis, and the Lessee may be purchaser of such Unit (unless such Unit is declared worn out by the Lessee) and shall notify the Lessor prior to any such purchase by the Lessee. Provided that the Lessee has previously paid the Casualty Value to the Lessor and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be

continuing, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

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

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

The Lessee will, at all times prior to the return of all Units to the Lessor, at its own expense, cause to be carried and maintained casualty insurance and public liability insurance in respect of the Units at the time subject hereto, against such risks, in such amounts and on such terms and conditions as are satisfactory to the Lessor and the Vendor; <u>provided</u>, <u>however</u>, that the Lessor and the Vendor will be reasonable in determining such terms and

conditions and, in any event, such insurance shall be comparable in amounts and against such risks as are customarily insured against by the Lessee in respect of similar equipment owned or leased by it, but in no event shall such coverage be for amounts or against risks less than the prudent industry standard for Class I line-haul railroads. All policies with respect to such insurance shall provide for payments to the Lessor (both in its individual and trust capacity), the Owner and the Vendor as additional named insureds and loss payees, as their interests may appear, shall provide for at least 30 days' prior written notice by the insurance carrier to the Lessor, the Owner and the Vendor in the event of cancelation, expiration or amendment (and the Lessee shall provide 30 days' prior written notice to the Lessor, the Owner and the Vendor in any such event), shall include waivers by the insurer of all claims for premiums against the Lessor, the Owner and the Vendor, and shall provide that losses are payable notwithstanding, among other things, any act of negligence of the Lessee, the Lessor, the Owner or the Vendor, more hazardous use or occupation of the Units than that permitted by such policies, any breach or violation by the Lessee, the Lessor, the Owner or the Vendor of any warranty, declaration, condition or other provision contained in any such policy, or foreclosure, notice of sale or any other proceeding in respect of the Units, or any change in the title to or ownership of any of the Units. Each such insurance policy shall expressly provide that all of the provisions thereof except the limits of liability (which shall be applicable to all insureds as a group) and liability for premiums (which shall be solely a liability of the Lessee) shall operate in the same manner as if they were a separate policy covering each insured and shall be primary without right of contribution from any insurance carried by the Lessor, the Owner or the Vendor. The Lessee shall, not later than June 15th of each year, commencing on or before First Delivery Date as defined in the Participation Agreement, furnish to the Lessor, the Owner and the Vendor a certificate of an independent insurance broker acceptable to the Lessor and the Vendor evidencing the maintenance of the insurance required hereunder. The Lessee shall, not later than 30 days prior to the expiration date of any of its insurance policy or policies required to be carried and maintained with respect to the Units under this Section 7, furnish to the Lessor, the Owner and the Vendor a written notice to the effect that (i) the Lessee is in good faith negotiating the renewal of such policy or policies; and (ii) the Lessee expects to furnish to the Lessor, the Owner and the Vendor certificates evidencing renewal of such policy or policies, as promptly as

practicable, but in no event later than 15 days after such expiration date. Five business days prior to such expiration date, the Lessee shall notify the Lessor, the Owner and the Vendor as to the status of such renewal negotiations. The Lessee shall furnish to the Lessor, the Owner and the Vendor certificates evidencing renewal of such policy or policies not later than 15 days after the expiration date of such policy or policies. In the event that the Lessee fails to renew such policy or policies on the expiration date of any of its policy or policies required to be carried or maintained with respect to the Units under this Section 7, the Lessee shall furnish to the Lessor, the Owner and the Vendor a prompt telephonic notice (promptly confirmed in writing) thereof. In the event that the Lessee shall fail to maintain insurance as herein provided, the Lessor may at its option on five business days' prior written notice to the Lessee (which notice may be given five business days prior to the expiration of such insurance) 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 such cost from the date of payment thereof at the Penalty Rate as defined in Article 16 hereof. The Lessee shall, at its own expense, make all proofs of loss and take all other steps necessary to collect the proceeds of such insurance. If the Lessor shall receive any insurance proceeds or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee's having made payment of the Casualty Value in respect of such Unit and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, pay such insurance proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value paid by the Lessee with respect to such Unit and, only if the insurance policy has been maintained by the Lessee, any balance of such insurance proceeds shall be paid to the Lessee (provided, however, that, if the Lessee failed to maintain such insurance policy, any balance of such insurance proceeds shall remain the property of the Lessor), and any balance of such condemnation payments shall remain the property of the Lessor (except to the extent such balance includes a pro rata share of the proceeds with respect to any readily removable property of the Lessee). All insurance proceeds received by the Lessor in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired, provided no Event of Default

(or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing. Any amounts paid or payable to the Lessor under the foregoing insurance shall not be reduced on account of any amount which may be paid or payable to the Lessor by reason of claims made under any other policies of insurance under which the Lessor is a beneficiary or claimant. Notwithstanding the foregoing, the Lessor shall in no event be obligated to participate in the funding of any self-insurance program of the Lessee. The Lessor and the Owner shall each have the right to carry insurance on the Units for their own benefit; provided that such insurance is carried at the expense of any person other than the Lessee.

SECTION 8. Reports. On or before April 30 in each year, commencing with the calendar year 1987, the Lessee will furnish to the Vendor, the Lessor and the Owner a certificate signed by the Chief Mechanical Officer of the Lessee (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the CSA, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or when withdrawn from use pending a determination of whether a Casualty Occurrence has occurred or pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request, (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by Section 5 hereof have been preserved or replaced and (c) the Units are being maintained in accordance with the provisions of the first paragraph of Section 7 of this Lease. The Lessor, at its sole expense, shall have the right by its agents to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease.

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

SECTION 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. NEITHER THE LESSOR IN

ITS INDIVIDUAL CAPACITY OR AS TRUSTEE, NOR THE BENEFICIARY, MAKES, HAS MADE OR SHALL BE DEEMED TO MAKE OR HAVE MADE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WHATSOEVER, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY AS TO THE TITLE (EXCEPT THAT THE LESSOR REPRESENTS THAT IT WILL HAVE WHATEVER TITLE IT RECEIVES FROM THE BUILDER IN RESPECT OF EACH UNIT), VALUE, CONDITION, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS FOR USE OF THE UNITS OR ANY PART THEREOF, AS TO THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, AS TO THE ABSENCE OF ANY INFRINGEMENT OF ANY PATENT, TRADEMARK, OR COPYRIGHT, AS TO THE ABSENCE OF ANY OBLIGATION BASED ON STRICT LIABILITY IN TORT OR OTHERWISE, OR ANY REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE UNITS OR ANY PART THEREOF (EXCEPT THAT THE LESSOR WARRANTS THAT SO LONG AS (i) NO EVENT OF DEFAULT EXISTS HEREUNDER, (ii) THE LESSEE IS COMPLYING WITH PROVISIONS OF THE CONSENT AND (iii) THE VENDOR IS ENTITLED (WITHOUT REGARD TO ACTS OF MISAPPROPRIATION BY ITS OWN EMPLOYEES) TO APPLY THE PAYMENTS (AS DEFINED IN THE LEASE ASSIGNMENT) IN ACCORDANCE WITH THE LEASE ASSIGNMENT, NEITHER THE LESSOR NOR ANY PERSON CLAIMING BY, THROUGH OR UNDER THE LESSOR SHALL INTERFERE WITH THE LESSEE'S QUIET ENJOYMENT OF THE UNITS AND SHALL BE ENTITLED TO THE OTHER RIGHTS OF POSSESSION, USE AND ASSIGNMENT PROVIDED UNDER SECTION 12 HEREOF), it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder, including but not limited to claims and rights, under Article 13 of the CSA; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, subleasing, servicing, maintenance, repair, improvement or replacement of any Units. The

Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described herein 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, at all times to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads, if applicable, and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units (collectively "Applicable Laws"), to the extent that such Applicable Laws 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, (i) such laws or rules require any alteration, replacement, addition or modification of or to any part on any Unit, the Lessee will comply therewith at its own expense (any such additions which are readily removable without material damage to the Units shall become the property of the Lessee if their removal would not adversely and materially affect the value of the Units and their installation was required by law for limited special use and not general operation) or (ii) such laws or rules require disposal, removal and dismantlement of or stripping any part or parts of the Equipment from the Equipment, the Lessee promptly will give the Lessor, Vendor and the Owner written notice to such effect in reasonable detail and will set forth in detail a reasonable course of action, determined by the Lessee in good faith and according to the Lessee's normal business practice, for such disposal, removal and dismantlement of or stripping such part or parts of the Equipment. The Lessee shall not dispose of, remove, dismantle or strip any such part or parts of the Equipment without the written consent of the Lessor, Vendor and Owner, which consent shall not be unreasonably withheld; <u>provided, however</u>, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor, the Owner or the Vendor, adversely affect the property or rights of the Lessor, the Owner or the Vendor under this Lease or under the CSA. The Lessee, at its own cost and expense, may from time to time make such

other additions, modifications and improvements to the Units during the term of this Lease as are readily removable without causing material damage to the Units (and do not adversely and materially affect the value of the Units). The additions, modifications and improvements made by the Lessee under the preceding sentence shall be owned by the Lessee, except to the extent such additions, modifications, or improvements are described in the following sentence. Any and all parts installed on and additions and replacements made to any Unit (i) which are not readily removable without causing material damage to such Unit and were installed or were added to such Unit in contravention of the provisions contained hereinabove, (ii) the cost of which is included in the Purchase Price of such Unit, (iii) in the course of ordinary maintenance of the Units or (iv) which are required for the operation or use of such Unit by the interchange rules of the Association of American Railroads or by the regulations of the Interstate Commerce Commission, the United States Department of Transportation or any other regulatory body, shall constitute accessions to such Unit and full ownership thereof free from any lien, charge, security interest or encumbrance (except for additions required by law for limited special use and not general operation which are readily removable without causing material damage to the Units and without adversely and materially affecting the value of the Units) shall immediately be vested in the Lessor.

The Lessee agrees to indemnify, protect and hold harmless the Lessor (both individually and in its trust capacity), the Owner, the Vendor and the Investors and their respective successors, assigns, agents and servants (hereinafter called "Indemnified Persons") from and against all losses, damages, injuries, liabilities, claims (including without limitation claims for strict liability, but excluding all losses, damages, injuries, liabilities due to, and any claims for wilful misconduct or gross negligence of the Indemnified Person otherwise to be indemnified) and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent, trademark and copyright liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of or the occurrence of a default, an event of default or an Event of Default under this Lease or any sublease entered into pursuant to Section 12 hereunder, the ownership of any Unit, the manufacture, ordering, acquisition, use, operation, condition, purchase, sublease, delivery, acceptance, rejection, storage or return of any Unit or any accident in

connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise expressly provided in Section 14 of this Lease; provided, however, that this paragraph shall not be read as a waiver of any right of action the Lessee may have in respect of any such act, omission or misrepresentation of such Indemified Person or anyone acting under, through, or on behalf of such Indemnified Person. The indemnities arising under this paragraph shall be paid on an after-tax basis and shall continue in full force and effect notwithstanding (i) the full payment of all obligations under this Lease or the expiration or termination of the term of this Lease and (ii) that an Indemnified Party may have a right to be indemnified by another party.

Except as otherwise expressly provided in Section 14, the Lessee shall bear the responsibility and risk for, and shall not be released from its obligations hereunder in the event of, any damage to or the destruction or loss of any or all of the Units of Equipment. The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required filing date (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than tax returns) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor of, or the interest of the Vendor in, the Units, or the leasing thereof to the Lessee.

The indemnities contained in this Section 9 shall survive the expiration or termination of this Lease with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination and are expressly made for the benefit of, and shall be enforceable by, any Indemnified Person. None of the indemnities in this Section 9 shall be deemed to create any rights of subrogation in any insurer or third party against the Lessee or the Lessor therefor, from or under any Indemnified Person, whether because of any claim paid or defense provided for the benefit thereof or otherwise. The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee of the payment of any installments of principal or interest payable under the CSA or a guarantee of the residual value of the Equipment.

SECTION 10. Default. If, during the continuance of this Lease, one or more of the following events (each

such event being herein sometimes called an "Event of Default") shall occur:

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

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

(C) default shall be made in observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Consent or in the Participation Agreement and such default shall continue for 30 days (except that such period shall be 15 days in the case of Lessee's failure to maintain the insurance coverage required by Section 7) after the earlier of (i) written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied and (ii) the date on which such default shall first become known to any officer of the Lessee;

(D) a petition for reorganization under Title 11 of the United States Code, as now constituted or as 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 this Lease shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceeding 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 such petition shall have been filed and otherwise in accordance with the provisions of 11 U.S.C. § 1168, or any successor provision as the same may hereafter be amended; or

(E) any other proceeding shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder under any bankruptcy or insolvency

laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of such obligations), and, unless such proceeding shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been and shall not continue to have been duly assumed in writing pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for the property of the Lessee in connection with any such proceeding 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 proceeding shall have been commenced;

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, subject to compliance with all mandatory requirements of law, enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may then be 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

rental period by a fraction of which the numerator is such number of days and the denominator is 180 days) including but not limited to any amounts due the Lessor pursuant to Section 6 hereof and paragraph 18 of the Participation Agreement; provided, however, that the Lessee shall not be relieved of its obligation under Section 6(c) hereof or Section 19 of the Participation Agreement except as specifically provided therein 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 rentals 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 rentals that the Lessor shall have the right to take possession of the Equipment upon an Event of Default under this Lease regardless of whether the Lessee is in reorganization.

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

SECTION 11. Return of Units upon Default. If this Lease shall terminate pursuant to Section 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the condition required by the first paragraph of Section 7 hereof. For the purpose of delivering possession, the Lessee shall:

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

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for

insurance, rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and

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

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and, upon application to any court of equity having jurisdiction, 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 expense, maintain and keep the Equipment in the condition required by the first paragraph of Section 7 hereof and will permit and cooperate with the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of any such Unit, to inspect the same in a reasonable manner consistent with current industry practices. All rent and per diem charges earned in respect of the Units after the date of termination of this Lease 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 $500 for each such day exceeds the actual earnings received by the Lessor with respect to such Unit for each such day.

Without in any way limiting the foregoing obligations of the Lessee under this Section 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of such Unit in the name and on behalf of the Lessee to obtain possession thereof from whomsoever shall be in possession of such Unit at the time.

SECTION 12. Assignment; Possession and Use. So long as no Event of Default exists hereunder, any rights arising under this Lease shall not be assignable in whole or in part by the Lessor or any assignee thereof without the written consent of the Lessee, which consent shall not be unreasonably withheld notwithstanding any policy of the

Lessee prohibiting assignments generally; provided, however, that the Lessee's consent shall not be required for an assignment to (i) a successor trustee appointed pursuant to the Trust Agreement, (ii) the Owner or (iii) an affiliated company of the Owner (the term "affiliate" for the purposes of this sentence means any corporation which (i) owns all of the stock of the Owner ("Parent") or (ii) a wholly owned, directly or indirectly, subsidiary of the Owner or the Parent which files a consolidated tax return together with the Owner. Upon the written notice by the Lessor or any assignee thereof to the Lessee of the request for assignment, the Lessee will have 10 business days to respond to such request; provided, however, that the Lessee's failure to respond within 10 business days shall be deemed to be approval. If the Lessee will not permit such assignment, the Lessee shall provide the Lessor with a written statement describing in reasonable detail the reasons for such denial. All the rights of the Lessor hereunder shall inure to the benefit of the Lessor's successors and assigns.

So long as no Event of Default exists hereunder, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease and, without the prior written consent of the Lessor, the Lessee may sublease the Units to, or permit their use by, a user incorporated in the United States of America (or any State thereof or the District of Columbia), upon lines of railroad owned or operated by the Lessee or such user or by a railroad company or companies incorporated in the United States of America (or any State thereof or the District of Columbia), or over which the Lessee, such user, or such railroad company or companies have trackage rights or rights for operation of their trains, and upon the lines of railroad of connecting and other carriers in the usual interchange of traffic or in through or run-through service, but only upon and subject to all the terms and conditions of this Lease; provided, however, that the Lessor's consent, not to be unreasonably withheld, must be obtained for any sublease that is for a term longer than six months; provided further, however, that the Lessee shall not sublease or permit the sublease or use of any Unit to service involving operation or maintenance outside the United States of America except that occasional service in Canada shall be permitted so long as such service in Canada does not involve regular operation and maintenance outside the United States of America; and provided further, however, that any such sublease or use shall be consistent with the provisions of Paragraph 19 of the Participation Agreement. No such assignment or sublease

shall relieve the Lessee of its obligations hereunder which shall be and remain those of a principal and not a surety.

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

SECTION 13. Renewal Option; Purchase Option. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may elect, by written notice delivered to the Lessor not more than 240 and not less than 180 days prior to the end of the original term of this Lease, to extend the term of this Lease in respect of all, but not less than all, the Units then covered by this Lease for an additional term of one year (or such longer term as the Lessor and the Lessee may agree upon) commencing on the scheduled expiration of the original term at a semiannual rental payable in arrears in semiannual payments, in an amount equal to the "Fair Market Rental" of such Units as of the commencement of such extended term, such rental payments to be made on each semiannual anniversary of the Basic Rent Commencement Date in each year of the extended term.

"Fair Market Rental" 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 and, in such determination, (i) it shall be assumed that the Units are in the condition and repair required by the first paragraph of Section 7 hereof and that they are free and clear of all liens, claims and encumbrances, (ii) the value of the additions, modifications and improvements as to which Lessee retains title pursuant to Section 9 shall not be included and (iii) costs of removal from the location of current use shall not be a deduction from such value.

Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, at

the end of the original term and at the end of the extended term of this Lease the Lessee may elect to purchase all but not less than all the Units then subject to this Lease at the then "Fair Market Value" of such Units, by giving written notice to the Lessor not more than 240 and not less than 180 days prior to the expiration of such term.

"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 a lessee currently in possession) and an informed and willing seller under no compulsion to sell and, in such determination, the same assumptions applicable to the determination of Fair Market Rental, as set forth in the second paragraph of this Section 13, shall be applied.

Upon payment of the purchase price pursuant to the exercise by the Lessee of its above-specified purchase rights and of all other amounts due with respect to the Units, the Lessor shall, upon request of the Lessee, execute and deliver to the Lessee, or to the Lessee's assignee or nominee, a bill of sale (without representations or warranties except that the Units so being sold are free and clear of all liens, charges, security interests and other encumbrances by or in favor of any person claiming by, through or under the Lessor and which the Lessor is obligated to discharge pursuant to the proviso to the last paragraph of Section 12 of the CSA) for such Units, and such other documents as may be required to release such Units from the terms and scope of this Lease and to transfer title thereto to the Lessee, or such assignee or nominee, in such form as may reasonably be requested by the Lessee, all at the Lessee's expense.

If the Lessor and the Lessee shall not have agreed on the Fair Market Rental or the Fair Market Value, as the case may be, on or before the date occurring 120 days prior to the expiration of the Base Term, the renewal and purchase options provided for in this Section 13 shall terminate.

SECTION 14. <u>Return of Units upon Expiration of Term.</u> Unless Lessee shall have purchased and paid for the Units, then as soon as practicable on or after the expiration of the term of this Lease with respect to any Unit, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon appropriate storage tracks of the Lessee at a location or locations mutually agreeable to Lessor and Lessee or, in

the absence of such mutual agreement, at a major maintenance terminal or terminals (not exceeding two) on the lines of the railroad as the Lessee may select, and permit the Lessor to store such Unit on such tracks for a period not exceeding 90 days following notification to the Lessor by the Lessee that all the Units have been assembled and delivered for storage (the "Storage Period") and transport the same, at any time within the Storage Period, to any place on the lines of railroad operated by the Lessee, or to any connecting carrier for shipment, all as directed by the Lessor, the movement and storage of such Units during the Storage Period to be at the expense and risk of the Lessee; and in the event that any Unit shall suffer a Casualty Occurrence during such Storage Period, the Lessee shall pay the Lessor the Casualty Value thereof as provided in Section 7 hereof; provided, however, that Lessee shall have no obligation to pay Lessor the Casualty Value for a Unit which suffers a Casualty Occurrence while being operated by the Lessor or its agents during the Storage Period, or which, at the specific direction of the Lessor, is stored or operated in a manner different from the normal storage or operational practice of the Lessee to the extent such Casualty Occurrence is attributable to such operation by the Lessor or its agents or to such different storage or operational practice directed by the Lessor. During such Storage Period the Lessee will permit the Lessor or any person designated by it, including the authorized representatives of any prospective purchaser, lessee or user of such Unit, to inspect the same in accordance with normal industry practice and consistent with the intended use of the Units; provided, however, that the Lessee shall not be liable, except in the case of negligence, wilful misconduct or strict liability of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, on behalf of either the Lessor or any prospective purchaser, lessee or user, such rights of inspection. Each Unit returned to the Lessor pursuant to this Section 14 shall be in the condition required by the first paragraph of Section 7 hereof and free and clear of all liens, charges, security interests or other encumbrances (other than liens, charges, security interests or other encumbrances created by the Lessor, the Owner or the Vendor or resulting from claims against the Lessor, the Vendor or the Owner not related to the ownership of the Units). The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance thereof. During the period that the Units are

being assembled and delivered for storage and during the Storage Period, the Lessee will, at its own expense, maintain and keep the Units in the condition required by the first paragraph of Section 7 hereof and will permit the Lessor or any person designated by it, including the authorized representatives of any prospective purchaser, lessee or user of any such Unit, to inspect the same. All rent and per diem charges earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day from the date of such termination an amount equal to the amount, if any, by which $500 for each such day exceeds the actual earnings received by the Lessor with respect to such Unit for each such day.

The Lessee further agrees, the Lessee's reasonable operational requirements permitting, that the Lessor, at the Lessor's cost and expense, may, after the expiration of the 90-day period referred to above, store such Units upon such storage tracks of the Lessee as the Lessee reasonably designates. The storage charge shall be in accordance with the then current applicable tariff.

SECTION 15. Recording. The Lessor, at its cost and expense, will cause this Lease and the CSA, prior to the delivery and acceptance of any Unit hereunder, and any assignment of either thereof, on or promptly after the Closing Date, to be filed in accordance with 49 U.S.C. § 11303 and deposited with the Registrar General of Canada (and notice of such deposit to be given forth in The Canada Gazette) pursuant to 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, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to its satisfaction, of the Vendor's and the Lessor's rights in the Units, or for the purpose of carrying out the intention of this Lease, the CSA and the assignments hereof and thereof to the Vendor; and the Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing, recording and other acts which may be required under this Section 15, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor.

SECTION 16. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount on the overdue rentals and other obligations for the period of time during which they are overdue at a rate equal to the higher of (i) 11% or (ii) the "prime" rate of interest as announced from time to time by The Bank of New York ("Penalty Rate").

SECTION 17. Lessor's Right To Perform for the Lessee. If the Lessee fails to perform or comply with any of its agreements contained herein, the Lessor may (but shall not be obligated to do so) upon notice to the Lessee itself perform or comply with such agreement, and the amount of the reasonable cost and expenses of the Lessor incurred in connection with such performance or compliance, together with interest on such amount at the Penalty Rate, shall be payable by the Lessee upon demand except as otherwise provided in this Lease. No such performance or compliance by the Lessor shall be deemed a waiver of the rights and remedies of the Lessor or any assignee of the Lessor against the Lessee hereunder or be deemed to cure the default of the Lessee hereunder.

SECTION 18. Notices. Any notice required or permitted hereunder shall be deemed to have been received by the addressee on the date of actual receipt (if such date is a business day, otherwise on the next business day) if transmitted by mail, air courier, telex, telecopy or similar transmission, or by hand, addressed as follows:

(a) if to the Lessor, at The Connecticut Bank and Trust Company, National Association, One Constitution Plaza, Hartford, Connecticut 06115, Attention of Corporate Trust Department, with a copy to the Owner at its address set forth in the Participation Agreement; and

(b) if to the Lessee, at Consolidated Rail Corporation, 1310 Six Penn Center Plaza, Philadelphia, Pennsylvania 19103, Attention of Assistant Treasurer-Financing;

or at such other address or either party shall have designated to the other party in writing. Copies of each such notice shall be given to the Vendor at P. O. Box 2258 (or if

by hand, 2 Hopkins Plaza), Baltimore, Maryland 21203, Attention of Corporate Trust Department.

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

This Lease exclusively and completely states the rights and obligations 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 signatories for the Lessor and the Lessee.

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 and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

SECTION 21. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of New York; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Lease or any assignment hereof shall be filed or deposited.

SECTION 22. Lessor's Liability. Anything herein to the contrary notwithstanding, each and all of the representations, undertakings and agreements herein made on the part of the financial institution acting as the Lessor are made and intended not as personal representations, undertakings and agreements by said financial institution or for the purpose or with the intention of binding it personally but

are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Lease is executed and delivered by the said financial institution solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and no personal liability or responsiblity is assumed hereunder by or shall at any time be enforceable against the said financial institution on account of any representation, undertaking or agreement hereunder of the Lessor, either being expressed or implied, all such personal liability, if any, being expressly waived by the Lessee and by all persons claiming by, through or under the Lessee; provided, however, that the Lessee or any person claiming by, through or under it, making claim hereunder, may look to the Trust Estate for satisfaction of the same.

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

CONSOLIDATED RAIL CORPORATION,

by

_____
Assistant Treasurer-Financing

[Seal]

Attest:

_____
Assistant Secretary

THE CONNECTICUT BANK AND
TRUST COMPANY,
NATIONAL ASSOCIATION,
not individually but solely as
Trustee,

by

_____
Authorized Officer

[Seal]

Attest:

_____
Authorized Officer

COMMONWEALTH OF PENNSYLVANIA,)
) ss:
COUNTY OF PHILADELPHIA,)

On this day of , 1986, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is the of CONSOLIDATED RAIL CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

_____
Notary Public

[Notarial Seal]

My commission expires

STATE OF CONNECTICUT,)
) ss.:
COUNTY OF HARTFORD,)

On this day of , 1986, before me personally appeared , to me personally known, who, being by me duly sworn, says that he/she is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, that one of the seals affixed to the foregoing instrument is the seal of said national association and that said instrument was signed and sealed on behalf of said national association by authority of its Board of Directors, and he/she acknowledged that the execution of the foregoing instrument was the free act and deed of said national association.

_____
Notary Public

[Notarial Seal]

My commission expires

Description of Units of Equipment

Type	Builder	Quantity	Lessee's Identification Numbers (Both Inclusive)
Model SD-50 diesel-electric locomotive	General Motors Corporation (Electro-Motive Division)	30	CR6805-6834

Casualty Value

(Exclusive of Rent)

Rental Payment Dates	Percentage of Purchase Price Per Unit
March 1, 1986	101.5548
September 1, 1986	104.6156
March 1, 1987	104.8914
September 1, 1987	103.7432
March 1, 1988	103.0929
September 1, 1988	101.3233
March 1, 1989	99.8000
September 1, 1989	97.4075
March 1, 1990	94.9645
September 1, 1990	91.9190
March 1, 1991	88.5430
September 1, 1991	85.1806
March 1, 1992	81.4318
September 1, 1992	81.0699
March 1, 1993	77.3226
September 1, 1993	76.8477
March 1, 1994	72.0758
September 1, 1994	71.4419
March 1, 1995	65.6387
September 1, 1995	64.9151
March 1, 1996	58.8597
September 1, 1996	58.0784
March 1, 1997	51.7369
September 1, 1997	50.8957
March 1, 1998	44.2617
September 1, 1998	43.4977
March 1, 1999	36.4352
September 1, 1999	36.6554
March 1, 2000	28.4670
September 1, 2000	20.0000
March 1, 2001	20.0000

Certificate of Acceptance

To: (the "Lessor")

I, the duly authorized representative for the Lessor and Consolidated Rail Corporation (the "Lessee") under the Lease of Railroad Equipment, dated as of January 15, 1986, do hereby certify that I inspected and accepted delivery thereunder of the following Units of Equipment:

TYPE OF EQUIPMENT: Diesel electric locomotive
MODEL: SD-50
DATE ACCEPTED:
NUMBER OF UNITS:
NUMBERED: CR
MANUFACTURER'S NUMBER:

I do further certify that the foregoing Units are in good order and condition, and appear to conform to the specifications, requirements and standards applicable thereto as provided in the Lease.

I do further certify that each of the foregoing Units has been marked upon each side of each such Unit in letters not less than one inch in height as follows:

"OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION".

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

_____
Authorized Representative of
Trustee and Lessee

BUILDER:

General Motors Corporation
(Electro-Motive Division)

Basic Rent

Basic Rental Payment Dates	Percentage of Purchase Price Per Unit
September 1, 1986	2.94922758
March 1, 1987	5.27697242
September 1, 1987	2.83284034
March 1, 1988	5.39335966
September 1, 1988	2.70481438
March 1, 1989	5.52138562
September 1, 1989	2.56398582
March 1, 1990	5.66221418
September 1, 1990	2.40907440
March 1, 1991	5.81712560
September 1, 1991	2.23867184
March 1, 1992	5.98752816
September 1, 1992	2.41314634
March 1, 1993	5.81305366
September 1, 1993	2.41200050
March 1, 1994	6.72809950
September 1, 1994	2.42962356
March 1, 1995	7.62447644
September 1, 1995	2.34663692
March 1, 1996	7.70746308
September 1, 1996	2.23127658
March 1, 1997	7.82282342
September 1, 1997	2.11373251
March 1, 1998	7.94036749
September 1, 1998	1.85443785
March 1, 1999	8.19966215
September 1, 1999	.73490871
March 1, 2000	9.31919129
September 1, 2000	10.01926534
March 1, 2001	.03483466
	137.10220000

ANNEX D
to
Conditional Sale Agreement
[CS&M Ref. 3909-072]

ASSIGNMENT OF LEASE AND AGREEMENT dated as of January 15, 1986 (this "Assignment"), between THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, not individually but solely as Trustee (the "Lessor") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with THE BANK OF NEW YORK (the "Owner"), MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent (the "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement").

WHEREAS the Lessor is entering into a Conditional Sale Agreement dated as of the date hereof (the "CSA") with General Motors Corporation (Electro-Motive Division) (the "Builder") providing for the sale to the Lessor of such units of railroad equipment (the "Units") described in Annex B thereto as are delivered to and accepted by the Lessor thereunder;

WHEREAS the Lessor and Consolidated Rail Corporation (the "Lessee") have entered into a Lease of Railroad Equipment dated as of the date hereof (the "Lease") which provides for the leasing by the Lessor to the Lessee of the Units; and

WHEREAS, in order to provide security for the obligations of the Lessor under the CSA and as an inducement to the Vendor and the Investors (as defined in the Participation Agreement) for whom the Vendor is acting to invest in the CSA Indebtedness (as defined in the CSA), the Lessor has agreed to assign 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, the parties hereto agree as follows:

1. The Lessor hereby assigns, transfers and sets over unto the Vendor, as collateral security for and to provide for the payment and performance of the obligations of the Lessor under the CSA, all the Lessor's rights, titles and interests, powers, privileges, and other benefits in, to and under the Lease (including those inuring to the benefit of the Owner), including, without limitation, the immediate

right to receive and collect all rentals, profits and other sums payable to or receivable from the Lessee by the Lessor under or pursuant to the provisions of the Lease (other than payments by the Lessee to the Lessor or the Owner under Sections 6 and 9 of the Lease) whether as rent, casualty payment, indemnity, liquidated damages, or otherwise (such moneys being hereinafter called the "Payments"), and the right to make all waivers, modifications 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 or with respect to the Lease. 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 attorney for the Lessor to ask, demand, sue for, collect and receive any and all Payments 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 first, to satisfy the obligations of the Lessor under the CSA which are due and payable on the date such Payments were required to be made pursuant to the Lease, and second, so long as no event of default or event which with the lapse of time and/or demand provided for in the CSA could constitute an event of default thereunder shall have occurred and be continuing, any balance shall be deemed to be held by the Vendor in trust for the Lessor and shall be paid immediately to the Lessor, by bank wire to the Lessor at such address as may be specified to the Vendor in writing, and such balance shall be retained by the Lessor. If the Vendor shall not receive any rental payment under Section 3 of the Lease or any Casualty Value under Section 7 of the Lease when due, the Vendor shall notify the Lessee, the Lessor and the Owner by telephone, confirmed in writing, at their addresses set forth in the Lease; <u>provided</u>, <u>however</u>, that the failure of the Vendor to so notify the Lessee, the Lessor and the Owner shall not affect the obligations of the Lessor hereunder or under the CSA; except that the Vendor may not declare an event of default under subparagraph (a) or (e) of Article 15 of the CSA arising solely by reason of the failure of the Lessee to make any such rental payment or payment of Casualty Value which, pursuant to subparagraph (e) of Article 15 of the CSA, would not constitute an event of default thereunder if the Lessor

complies with the provisions thereof, unless such event of default is not remedied within 10 business days after notification is given as aforesaid.

2. The assignment made by the Lessor hereunder is executed only as security and, therefore, the execution and delivery of this Assignment by the Lessor 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 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. The Lessor represents and warrants to the Vendor that the Lessor has not entered into any assignment of its interests in the Lease other than this Assignment, has not entered into any amendment or modification of the Lease and has not created or incurred or suffered to exist with respect to the Lease or with respect to any of its interests therein any claim, lien or charge arising by, through or under the Lessor.

The Lessor agrees that it will from time to time and at all times, at the reasonable request of the Vendor or its successors or assigns, make, execute and deliver all such further instruments of assignment, transfer and assurance and do such further acts and things as may be necessary and appropriate in the premises to give effect to the provisions herein set forth and more perfectly to confirm the rights, titles and interests hereby assigned and transferred to the Vendor or intended so to be.

4. The Lessor will faithfully abide by, perform and discharge each and every obligation and agreement which the Lease provides is to be performed by the Lessor; 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 of or from the obligations, covenants, conditions and agreements to be performed by the Lessee thereunder, 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.

5. The Lessor does hereby constitute the Vendor its true and lawful attorney, irrevocably, with full power (in the name of the Lessor or otherwise) to ask, require, demand, receive, compound and give acquittance for 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 to the Vendor may seem to be necessary or advisable in the premises.

6. Upon the full discharge and satisfaction of all sums due from the Lessor under the CSA, the Lessor's assignment hereunder of its rights in, to and under the Lease shall terminate, and all estate, right, title and interest of the Vendor in and to the Lease shall revert to the Lessor. However, the Vendor, if so requested by the Lessor at that time, will (a) execute an instrument releasing its entire estate, right, title and interest in the Lease and transferring such estate, right, title and interest to the Lessor and (b) execute, acknowledge and deliver any and all further instruments required by law or reasonably requested by the Lessor in order to confirm or further assure the interest in the Lease which shall have reverted or been so transferred to the Lessor.

7. The Lessor will pay and discharge any and all taxes, claims, liens, charges or security interests (other than those created by the CSA) 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, not arising out of the transactions contemplated by the CSA or the Lease (but including (to the extent it receives funds for such purpose) income taxes arising out of the receipt of rentals and other payments under the Lease and any other 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, 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 reasonable opinion of the Vendor, materially and adversely affect such interests of the Vendor.

8. The Lessor will, from time to time, execute, acknowledge and deliver any and all further instruments reasonably requested by the Vendor in order to confirm the interest of the Vendor hereunder.

9. 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.

10. This Assignment shall be governed by the laws of the State of New York, but the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing or deposit hereof, if any, as shall be conferred by the laws of the several jurisdictions in which this Assignment shall be filed or deposited.

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

12. The Vendor hereby agrees with the Lessor that the Vendor will not, so long as no event of default under Article 15 of the CSA 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, without the prior written consent of the Lessor, except the right to receive Payments under Paragraph 1 hereof and that, subject to the terms of the Lease and the CSA, the Lessor may, so long as no event of default under the CSA has occurred and is then continuing, exercise or enforce, or seek to exercise or enforce, its rights, powers, privileges, and remedies arising out of § 10(a) and § 10(b) of the Lease; <u>provided, however</u>, that the Lessor may, whether or not an event of default under the CSA has occurred and is then continuing, exercise or enforce, or seek to exercise and enforce, its rights, powers, privileges and remedies arising out of § 10(a) of the Lease in respect of its rights under §§ 6 and 9 of the Lease; <u>provided further, however</u>, that the Lessor shall not, without the prior written consent of the Vendor, terminate the Lease or otherwise exercise or enforce, or seek to exercise or enforce, any rights, powers, privileges and remedies arising out of § 10(b) of the Lease or take any action which would cause any termination of the Lease with respect to any Unit.

13. It is expressly understood and agreed by and between the parties hereto, anything in this Assignment to the contrary notwithstanding, that each and all of the representations, warranties, undertakings and agreements in this Assignment made on the part of the financial institution acting as Lessor are each and every one of them made and intended not as personal representations, warranties, undertakings and agreements by said financial institution, or for the purpose or with the intention of binding said financial institution personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Assignment is executed and delivered by said financial institution solely in the exercise of the powers expressly conferred upon said financial institution as trustee under the Trust Agreement; and that no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said financial institution, either expressed or implied, all such personal liability, if any, being expressly waived and released by the Vendor and by all persons claiming by, through or under the Vendor; provided, however, that the Vendor or any person claiming by, through or under the Vendor, making claim hereunder, may look to said Trust Estate for the satisfaction of the same.

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 and all others shall be deemed to be duplicates thereof. It shall not be

necessary that any counterpart be signed by both parties so long as each party shall sign at least one 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.

[Seal]

THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, not individually but solely as Trustee,

Attest:

by

_____
Authorized Officer

_____
Authorized Officer

[Seal]

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent,

Attest:

by

_____
Vice President

_____
Corporate Trust Officer

STATE OF CONNECTICUT,)
) ss.:
COUNTY OF HARTFORD,)

On this th day of , 1986 before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said association, and that said instrument was signed and sealed on behalf of said association 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 association.

_____
Notary Public

[Notarial Seal]

My Commission expires:

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

On this th day of , 1986 before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a 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, and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

_____
Notary Public

[Notarial Seal]

My Commission expires

CONSENT AND AGREEMENT

The undersigned, CONSOLIDATED RAIL CORPORATION (the "Lessee"), the lessee named in the Lease (the "Lease") referred to in the foregoing Assignment of Lease and Agreement (the "Lease Assignment"), hereby (a) acknowledges receipt of a copy of the Lease Assignment and (b) consents to all the terms and conditions of the Lease Assignment and agrees that:

(1) it will pay all Payments (as defined in Section 1 of the Lease Assignment) due and to become due under the Lease directly to Mercantile-Safe Deposit and Trust Company, as Agent (the "Vendor"), the assignee named in the Lease Assignment, by bank wire transfer of immediately available funds to Mercantile-Safe Deposit and Trust Company, Baltimore, Maryland, for credit to its Corporate Trust Department's Account No. 620081-8, with the notation that funds are "RE: Conrail 1/15/86" (or at such other address as may be furnished in writing to the Lessee 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 Lessee under the Lease as though the Vendor were named therein as the Lessor and that the Lessee will not assert against the Vendor any claim or defense the Lessee may have against the Lessor under the Lease;

(3) the Vendor shall not, by virtue of the Lease Assignment, 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 terminated, amended or modified, nor shall any waiver or release be given or accepted with respect thereto nor shall any action be taken or omitted by the Lessee the taking or omission of which might result in an alteration or impairment of the Lease or the Lease Assignment or this Consent and Agreement or of any of the rights created by any thereof.

This Consent and Agreement, when accepted by the Vendor by signing the acceptance at the foot hereof, shall be deemed to be a contract under the laws of the

Commonwealth of Pennsylvania and, for all purposes, shall be construed in accordance with the laws of said Commonwealth.

CONSOLIDATED RAIL CORPORATION,
as Lessee,

by

_____

The foregoing Consent and Agreement is hereby accepted, as of the 15th day of January 1986.

MERCANTILE-SAFE DEPOSIT AND
TRUST COMPANY,
as Agent,

by

_____
Vice President