DELAWARE AND HUDSON RAILWAY COMPANY

ALBANY, NEW YORK 12207

GEORGE H. KLEINBERGER
Corporate Counsel

Dependable Transportation Since 1823

RECORDATION NO. 8241-Q Filed 1425

JAN 23 1984 -4 00 PM

INTERSTATE COMMERCE COMMISSION

January 20, 1984

No. 4-023A125
Date JAN 23 1984
Fee $ 10.00
ICC Washington, D. C.

Hon. Agatha L. Mergenovich
Secretary
Interstate Commerce Commission
12th Street and Constitution Avenue, N.W.
Washington, D. C. 20423

Attention: Recordation Clerk

Dear Secretary:

I have enclosed an original and two certified copies of the document described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

This document is a general mortgage, supplemental indenture, a secondary document dated January 1, 1984.

The primary document to which this is connected is recorded under Recordation No. 8241.

The names and addresses of the parties to this document are as follows:

RECEIVED
JAN 23 3 54 PM '84
I.C.C.
FEE OPERATION BR.

Trustee: Key Bank, N.A.
60 State Street
Albany, New York 12201

Mortgagor: Delaware and Hudson Railway Company
40 Beaver Street
Albany, New York 12207

A description of the property covered by the document follows:

518-462-7662

All right, title, and interest of the Mortgagor in and to (i) all the premises, property, rights, and franchises of the Mortgagor constituting those properties, franchises, and rights actually used in connection with the provision of rail transportation services, (ii) Deposited Cash, as defined in said mortgage and assets, including securities, hereafter acquired by the use of funds disbursed from Deposited Cash, and (iii) property, including securities, received by the Mortgagor in exchange for property released from the lien of said mortgage, of every charactor whatever and wherever situated, except as expressly excepted in the Excepted Properties clause of said mortgage or otherwise expressly excepted or released from the lien thereof including, but not limited to

(1) All of the Mortgagor's lines of railroad, including main, branch, leased and trackage rights lines.

(2) All of the Mortgagor's rights of way, easements, lands, estates, tenements and hereditaments, fixtures, structures, and improvements constituting Railroad Operating Assets as defined in said Mortgage.

(3) The Mortgagor's rights to use all communications facilities in the Mortgagor's lines of railroad.

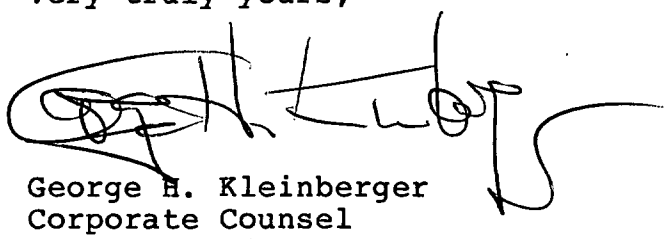
(4) The Mortgagor's shares of stock in Northern Coal and Iron Company, The Saratoga and Schenectady Rail Road Company, The Albany and Vermont Rail Road Company, Wilkes-Barre Connecting Railroad Company, and The Napierville Junction Railway Company.

A fee of $10.00 is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to George H. Kleinberger, Esq., Corporate Counsel, Delaware and Hudson Railway Company, 40 Beaver Street, Albany, New York 12207.

A short summary of the document to appear in the index follows:

General Mortgage Supplemental Indenture from Delaware and Hudson Railway Company (D&H) to Key Bank, N.A., Trustee, dated January 1, 1984 which amends and restates the Mortgage from D&H to United States Railway Association dated May 15, 1976 (Recordation No. 8241), and which substitutes Key Bank, N.A., as Trustee.

Very truly yours,



George H. Kleinberger
Corporate Counsel
Delaware and Hudson
Railway Company

Encl.

Interstate Commerce Commission
Washington, D.C. 20423

1/24/84

OFFICE OF THE SECRETARY

George H. Kleinberger
Corporate Counsel
Delaware & Hudson Railway Co.
Albany, New York 12207

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 **1/23/84** at **4:00pm** and assigned re-recordation number(s). **8241-Q**

Sincerely yours,

James H. Bayne

JAMES H. BAYNE
Secretary

Enclosure(s)

SE-30
(7/79)

RECORDATION NO. 8241-B Filed 1425

JAN 23 1984 -4 00 PM

INTERSTATE COMMERCE COMMISSION

CERTIFICATION

I, GEORGE H. KLEINBERGER, do hereby state that I am a Notary Public of the State of New York; that I have compared the attached copy of document with the original thereof, and that the attached copy of document is a true and correct copy of the original in all respects.

Dated: January 19, 1984

George H. Kleinberger
Notary Public
State of New York

GEORGE H. KLEINBERGER
Notary Public, State of New York
Qualified in Albany County
Reg. No. 2144350
Commission Expires March 30, 1985

RECORDATION NO. 8241-G Filed 1425

JAN 23 1984 -4 00 PM

INTERSTATE COMMERCE COMMISSION

GENERAL MORTGAGE SUPPLEMENTAL INDENTURE

Dated January 1, 1984

FROM

Delaware and Hudson Railway Company

TO

Key Bank, N.A.
As Trustee

AMENDING AND RESTATING

Mortgage
Dated March 15, 1976

FROM

Delaware and Hudson Railway Company

TO

United States Railway Association

DELAWARE AND HUDSON RAILWAY COMPANY

GENERAL MORTGAGE
SUPPLEMENTAL INDENTURE

Dated January 1, 1984

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GENERAL MORTGAGE SUPPLEMENTAL INDENTURE ("Indenture") dated January 1, 1984, but actually executed and delivered on, and effective as of ("effective date") the date of the delivery of the Contingency Notes hereinafter mentioned, between DELAWARE AND HUDSON RAILWAY COMPANY, a corporation of the State of Delaware, hereinafter called the Corporation, party of the first part, and KEY BANK, N.A., a national banking association, hereinafter called the Trustee, party of the second part amending and restating in its entirety the 1976 Mortgage hereinafter referred to.

THE UNITED STATES OF AMERICA, represented by the Secretary of Transportation, acting through the Federal Railroad Administrator, has joined in this Indenture for the purpose of evidencing its consent to the amendment and restatement of the 1976 Mortgage in the form herein set forth, to the appointment of the Trustee, to the substitution of the Trustee for itself as Mortgagee, to the release and cancellation of the Bonds of the Corporation now held by the United States of America under a bond pledge agreement, and the release of all properties and securities mentioned in the Granting Clauses of the 1976 Mortgage which are described in the Excepted Properties clauses of this Indenture.

WHEREAS, the Corporation owns, or is in possession of, under leases or other arrangements, and operates, lines of railroad in the States of New York, Pennsylvania, New Jersey, Maryland, Virginia, West Virginia and Vermont and the District of Columbia; and

WHEREAS, the Corporation has heretofore mortgaged certain of said properties under a Mortgage dated March 15, 1976 from Delaware and Hudson Railway Company to United States Railway Association (the "1976 Mortgage"); and

WHEREAS, pursuant to a Loan Agreement (hereinafter defined) and a Financing Agreement (hereinafter defined), the Corporation is indebted to the United States Railway Association and the United States of America, respectively, on certain notes (the "Old Notes") of the Corporation issued pursuant thereto and secured by various Security Instruments (hereinafter defined); and

WHEREAS, the Corporation desires, and the United States of America is willing, as permitted by law, to substitute different obligations secured by this Indenture for the Old Notes issued under the Loan Agreement and the Financing Agreement, and to satisfy, discharge and terminate said Agreements, and the Old Notes and by this Indenture to amend and restate in its entirety the 1976 Mortgage; and

WHEREAS, the Board of Directors of the Corporation has approved the form and terms of this Indenture and has duly authorized and directed the execution and delivery of this Indenture to the Trustee; and

WHEREAS, the execution of this Indenture has been duly authorized and consented to in writing by the holder of record of the outstanding shares of stock of the Corporation; and

WHEREAS, in exchange for the Old Notes two and only two notes (the "Contingency Notes") are to be issued pursuant to this Indenture, being (i) the §211 Contingency Note in the principal amount of the principal and accrued interest to the date of Closing, as defined in the Limitation Agreement, on all obligations incurred pursuant to the Loan Agreement and (ii) the §511 Contingency Note in the principal amount of the outstanding principal and accrued interest to the date of such Closing on all obligations incurred pursuant to the Financing Agreement; and

WHEREAS, the §211 Contingency Note shall be substantially in the following form:

[FORM OF §211 CONTINGENCY NOTE]

DELAWARE AND HUDSON RAILWAY COMPANY

§211 Contingency Note dated January 4, 1984

DELAWARE AND HUDSON RAILWAY COMPANY, a corporation duly organized and existing under the laws of the State of Delaware (hereinafter called the "Corporation"), for value received, hereby promises to pay, but only out of the Mortgaged Property, as defined in the Indenture hereinafter mentioned, and not otherwise, to the United States of America, if and only if an Event of Reinstatement, as defined in the Indenture hereinafter mentioned, shall occur, the principal sum of $63,235,091.50, on the date of such Event of Reinstatement, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest on said principal sum at the rate of 11.149% per annum, in like coin or currency, from the date of such Event of Reinstatement, semi-annually each May 1 and November 1 thereafter until said principal sum is paid.

This Note is one of two Contingency Notes of the Corporation, hereinafter sometimes called the Notes, both issued under, and equally secured by, a general mortgage supplemental indenture, dated January 1, 1984, but effective on the date of delivery of this Note (hereinafter sometimes called the "Indenture"), executed by the Corporation to Key Bank, N.A., a national banking association (hereinafter called the

"Trustee"), as Trustee, to which Indenture and any and all supplements thereto reference is hereby made for a description of the properties and franchises mortgaged and pledged, the nature and extent of the security and the rights of the holders of the Notes and the rights, duties and immunities of the Trustee thereunder.

The holder of this Note by the acceptance of this Note agrees that the Notes are payable only out of, and are equally and ratably secured by the security interest in and the pledge of, the Mortgaged Property, as defined in the Indenture, and that (1) the holders of the Notes shall have recourse only against said Mortgaged Property for payment of the Notes by foreclosure or otherwise, (2) said holders shall not proceed against any other assets or be entitled to any deficiency judgment for any amounts of principal or interest remaining unpaid after completion of any foreclosure or other proceedings against said Mortgaged Property and (3) any holders of the Notes shall have the benefit of and be bound by the terms of a Limitation Agreement dated December 31, 1983, among the United States, the Corporation and Guilford Transportation Industries, Inc.; provided, however, that such acceptance shall not affect any rights or remedies against any person for actions which directly or indirectly adversely affect the Mortgaged Property.

This Note and the §511 Contingency Note of even date herewith in the principal sum of $12,434,766.95 are the only obligations which may be issued under and secured by the Indenture.

If an Event of Reinstatement, as defined in the Indenture, shall occur, the principal of the Notes shall become immediately due and payable on the date of such Event of Reinstatement and shall be satisfied in the manner provided in the Indenture.

The Corporation reserves the right, at any time and from time to time, to prepay all or any part of the principal of this Note, with any prepayment amount being not less than $100,000 until aggregating the full principal amount of the Note, without notice and without premium or penalty, by depositing such sum with the Trustee for the benefit of the holder of this Note.

No recourse shall be had for the payment of the principal of or interest on this Note against any incorporator, stockholder, officer or director, as such, of the Corporation by virtue of any statute or by the enforcement of any assessment, or otherwise, howsoever; provided, however, that nothing herein shall affect any rights or remedies against any person for actions which directly or indirectly adversely affect the Mortgaged Property.

This Note shall not be secured by or entitled to any benefits under the Indenture, or be valid or obligatory for any purpose, until this Note shall have been authenticated by the certificate hereon of the Trustee.

IN WITNESS WHEREOF, DELAWARE AND HUDSON RAILWAY COMPANY has caused this Note to be signed by the manual or facsimile signature of its Chairman of the Board or its President or one of its Vice Presidents and its corporate seal or a facsimile thereof to be affixed hereto or imprinted hereon and to be attested by the manual or facsimile signature of its Secretary or one of its Assistant Secretaries.

Dated: .....

DELAWARE AND HUDSON
RAILWAY COMPANY

By .....
President

ATTEST:

.....
Secretary

; and

WHEREAS, the text of the §511 Contingency Note shall be substantially the same as that of the §211 Contingency Note with appropriate omissions, insertions and variations; and

WHEREAS, the form of the Trustee's certificate of authentication to be endorsed on the Note shall be substantially as follows:

[Form of Trustee's Certificate of Authentication]

This Note is one of the two Contingency Notes, referred to in the within-mentioned Indenture.

Key Bank, N.A., *as Trustee*

By .....
Authorized Officer

; and

WHEREAS, all acts and things prescribed by law and by the Certificate of Incorporation and By-Laws of the Corporation necessary to make the Notes, when executed by the Corporation and authenticated by the Trustee as in this Indenture provided, the valid and binding obligations of the Corporation, and to make this Indenture a valid and binding

mortgage, deed of trust and agreement for the security of the Notes, have been done and performed, and the Corporation has executed this Indenture in the exercise of legal right, power and authority in it vested;

NOW, THEREFORE, for and in consideration of the premises, and in consideration of the acceptance of the Notes by the holders thereof, and of the sum of Ten Dollars ($10.00) lawful money of the United States of America duly paid by the Trustee to the Corporation at the time of delivery of this Indenture, the receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of both of the Notes to be issued and outstanding under this Indenture, according to their tenor and effect, and any interest thereon if, and when and as the same shall become payable, and to secure the performance and observance of all the covenants and conditions therein and herein contained, and in order to charge with such payment and with such performance and observance the Mortgaged Property, as hereinafter described, the Corporation has executed and delivered this Indenture and has mortgaged, pledged, granted, given bargained, sold, aliened, remised, released, conveyed, confirmed, assigned, transferred and set over and by these presents does mortgage, pledge, grant, give bargain, sell, alien, remise, release, convey, confirm, assign, transfer and set over unto the Trustee, and to its successor or successors in the trust and its assigns:

GRANTING CLAUSES

FIRST: All right, title and interest of the Corporation in and to (i) all the premises, property, rights and franchises of the Corporation constituting Railroad Operating Assets owned by the Corporation on the effective date of this Indenture, (ii) Deposited Cash and assets, including securities, hereafter acquired by the use of funds disbursed from Deposited Cash, whether directly or in accordance with Section 2.06 hereof, and (iii) property, including securities, received by the Corporation in exchange for property released from the lien of this Indenture, of every character whatever and wherever situated, except as hereinafter expressly excepted in the Excepted Properties clause or otherwise expressly excepted herein, or released from the lien of this Indenture in accordance with the provisions hereof, including, among other things, and without limiting the generality of the foregoing, those premises, property, rights and franchises referred to in the following Granting Clauses.

SECOND: All right, title and interest of the Corporation on the effective date of this Indenture in and to all of the Corporation's lines of railroad, which the Corporation represents and warrants to be the following:

A. The main line of railroad of the Corporation having an aggregate length of approximately 550 miles now operated by the Corporation, beginning at Wilkes-Barre, in the County of Luzerne, Commonwealth of Pennsylvania, and running northeasterly to Hudson, in the County of Luzerne; also beginning at Sunbury in the County of Northumberland, and running northeasterly through the counties of Northumberland, Montour, Columbia and Luzerne to Hudson and running thence northeasterly through Minooka Junction to Taylor, in the County of Lackawanna, and thence running northerly through Dalton in the County of Lackawanna and through the counties of Wyoming and Susquehanna, all in the Commonwealth of Pennsylvania, and thence running northeasterly through the City of Binghamton in the County of Broome, State of New York, to Nineveh, in the County of Chenango, State of New York; also beginning at Jefferson Junction in the County of Susquehanna, in the Commonwealth of Pennsylvania and thence running northeasterly through the County of Broome, State of New York to Nineveh, and thence running through Nineveh in the County of Chenango, Sidney, in the County of Delaware, Oneonta and Cooperstown Junction, in the County of Otsego, Cobleskill, in the County of Schoharie, to Delanson, in the County of Schenectady, all in the State of New York, where one main line continues easterly to Albany, in the County of Albany, thence northerly through Watervliet, Mechanicville, Coons and Crescent to Ballston Lake in the County of Saratoga, all in the State of New York, to a connection with the other main line extending northeasterly from Delanson through Schenectady to Glenville Junction, in the County of Schenectady, and from Glenville Junction, to Crescent, in the County of Saratoga, to a connection with the Boston and Maine Railroad, all in the State of New York, and to a connection with the main line of the Corporation running north from Albany to Ballston Lake; also continuing northerly from Glenville Junction through Ballston Spa, Saratoga Springs, and Moreau Junction, in the County of Saratoga, through Fort Edward and Whitehall, in the County of Washington, Fort Ticonderoga, in the County of Essex, South Junction, Plattsburg, and Rouses Point, in the County of Clinton, State of New York, and continuing northerly to the dividing line between the State of New York and the Dominion of Canada.

All of said main line of railroad (but excluding any interest of the State of New York in improvements to said line financed by grants from that State) being now owned by the Corporation except (a) those portions of the main line in the State of New York between Schenectady, in the County of Schenectady, and Saratoga Springs, in

the County of Saratoga, and between Albany, in the County of Albany, and Waterford Junction, in the County of Saratoga, and that portion of the main line in the Commonwealth of Pennsylvania between Wilkes-Barre, in the County of Luzerne, and Green Ridge, in the County of Lackawanna, said portions of the main line being operated by the Corporation under leasehold interests referred to below, and (b) those portions of the main line in the Commonwealth of Pennsylvania, between Buttonwood and Hudson, in the County of Luzerne, that portion of one main track in the state of New York, between Crescent and Coons in the County of Saratoga, and that portion of main line between W. Y. Cabin, Mechanicville and Coons, in the County of Saratoga, State of New York, which said portions are now owned by other railroad companies and upon which the Corporation has the trackage rights referred to below.

B. The branch lines of railroad now operated by the Corporation, including the following:

1. Carbondale Branch beginning on the main line at Minooka Junction in the Borough of Moosic, and running northeasterly through Scranton to the City of Carbondale, all in the County of Lackawanna, Commonwealth of Pennsylvania.

2. Vine Street Branch beginning at Green Ridge, and extending to Vine Street, all in the City of Scranton, County of Lackawanna, Commonwealth of Pennsylvania.

3. Northeastern Industrial Park Branch beginning on the main line at Voorheesville Junction in the Town of New Scotland and running to the Northeastern Industrial Park in the Town of Guilderland, all in the County of Albany, State of New York.

4. Green Island Branch beginning on the main line at Watervliet Junction and extending easterly to Green Island, all in the County of Albany, State of New York.

5. Troy Branch beginning on the Green Island Branch at Green Island and extending northerly to Ontario Street in the City of Cohoes, all in the County of Albany, State of New York.

6. Adirondack Branch beginning on the main line at Saratoga Springs, in the County of Saratoga, and running northerly through Thurman to North Creek, in the County of Warren, State of New York.

7. Glens Falls Branch beginning on the main line at Fort Edward, in the County of Washington, and running northerly to Glens Falls, in the County of Warren, State of New York.

8. Ausable Branch beginning on the main line at South Junction and running southerly to Salmon River Junction, all in the County of Clinton, State of New York.

9. Chateaugay Branch beginning at a point of connection on the Ausable Branch at Salmon River Junction and running westerly to Otis Junction, all in the County of Clinton, State of New York.

10. Mills Branch beginning on the main line of Consolidated Rail Corporation at Owego, in the County of Tioga, and running northerly through Tioga County to Harford Mills, in the County of Cortland, all in the State of New York.

All of the above mentioned branches (but excluding any interest of the State of New York in improvements to said branches financed by grants from the State) now owned by the Corporation, except the Mills Branch, which is operated by the Corporation under a leasehold interest referred to below, and the Chateaugay Branch, which is owned by the State of New York.

C. Any and all other lines of railroad owned at the effective date of this Indenture.

D. The following leasehold estates in lines of railroad:

1. The perpetual leasehold estate owned by the Corporation in the line of railroad of The Saratoga and Schenectady Rail Road Company, extending southerly on that portion of the main line from Saratoga Springs, in the County of Saratoga, to Schenectady, in the County of Schenectady, all in the State of New York.

2. The perpetual leasehold estate owned by the Corporation in the line of railroad of The Albany and Vermont Rail Road Company extending southerly on that portion of the main line from Waterford Junction, in the County of Saratoga, to Albany, in the County of Albany, all in the State of New York.

3. The perpetual leasehold estate owned by the Corporation in the line of railroad of Northern Coal and Iron Company (all of the capital stock of which is now owned by the Corporation) extending southerly on that portion of the main line from Green Ridge, in the County of Lackawanna, to Wilkes-Barre, in the County of Luzerne, all in the Commonwealth of Pennsylvania.

4. The leasehold estate of the Corporation in the Mills Branch (owned by the Tioga County Industrial Development Agency) extending northerly from Owego, in the County of Tioga, to Harford Mills in the County of Cortland, all in the State of New York.

together with any and all other leases owned at the effective date of this Indenture and granting to the Corporation the right to use lines of railroad (or facilities appurtenant thereto) owned by others and appurtenant to any line of railroad at any time subject to the lien of this Indenture, or relating to the ownership, use or operation of any terminals or stations situated along, or at the terminus of, any such lines of railroad, and all amendments, renewals and extensions of any lease at any time subject to the lien of this Indenture.

E. The Corporation's trackage rights and privileges acquired or existing with other railroad companies, including the following lines:

1. Trackage rights, subject to termination upon 90 days' notice, upon the line of railroad of the Boston and Maine Railroad Company from the point of connection at W. Y. Cabin, Mechanicville, New York, on the main line of the railroad and extending northerly to Coons, New York, and from Coons, New York, extending westerly over one track of the Boston and Maine to Crescent, New York.

2. Perpetual trackage rights upon the line of railroad of the Wilkes-Barre Connecting Railroad Company from the point of connection at Hudson, on the main line of the Corporation and extending southerly to Buttonwood, all in the County of Luzerne, Commonwealth of Pennsylvania.

3. Trackage rights, subject to termination upon 90 days' notice, upon the line of railroad of the Boston and Maine Railroad Company from the point of connection at Mechanicville, in the County of Saratoga and extending easterly to Eagle Bridge in the County of Rensselaer, all in the State of New York.

4. Trackage rights until December 31, 2008 upon the line of railroad of Consolidated Rail Corporation over the former Lehigh Valley Railroad Company from Oak Island Junction, New Jersey to Dupont, Pennsylvania; over the former Central Railroad Company of New Jersey from Oak Island Junction to Phillipsburg, New Jersey; over the former Lehigh Coal and Navigation Company from Fraser to Laurel Run and from Saucon Yard to Lehighton, all in the Commonwealth of Pennsylvania;

over the former Allentown Terminal Railroad Company from "R" Tower to Burn in the Commonwealth of Pennsylvania; over the former Reading Company from Burn to Pike, from Park to Reading and from Blandon to Klapperthall, all in the Commonwealth of Pennsylvania; over the former Northern Central Railway Company from Sunbury to Dauphin in the Commonwealth of Pennsylvania; over the former Penn Central Transportation Company from Kase to Sunbury and from Dauphin to Rockville, all in the Commonwealth of Pennsylvania, and over the former Erie Lackawanna Railway Company from Lanesboro, Pennsylvania to Buffalo "FW", New York and from Attica to Groveland, New York.

5. Trackage rights until November 30, 2008 upon the line of railroad of Consolidated Rail Corporation over the former Penn Central Transportation Company from Rockville to Banks, from Enola to Marysville, from Wago Junction to Port, from Rockville to State and from Royalton to Schocks, all in the Commonwealth of Pennsylvania; over the former Northern Central Railway Company from Banks to Wago Junction in the Commonwealth of Pennsylvania, and over the former Philadelphia, Baltimore and Washington Railroad Company from Port, Pennsylvania to Perryville, Maryland and from Landover, Maryland to Long Bridge, Virginia.

6. Trackage rights upon the line of railroad of National Railroad Passenger Corporation from Harris Tower to Royalton in the Commonwealth of Pennsylvania and from Post Road to Landover in the State of Maryland.

7. Trackage rights until 2010 upon the line of railroad of Consolidated Rail Corporation from Bridge No. 60 of Consolidated Rail Corporation to the Vine Street Branch of the Corporation in the City of Scranton, Commonwealth of Pennsylvania, and over the Keyser Valley Wye and Tracks 16, 17 and 18 in Taylor Yard at Taylor, Pennsylvania.

8. Trackage rights until 2010 upon the line of railroad of The Baltimore and Ohio Railroad Company from Shenendoah Junction, West Virginia to Anacostia, District of Columbia.

9. Trackage rights until 2010 upon the line of railroad of Western Maryland Railway Company from Lurgan, Pennsylvania to Hagerstown, Maryland.

10. Trackage rights until 2011 upon the line of railroad of Norfolk and Western Railway Company from Hagerstown, Maryland to Shenendoah Junction, West Virginia.

together with any and all other trackage, joint facility or other operating contracts or agreements owned at the date of this Indenture and granting to the Corporation the right to use lines of railroad (or facilities appurtenant thereto) owned by others and appurtenant to any line of railroad at any time subject to the lien of this Indenture, or relating to the ownership, use or operation of any terminals or stations situated along, or at the terminus of, any such lines of railroad, and all amendments, renewals and extensions of any trackage, joint facility or other operating contract or agreement at any time subject to the lien of this Indenture.

THIRD: Any and all rights of way, easements, lands, estates, tenements and hereditaments, fixtures, structures and improvements of whatever kind or description and wherever situated, now owned by the Corporation and constituting Railroad Operating Assets including, without limitation, any and all main, branch, spur, industrial, switch, connecting, storage, yard or terminal tracks, superstructures, roadbeds, bridges, trestles, culverts, viaducts, buildings, depots, stations, stockyards, warehouses, elevators, carhouses, engine houses, freight houses, machine shops and other shops, turntables, fuel stations, water stations, signals, interlocking plants, telegraph, telephone and other communication facilities, fences, docks, structures and fixtures, and all other things of whatsoever kind now owned by the Corporation and appurtenant to or used for transportation service upon or in connection with any of the Corporation's lines of railroad subject to the lien of this Indenture.

FOURTH: All rights to the use of any and all telegraph, telephone or other communication facilities owned by the Corporation and now existing along the Corporation's lines of railroad subject to the lien of this Indenture, and all replacements thereof owned by the Corporation, as they may be used from time to time or may be subject to use by the Corporation.

FIFTH: All right, title and interest of the Corporation in and to all Equipment, machinery, tools, implements, materials and supplies used in the business of railroad transportation now owned by, or the title to which is vested in, the Corporation, including all right, title and interest vested in the Corporation in and to any and all such Equipment, including without limitation railroad cars, locomotives and other rolling stock, leased to or possessed by the Corporation under any equipment trust

agreement and lease or other instrument evidencing the lease, conditional sale or bailment of any such Equipment.

SIXTH: All right, title and interest of the Corporation in and to the following securities:

1. 15,000 shares of common stock of Northern Coal and Iron Company, constituting the entire stock of said Company.

2. 3,448 shares of capital stock of The Saratoga and Schenectady Rail Road Company, constituting 76.62% of the stock of said company.

3. 4,561 shares of capital stock of The Albany and Vermont Rail Road Company, constituting 76.02% of the stock of said company.

4. 3,652 shares of capital stock of the Wilkes-Barre Connecting Railroad Company, constituting the entire stock of said company.

5. 23,910 shares of capital stock of The Napierville Junction Railway Company, constituting 99.62% of the stock of said company.

SEVENTH: Any and all corporate rights, powers, franchises, privileges and immunities now owned or possessed by the Corporation which may be necessary for or appurtenant to the use, operation, management, maintenance, renewal, alteration or improvement of the Corporation's lines of railroad subject to the lien of this Indenture or any other property subject to the lien of this Indenture.

EIGHTH: All right, title and interest of the Corporation on the date of this Indenture in, to or under all leases and trackage, joint facility or other operating contracts or agreements, leasing or granting to others the right to use lines of railroad owned by the Corporation and subject to the lien of this Indenture or facilities appurtenant thereto.

NINTH: all timber and minerals, including coal, oil, gas, sulphur and other minerals, whether or not similar to the minerals herein specifically mentioned and whether now known to exist or hereafter discovered, and any right, title or interest of any character whatsoever in said timber and minerals upon, under or in any of the property at any time subject to the lien of this Indenture, and all structures, equipment and facilities used or provided in connection therewith, together with the right herein reserved in the Corporation of ingress and egress over, on or upon any of the Mortgaged Property at any and all times for the purposes of developing, exploring for, drilling, mining, removing or processing said timber and minerals, subject to the limitation that the use of the property subject to the lien of this Indenture for railroad purposes may not be unreasonably interfered with or adversely affected.

TENTH: all insurance policies and rights thereunder in respect of any Mortgaged Properties.

EXCEPTED PROPERTIES

Anything hereinabove contained to the contrary notwithstanding, the Corporation excepts and reserves, from the grants hereby made and the lien hereof, the following described properties of the Corporation, whether now owned or hereafter acquired (hereinafter sometimes termed collectively "Excepted Properties"), and the Corporation represents and warrants that (a) the parcels of real property listed in paragraph 12 below, the former lines of railroad listed in paragraph 13 below and the stock listed in paragraph 14 below are not Railroad Operating Assets and (b) sale or disposition of any of the parcels of real property listed in paragraph 12 below or the former lines of railroad listed in paragraph 13 below will not adversely affect the ability of the Corporation to maintain any of the Corporation's lines of railroad constituting Mortgaged Property and adjacent to any such parcel or line:

1. all cash on hand or in banks, contracts, choses in action, notes and accounts receivable, patents, patent rights, patent applications, trade names, trademarks, claims, credits, judgments, choses in action and other intangible rights, other than any of the foregoing which are specifically by the express provisions of this Indenture subjected or required to be subjected to the lien hereof;

2. all materials and supplies or construction materials;

3. all tools or machinery not constituting fixtures;

4. all rents, issues, tolls, profits or other income of the property herein or hereafter subject to the lien hereof;

5. all marine equipment, buses, trucks, automobiles or airplanes;

6. all office equipment, furniture and fixtures and all accessories, attachments and supplies used or intended for use in connection therewith;

7. all Air Rights and Non-interfering Rights, provided that the use of such Air Rights or Non-interfering Rights does not unreasonably interfere with or adversely affect the use for railroad purposes of the surface of the earth beneath such Air Rights or adjacent to such Non-interfering Rights;

8. all insurance policies and rights thereunder in respect of any Excepted Properties;

9. all certificates of public convenience and necessity and similar certificates and franchises for motor carrier operations and for water

carrier operations, and all vehicles, boats, barges and other equipment, machinery, tools, implements, materials and supplies used in connection therewith;

10. the last day of the term of each leasehold estate or any renewal thereof (oral or written, or any agreement therefor) subject to the lien of this Indenture to the extent necessary to prevent the pledge hereunder of such lease or renewal from constituting an assignment by the lessor which would cause the lessee to attorn to the assignee and to pay the lease rentals directly to the assignee; provided, however, that any renewal of any such leasehold estate shall be subject to the lien of this Indenture;

11. all franchises, permits, grants, leases or other interests in property which by their terms or by reason of applicable law would become void or voidable if mortgaged or pledged by the Corporation;

12. the following parcels of real property:

a. All that certain piece or parcel of land, situate, lying and being in the Township of Hanover, County of Luzerne, Commonwealth of Pennsylvania distant northerly thirty (30) feet from the center line of the main line track and bounded by Breaker, Ferry and Fellows Roads, containing approximately six (6) acres.

b. All that certain piece or parcel of land, situate, lying and being in the Township of Hanover, County of Luzerne, Commonwealth of Pennsylvania distant northerly sixty (60) feet from the center line of the Main Line Track and bounded by Fellows Road, Colley Street and West End Road, containing approximately fifteen (15) acres.

c. All that certain piece or parcel of land situate, lying and being partially in the Township of Hanover and partially in the City of Wilkes-Barre, County of Luzerne, Commonwealth of Pennsylvania distant northerly fifty (50) feet from the center line of the Main Line Track and bounded by West End Road, Lynwood Avenue and Gladstone Lane, containing approximately twenty (20) acres.

d. All that certain piece or parcel of land situate, lying and being in the Borough of Clarks Summit, County of Lackawanna and Commonwealth of Pennsylvania southwesterly of Lackawanna Trail and northwesterly of Grand Avenue, containing approximately four (4) acres.

e. All that certain piece or parcel of land situate, lying and being in the Borough of Olyphant, County of Lackawanna, Commonwealth of Pennsylvania distant southwesterly twenty-five

(25) feet from the center line of the Carbondale Branch, bounded by Garfield and Valley Avenues, containing approximately six (6) acres.

f. All that certain piece or parcel of land situate, lying and being in the City of Carbondale, County of Lackawanna, Commonwealth of Pennsylvania distant southeasterly fifteen (15) feet from the center line of the Carbondale Branch between Seventh and Eighth Avenues, containing approximately five-tenths (0.5) of an acre.

g. All those certain pieces or parcels of land situate, lying and being partially in the City of Carbondale and partially in the Township of Fell, County of Lackawanna, Commonwealth of Pennsylvania, distant easterly and westerly twenty-five (25) feet from the center lines of the Carbondale Branch and the Thoroughfare Track, between Dundaff Street and Simpson Viaduct, containing approximately one hundred five (105) acres.

h. All that certain piece or parcel of land situate, lying and being partially in the Town of Oneonta and partially in the City of Oneonta, County of Otsego, State of New York, distant northerly two hundred (200) feet from the center line of the South Bound Main Line Track between Cepperley and Fonda Avenues, containing approximately one hundred fifty (150) acres.

i. All that certain piece or parcel of land situate, lying and being in the Village of Cobleskill, County of Schoharie, State of New York distant southerly fifty (50) feet from the center line of the North Bound Main Line Track, bounded by NYS Route 7 and the Cobleskill Creek, containing approximately forty-one (41) acres.

j. All that certain piece or parcel of land situate, lying and being partially in the Town of Worcester, County of Otsego, and partially in the Town of Richmondville, County of Schoharie, State of New York distant westerly fifty (50) feet from the center line of the South Bound Main Line Track between Mile Posts A 55 and A 53.4, containing approximately two hundred fifty (250) acres.

k. All that certain piece or parcel of land situate, lying and being in the City of Schenectady, County of Schenectady, State of New York distant easterly seventy (70) feet from the center line of the North Bound Main Line Track and northerly of Maxon Road, containing approximately twenty-seven (27) acres.

l. All that certain piece or parcel of land situate, lying and being in the Town of Glenville, County of Schenectady, State of New York distant northwesterly thirty-three (33) feet from the center line of the South Bound Main Line Track bounded by Alplaus Road and Alplaus Avenue, containing approximately one hundred (100) acres.

m. All that certain piece or parcel of land situate, lying and being in the Town of Glenville, County of Schenectady, State of New York distant southeasterly thirty-five (35) feet from the center line of the North Bound Main Line Track, bounded on the southwest by lands now or formerly of Niagara Mohawk Power Corporation, on the southeast partially by the Mohawk River and Belmont Avenue and on the northeast by Alplaus Avenue, containing approximately six-four (64) acres.

n. All that certain piece or parcel of land situate, lying and being in the Town of Glenville, County of Schenectady, State of New York distant westerly twenty-seven (27) feet from the center line of the North Bound Main Line Track, bounded by Alplaus Avenue, Maple Avenue and Boston and Maine Railroad, containing approximately eighteen (18) acres.

o. All that certain piece or parcel of land situate, lying and being in the Town of Glenville, County of Schenectady, State of New York distant easterly seventeen (17) feet from the center line of the North Bound Main Line Track, bounded by Alplaus Avenue, lands now or formerly of Charles E. Heckeler, and Boston and Maine Railroad, containing approximately twenty-one (21) acres.

p. All that certain piece or parcel of land situate, lying and being in the Village of Altamont, County of Albany, State of New York, comprising the former freight house property, distant northeasterly twenty-two (22) feet from the center of the Main Line Track, containing approximately two (2) acres.

q. All that certain piece or parcel of land situate, lying and being in the Village of Green Island, County of Albany, State of New York bounded by Albany Avenue, Lower Hudson Avenue and the Hudson River, containing approximately five and four-tenths (5.4) acres.

r. All that certain piece or parcel of land situate, lying and being in the Town of Colonie, County of Albany, State of New York, having about two hundred twelve (212) feet frontage on Eighth Avenue and containing approximately one (1) acre.

s. All that certain piece or parcel of land situate, lying and being in the Village of Fort Edward, County of Washington, State of New York, distant southeasterly one hundred twenty (120) feet from the center line of the North Bound Main Line Track between Mile Post A-56 and the Village of Fort Edward/ Town of Fort Edward boundary line, containing approximately twenty-seven (27) acres.

t. All that certain piece or parcel of land situate, lying and being in the City of Binghamton, County of Broome, State of New York, distant northerly ten (10) feet from the center line of the Main Line Track between Chenango Street and former Liberty Street, containing approximately six (6) acres.

u. All that certain piece or parcel of land situate, lying and being in the Town of Fort Ann, County of Washington, State of New York, distant easterly forty-two (42) feet from the center line of the Main Line Track from Mile Post A 70.87 to Mile Post A 71.23, containing approximately nine and two-tenths (9.2) acres.

v. All that certain piece or parcel of land situate, lying and being in the Town of Wilton, County of Saratoga, State of New York, distant easterly twenty (20) feet from the center line of the Main Line Track from Mile Post A 46.42 to Mile Post A 46.59 adjacent to Pettis Road, containing approximately four and five-tenths (4.5) acres.

w. All that certain piece or parcel of land situate, lying and being in the Town of Maryland, County of Otsego, State of New York, commonly known as Schenevus Lake, distant southerly fifty (50) feet from the center line of the Main Line Track from Mile Post A 67.26 to Mile Post A 67.91, containing approximately thirty-nine (39) acres.

x. All that certain piece or parcel of land situate, lying and being in the Township of Upper Augusta, County of Northumberland, Commonwealth of Pennsylvania, commonly known as the East Leg of the wye track, distant easterly thirty (30) feet from the Main Line Track, from USRA Lateral Cut Line near Kase Tower to Mile Post 1, containing approximately twenty-seven (27) acres.

y. All that certain piece or parcel of land situate, lying and being in the City of Nanticoke, County of Luzerne, Commonwealth of Pennsylvania, commonly known as the freight house

property, distant southerly fifty (50) feet from the center line of the Main Line Track, adjacent to Railroad Street, containing approximately one (1) acre.

z. All that certain piece or parcel of land situate, lying and being in the Township of Plains, County of Luzerne, Commonwealth of Pennsylvania and lying northerly of the northerly property line of the Wilkes-Barre Connecting Railroad Company from a point near the City of Wilkes-Barre/Township of Plains boundary line to Mile Post A 208 and a line distant northerly twenty-five (25) feet from the center line of the South Bound Main Line Track between Mile Post 208 and Miner Street, containing approximately twenty-six (26) acres.

aa. All that certain piece or parcel of land situate, lying and being in the Township of Plains, County of Luzerne, Commonwealth of Pennsylvania distant northerly twenty-five (25) feet from the center line of the South Bound Main Line Track, fronting on Miner and School Streets, containing approximately five-tenths (0.5) of an acre.

bb. All that certain piece or parcel of land situate, lying and being in the City of Scranton, County of Lackawanna, Commonwealth of Pennsylvania distant westerly thirty-three (33) feet from the center line of the Carbondale Branch, bounded by Marion Street, Von Storch Avenue and Green Ridge Street, containing approximately three and two-tenths (3.2) acres.

cc. All that certain piece or parcel of land situate, lying and being in the City of Albany, County of Albany, State of New York and bounded by land now or formerly of The Standard Oil Company of New York, Broadway, Island Creek Slip and the Hudson River, containing approximately one and five-tenths (1.5) acres.

13. The following former lines of railroad:

a. The former Plymouth Branch in the Borough of Larksville and City of Wilkes-Barre, County of Luzerne, Commonwealth of Pennsylvania, running from a connection with the Wilkes-Barre Connecting Railroad Company to South Wilkes-Barre and Plymouth Junction and running northerly to U.S. Route 11 in Larksville.

b. The former Poplar Street Branch off the Vine Street Branch, beginning at the Vine Street Branch and extending along

Poplar Street to Adams Street, all in the City of Scranton, County of Lackawanna, Commonwealth of Pennsylvania.

c. The former main line beginning at Mile Post A-174 in the Township of Fell, County of Lackawanna, Commonwealth of Pennsylvania and running northeasterly through the counties of Lackawanna, Wayne and Susquehanna to PA Route 296 at Stevens Point, Mile Post A-142.5.

d. The former portion of the Troy Branch beginning at Hudson Street and running northerly through Third Street, NY Route 32, all in the Village of Waterford, County of Saratoga, State of New York.

e. That former portion of the Washington Branch beginning at State of Vermont/State of New York boundary line and running southerly through Granville, in the County of Washington, State of New York; West Pawlet, in the County of Rutland, State of Vermont; Rupert, in the County of Bennington, State of Vermont; and Greenwich Junction in the County of Washington, State of New York, to Eagle Bridge in the County of Rensselaer, State of New York.

f. The former Salem Branch beginning at Greenwich Junction on the former portion of the Washington Branch, and running southerly to Greenwich, in the County of Washington, State of New York.

g. The former Baldwin Branch beginning on the main line at Delano Junction, in the County of Essex, and running northerly to Ticonderoga, in the County of Essex, State of New York.

h. The former Ticonderoga Branch beginning on the Baldwin Branch at Ticonderoga Junction, in the County of Essex, and running northerly to Ticonderoga, in the County of Essex, State of New York.

i. The former Warrensburgh Branch beginning at Thurman on the Adirondack Branch, in the County of Warren and running northerly to Warrensburgh, in the County of Warren, State of New York.

j. That former portion of the Ausable Branch beginning at the Town of Peru/Town of Ausable boundary line in the County of Clinton and running southwesterly through the Towns of Ausable and Black Brook to Ausable Forks, in the County of Clinton, State of New York.

k. That former portion of the Chateaugay Branch beginning in the Village of Dannemora, in the County of Clinton and running westerly through the Towns of Saranac and Dannemora to Lyon Mountain, in the County of Clinton, State of New York.

l. The former Lake Champlain and Moriah Branch beginning in the Village of Port Henry, in the County of Essex, and running through the Town of Moriah, in the County of Essex, State of New York.

m. The former South Glens Falls Branch beginning on the main line at Moreau Junction, in the County of Saratoga, and running northerly to South Glens Falls, in the County of Saratoga, State of New York.

n. That former portion of the Saratoga Industrial Spur beginning at the westerly line of West Avenue and running easterly and northerly to the south line of Congress Street, all in the City of Saratoga Springs, County of Saratoga, State of New York.

o. That former portion of the Ballston Spa Industrial Spur beginning at westerly line of the former Grove Street freight house building and running westerly and northerly to the southerly line of Front Street, all in the Village of Ballston Spa, County of Saratoga, State of New York.

14. the following securities:

a. 2,250 shares of common stock of the Greenwich & Johnsonville Railway Company, constituting the entire stock of said company.

b. 2,030 shares of capital stock of the Hudson River Estates, Inc. constituting the entire stock of said company.

c. 100 shares of capital stock of the Delaware and Hudson Communications Company, constituting the entire stock of said company.

d. 100 shares of capital stock of the Northern New York Development Company, constituting the entire stock of said company.

e. 500 shares of capital stock of the Albany Port Railroad Corporation, constituting 50% of the stock of said company.

f. 374,965 shares of capital stock of the Wyoming Valley Improvement Company (formerly The Hudson Coal Company), constituting the entire stock of said company.

g. 100 shares of capital stock of The New York Business Development Corporation.

h. 3,063 shares of capital stock of The Pullman Company.

provided, however, that upon the occurrence of an Event of Reinstatement all or such part of the Excepted Properties described in paragraphs 1 through 9 above then owned by the Corporation shall immediately become subject to the lien of this Indenture to the extent permitted by law.

All properties, securities, rights and franchises mentioned in the Granting Clauses of the 1976 Mortgage which are mentioned in these Excepted Properties Clauses of this Indenture are hereby released from the lien of the 1976 Mortgage, as amended and restated by this Indenture, and the United States of America, by its execution hereof, hereby consents, on behalf of itself and the United States Railway Association, to such release.

To Have And To Hold the premises, railroads, railroad property and appurtenances, rights, privileges, franchises, estates, leaseholds, securities, Deposited Cash, and other property hereby conveyed, or which may be conveyed or assigned by indentures supplemental hereto, unto the Trustee, its successor or successors in trust and assigns, forever;

Subject, However, (a) to Excepted Encumbrances, (b) Prior Liens, (c) in respect of existing Equipment, to Equipment Agreements now in effect or hereafter executed in accordance with the provisions hereof and (d) in respect of property or Equipment acquired after the effective date of this Indenture by the use of Deposited Cash, to liens thereon permitted by the provisions hereof;

Subject Also to the lien of the First Mortgage Trust Indenture ("First Mortgage"), dated January 1, 1984, from the Corporation to State Bank of Albany, as trustee, as hereafter amended and supplemented in accordance with the provisions thereof and hereof, securing obligations of the Corporation issued thereunder in accordance with this Indenture.

But In Trust Nevertheless for the equal and proportionate benefit and security of all of the present and future holders of the Notes, and for the enforcement of the payment of the principal of the Notes, and interest, if any, thereon as and when payable, and the performance of and compliance with the covenants and conditions of this Indenture, without preference, priority or distinction as to lien or otherwise of either Note over the other Note, so that each Note shall have the same right, lien and privilege under this Indenture, and the principal of and interest, if any, payable on each Note shall be equally and ratably secured hereby.

AND IT IS HEREBY COVENANTED AND DECLARED that both of the Notes are to be issued, authenticated and delivered, and that the Mortgaged Property is to be held and disposed of by the Trustee, upon and subject to the covenants, conditions, uses and trusts hereinafter set out.

ARTICLE ONE

DEFINITIONS; AMOUNT, FORM AND EXECUTION OF NOTES

SECTION 1.01. The terms defined in this Section 1.01, whenever used in this Indenture, shall, unless the context shall otherwise require, have the respective meanings hereinafter in this Section 1.01 specified.

"Accounting Principles" means, with reference to any specific Bondable Expenditure, either the Accounting Rules or generally accepted accounting principles, as the Corporation in its sole discretion may elect, in either case consistently applied.

"Accounting Rules" means the Interstate Commerce Commission's Uniform System of Accounts for Railroad Companies, as in effect at the time in question, or the accounting rules of any other Federal authority having jurisdiction over the accounts of railroad companies, or, to the extent not determined thereby or in case there be no such accounting rules of the Interstate Commerce Commission or other Federal authority in effect at such time and applicable to railroad companies, generally accepted accounting principles.

"Administrator" means the Federal Railroad Administrator or other delegate of the Secretary.

"Affiliate" means any person or corporation directly or indirectly controlling or controlled by or under direct or indirect common control with the entity to which reference is being made, the terms "control", "controlling" and "controlled" meaning or referring to the right to vote a majority of the outstanding shares of capital stock having the right to elect a majority of the board of directors of the corporation in question.

"Air Rights" means any estate or interest in space above the surface of the earth, together with any estate or interest in the surface or subsurface below such space which is conveyed with such space for the purpose of providing support for, or access to, or any other right necessary in connection with, any structure or structures within such space or to be constructed within such space.

"Board of Directors" means the Board of Directors of the Corporation as from time to time constituted, and if there shall be an Executive Committee of the Corporation, such Executive Committee.

"Bondable Additions" means property constructed or acquired, and additions, betterments or extensions to existing property made, by Bondable Expenditures.

"Bondable Expenditures" means (i) all costs incurred by the Corporation, to the extent that capital assets acquired by the expenditure of such costs are not subject to a Prior Lien, which costs may be capitalized in accordance with Accounting Principles, and which costs have been incurred in connection with the construction, acquisition or improvement of capital assets or the repair, restoration or replacement of damaged or destroyed capital assets, and (ii) all costs incurred by the Corporation in connection with the performance of deferred maintenance which accrued prior to the date of this Indenture. "Improvement" means the replacement of a capital asset or any alteration thereof which shall increase its useful life.

"Certified Resolution" means a resolution of the Board of Directors certified by the Secretary or an Assistant Secretary of the Corporation under its corporate seal to have been duly adopted by the Board of Directors and to remain in full force and effect at the date of such certification.

"Corporation" means Delaware and Hudson Railway Company and any successor to it which shall have complied with the provisions of Article Ten hereof.

"Corporation's lines of railroad" mean the whole of the Corporation's interest in the real estate, ballast, ties, rails and all structures and edifices normally used for transporation upon the right of way of said lines of railroad; and the term shall include any main or branch lines of railroad which the Corporation may own either solely or jointly or over which the Corporation may operate or have any right to operate under any lease or trackage agreement or otherwise.

"Delaware & Hudson First and General Mortgage" means the First and General Mortgage from the Corporation to First National City Bank (now Citibank, N.A.), as Trustee, dated as of May 1, 1963.

"Deposited Cash" means all cash at any time deposited with the Trustee pursuant to any provision of this Indenture, including the items mentioned in the first paragraph of Section 2.04 hereof, other than moneys to which the Corporation is entitled pursuant to the provisions of Sections 5.03 or 8.02 of this Indenture.

"Equipment" means all property classified as of the effective date of this Indenture as equipment under the Accounting Rules.

"Equipment Agreement" means any equipment trust agreement and lease or any conditional sale agreement or any lease or any chattel mortgage pertaining to Equipment which constitutes a lien on such Equipment senior to the lien of this Indenture.

"Event of Reinstatement" shall have the meaning set forth in Section 6.01 hereof.

"Excepted Encumbrances" means, as of any particular time, any of the following:

(1) liens for taxes, assessments or governmental charges not then delinquent; liens for workmen's compensation awards and similar obligations not then delinquent; liens or encumbrances in connection with litigation against the Corporation concerning claims for personal injuries or damages to property arising out of the operation of its business if entitled to priority over the lien of this Indenture by operation of law; other liens not exceeding $100,000 in the aggregate arising out of litigation against the Corporation; liens for the payment or discharge of which provisions satisfactory to the Trustee have been made; mechanics', laborers', materialmen's and similar liens not then delinquent; any liens of the character referred to in this subparagraph (1), irrespective of amount, whether or not delinquent, the validity of which is being contested at the time by the Corporation in good faith by appropriate proceedings; and undetermined liens or charges incidental to construction and not at the time due;

(2) liens securing indebtedness neither payable nor assumed nor guaranteed by the Corporation or any affiliate or Pledged Subsidiary, nor on which any of them customarily pays interest, on property with respect to which the Corporation owns easements;

(3) rights reserved to or vested in any governmental authority or agency or in any municipality by the terms of any franchise, grant, license or permit or by any provision of law to terminate such franchise, grant, license or permit, or to purchase or appropriate or recapture, or to designate a purchase of, any of the Mortgaged Property; or to demand and collect any tax or other compensation for the use of streets or other public places or to control or regulate the Mortgaged Property;

(4) any obligation or duty affecting the Mortgaged Property or the use, removal, control or regulation thereof by any public authority, under any franchise, grant, license or permit or provision of law;

(5) rights of lessees under leases from the Corporation in effect prior to the effective date hereof or, if the lease is made effective

subsequent to the effective date hereof, made in accordance with this Indenture, and interests of others than the Corporation in property owned jointly or in common; and

(6) easements, rights of way, exceptions, reservations, restrictions, conditions, limitations, covenants, adverse rights or interests and any other defects or irregularities in title affecting the Mortgaged Property which do not materially affect the use of the Mortgaged Property for the purposes for which it is held by the Corporation.

"Financing Agreement" means the Agreement dated Feburary 9, 1978 between the Corporation and the Administrator pursuant to which the Corporation incurred "511 Debt", which after delivery of the Notes will be evidenced by the §511 Contingency Note.

"Guilford" means Guilford Transportation Industries, Inc., a Delaware corporation, and its successors.

"Holder" or "holders" means the owner or owners of the Notes at any time. If the Secretary continues to be a holder of any Note, under any circumstances where action may be taken by the Secretary, third party holders may act only in accordance with a majority vote of all holders of the Notes, including the Secretary, with one vote for each $100,000 in principal amount of Notes held. In any event, if the Secretary continues as a holder, the Secretary shall be able to act independently, if action is permissive; provided, however, that if the action sought by the Secretary differs from the action sought by the majority in principal amount of such holders, the action most restrictive to the Corporation shall be applied.

"Independent", when applied to any person whose profession gives authority to a statement made by him, shall mean such a person who is in fact independent and does not have any substantial interest, direct or indirect, in the Corporation or any Affiliate, but such person may be regularly retained by the Corporation or any Affiliate. If such person be an individual, he shall not be a director, officer or employee of the Corporation or an Affiliate. If such person be a co-partnership or corporation, it shall not be an Affiliate, and shall not have a partner, director or officer who is a director, officer or employee of the Corporation or any Affiliate. Each certificate filed with the Trustee under any provision of this Indenture and signed by a person purporting to be independent shall state that the signer has read this definition and is independent as provided herein.

"Indenture" means this Indenture, as the same may from time to time be supplemented, modified or amended by any supplemental indenture entered into pursuant to any of the provisions hereof.

"Interstate Commerce Commission" means that commission or any Federal governmental authority which shall at the time exercise powers in regard to railroads now exercised by the Interstate Commerce Commission.

"Limitation Agreement" means the agreement dated December 31, 1983, by and among the United States, the Corporation and Guilford.

"Loan Agreement" means the Agreement dated March 15, 1976, between the Corporation and United States Railway Association pursuant to which the Corporation incurred "211 Debt", which after delivery of the Notes will be evidenced by the §211 Contingency Note.

"Mortgaged Property" means all properties, rights, franchises, securities, cash and other interests subject to the lien of this Indenture, all as described in the Granting Clauses, other than Excepted Properties and any property released from the lien of this Indenture or otherwise disposed of, all in accordance with the provisions of the Indenture.

"Non-interfering Rights" means any lease, easement, license, right, estate or interest granted or sold by the Corporation in any real estate subject to the lien of this Indenture which does not have an adverse effect on the ability of the Corporation to use such real estate for railroad purposes.

"Note" or "Notes" means, as the case may be, the §211 Contingency Note or the §511 Contingency Note or both such Notes.

"Officers' Certificate" means a certificate signed (a) by the Chairman of the Board, the President or a Vice President of the Corporation and (b) by the chief finance officer, chief accounting officer, comptroller, treasurer, the chief engineer, an assistant comptroller or assistant treasurer of the Corporation, and dated not more than thirty days prior to the date when such certificate is filed with the Trustee.

"Opinion of Counsel" means a written opinion of counsel satisfactory to the Trustee, who may be counsel for the Corporation.

"Paying Agent" means any corporation, partnership, or other person appointed or designated by the Corporation to pay the principal of or interest, if any, on either or both of the Notes.

"Pledged Subsidiary" means any corporation, 50% or more of the capital stock of which having general voting power for the election of directors is owned by the Corporation and all of the capital stock of which owned by the Corporation is subject to the lien of this Indenture.

"Principal office of the Trustee" means the office of the Trustee at which the principal office of its corporate trust department is at the time located.

"Prior Lien" means any mortgage or other lien (other than an Excepted Encumbrance or an Equipment Agreement) constituting a charge on property subject to the lien of this Indenture prior to the lien of this Indenture and which has arisen solely by (1) the renewal, extension or refunding of the obligation secured by a Prior Lien in accordance with Section 3.07 hereof, (2) the incurrence of Qualified Senior Debt or (3) the acquisition by the Corporation of an asset with Deposited Cash or as consideration for the sale of Mortgaged Property.

"Prior Lien Indenture" means any mortgage or other instrument creating a Prior Lien entered into by the Corporation in accordance with, and subject to the conditions of, this Indenture.

"Prior Lien Securities" means all indebtedness secured by any Prior Lien.

"Qualified Senior Debt" shall have the meaning set forth in the second paragraph of Section 3.07 hereof.

"Railroad Operating Assets" means only those properties, franchises and rights owned by the Corporation on the effective date of this Indenture and actually used in connection with the provision of rail transportation services.

"Receiver" means a receiver or receivers of all or a substantial part of the property of the Corporation appointed in an action in a court of competent jurisdiction or a trustee or trustees appointed in reorganization proceedings under Subchapter IV of Chapter 11 of the Bankruptcy Code or any other proceeding relating to the reorganization of a railroad or any other official or officials having powers similar to those of such a receiver or trustee and having possession of or title to (or both) all or a substantial part of the property of the Corporation.

"Refunded securities" means the refunded Prior Lien Securities.

"Refunding", when applied to Prior Lien Securities, includes paying, redeeming, exchanging, acquiring or retiring the same (before, at or after the maturity thereof) or reimbursing the Corporation for expenditures made at any time after the date of this Indenture for any of those purposes.

"Request" means a written request for the action therein specified, duly executed on behalf of the Corporation by the Chairman of the Board or the President or any Vice President of the Corporation.

"Secretary" means the Secretary of Transportation of the United States of America or such other officer as may from time to time fulfill substantially the same function or to whom such function shall have been lawfully transferred.

"Securities" shall, unless the context shall otherwise require, include bonds, notes and other evidences of indebtedness, secured or unsecured, and stock.

"Trustee" means the trustee herein named or any successor or successors to it as trustee hereunder.

SECTION 1.02. The §211 Contingency Note in the aggregate principal amount of $63,235,091.50, and the §511 Contingency Note in the aggregate principal amount of $12,434,766.95, are the only obligations issuable under and secured by this Indenture.

The Notes shall be substantially in the form recited in the preambles to this Indenture.

The Notes constitute non-negotiable instruments payable to the United States of America and may be transferred by assignment. The United States represents that it is acquiring the Notes pursuant to the Limitation Agreement and Federal legislation and not with a view to, or for sale in connection with, any distribution thereof. All holders of the Notes at any time acknowledge that they may be restricted in the resale, transfer or other disposition of such Notes or part thereof by Federal or state statutes or rules and regulations thereunder. Upon the request of any holder of the Notes or part thereof, the Corporation shall make available adequate current public information concerning the Corporation to enable such holder to sell the Notes or part thereof in compliance with any such Federal or state statutes or rules and regulations thereunder, whether or not the Notes are in fact to be offered for sale.

Each and every holder of the Notes shall give written notice to the Corporation, before transferring any of the Notes, of the intention of such holder to so transfer, describing briefly the manner of such proposed transfer. Such notice shall include an Opinion of Counsel for such holder stating that the proposed transfer may be effected without registration, authorization or qualification of the Notes under the Securities Act of 1933, the Interstate Commerce Act, or any federal or state law as then in force. Promptly upon receiving such written notice, the Corporation shall present copies thereof to its counsel (whose fees shall be paid by the Corporation). Not earlier than 15 days after receipt by the Corporation of such notice, such holder shall be entitled to transfer the Notes in accor-

dance with their terms and the terms of the notice unless (i) within such 15 day period the Corporation's counsel renders an opinion disagreeing with counsel for the holder and (ii) the holder is notified, and promptly thereafter provided a copy, of the opinion of the Corporation's counsel. No other process of transfer of the Notes without registration, authorization or qualification shall be valid. The Corporation shall be under no obligation to pay for any registration of the Notes under applicable state and Federal laws, rules and regulations, or otherwise to pay (except for fees of its counsel) for any actions which might be necessary to accomplish a transfer of the Notes under such laws. In addition, the Secretary (and no other holder) hereby acknowledges and agrees that no Notes shall be transferred or conveyed except upon twenty days' prior written notice to the Corporation of the terms and conditions of such proposed transfer or conveyance and that, for twenty days after receipt of such notice, the Corporation shall have the right of first refusal to purchase any Notes to be transferred or conveyed on the terms and conditions specified in such notice.

Either or both of the two initial Notes may, upon surrender thereof in connection with the proposed sale or transfer of such Note, be exchanged for one or more such Notes of like form for the same aggregate principal, but only in principal amounts of $100,000 or whole number multiples of $100,000. All exchanges made pursuant to this Section 1.02 shall be made at the expense of the holder of the Note, and any taxes or other charges paid or payable with respect to the same shall be paid by the holder requesting exchange as a condition precedent to the exercise of such privilege.

The Trustee may deem and treat the United States of America as the holder of each Note until such time as a new holder shall assert its ownership and demonstrate to the satisfaction of the Trustee the fact of ownership. Any communications, reports, payments or transfers required to be made to the holders of the Notes by the terms of this Indenture shall be made to the address and designation last filed with the Trustee by such holder for such purpose.

SECTION 1.03. The Notes shall

(1) be dated January 4, 1984:

(2) mature on the date of an Event of Reinstatement;

(3) bear interest, but only from the date of an Event of Reinstatement until the principal amount thereof is paid, at the rate of 11.149% of per annum in the case of an § 211 Note and 12.547% per annum in the case of a § 511 Note, payable in either case semi-annually on May 1 and November 1 of each year;

(4) be payable as to principal and interest, if any, at the address and designation last filed with the Trustee by the holder, but only out of the Mortgaged Property, and not otherwise, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts; and

(5) be limited (except as provided in Section 1.06 hereof) in aggregate principal amount to their original face amounts.

SECTION 1.04. Neither Note shall be valid or obligatory for any purpose or be secured by this Indenture, or be entitled to any right or benefit hereunder, unless and until a certificate of authentication shall have been executed upon such Note by the Trustee as provided herein.

Any such authentication of a Note by the Trustee shall be conclusive evidence that such Note is a valid obligation of the Corporation and that the holder of such Note is entitled to the benefits of the trust hereby created and all rights under this Indenture equally and proportionately with all present and future holders of the Notes so authenticated.

SECTION 1.05. The Notes shall be executed on behalf of the Corporation by the manual or facsimile signature of its Chairman of the Board or its President or one of its Vice Presidents, and shall have its corporate seal or a facsimile thereof thereunto affixed or imprinted thereon and attested by the manual or facsimile signature of its Secretary or one of its Assistant Secretaries, and shall be delivered to the Trustee for authentication by it; and thereupon, as provided in this Indenture and not otherwise, the Trustee, upon receipt of a Request of the Corporation therefor, shall authenticate such Notes and shall deliver the same to the Corporation or otherwise as may be specified in such Request.

In case any of the officers of the Corporation who shall have signed or sealed any Note shall cease to be such officers of the Corporation before such Note shall have been actually authenticated and delivered by the Trustee, such Note may nevertheless be authenticated, delivered and disposed of as though the persons who signed and sealed such Note had not ceased to be officers of the Corporation; and any Note may be signed and sealed on behalf of the Corporation by persons who, as at the date of the execution of such Note, shall be the proper officers of the Corporation, although at the nominal date of such Note any such person shall not have been such officer of the Corporation.

The Notes may be authenticated and delivered hereunder in advance of the registration, filing or recording of this Indenture.

SECTION 1.06. In case either Note shall become mutilated or be lost, stolen or destroyed, the Corporation in the case of a mutilated Note shall,

and in the case of a lost, stolen or destroyed Note may in its discretion, execute, and upon Request the Trustee shall authenticate and deliver, a new Note in exchange and substitution for the Note so mutilated or in lieu of and in substitution for the Note so lost, stolen or destroyed. In every case the applicant for a substitute Note shall furnish to the Corporation and to the Trustee such reasonable security or indemnity as may be required by them to save each of them harmless, and, in every case of loss, theft or destruction, the applicant shall also furnish to the Corporation and to the Trustee evidence to their satisfaction of the loss, theft or destruction of such Note and of the ownership thereof. The Trustee shall authenticate any such substitute Note and deliver the same upon Request. Upon the issuance of any substitute Note, the Corporation and the Trustee, respectively, may require the payment of all expenses and charges, including counsel fees, in connection with the preparation and issuance thereof and may require compliance with such other reasonable regulations as the Corporation or the Trustee may prescribe. In case either Note which has matured or is about to mature shall become mutilated or be lost, stolen or destroyed, the Corporation may, instead of issuing a substitute Note pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Note) if the applicant for such payment shall furnish the Corporation and the Trustee with such reasonable security or indemnity as they may require to save them harmless and, in case of loss, theft or destruction, evidence to the satisfaction of the Corporation and the Trustee of the loss, theft or destruction of such Note and of the ownership thereof.

Every substitute Note issued pursuant to the provisions of this Section 1.06 by virtue of the fact that either Note is lost, stolen or destroyed shall constitute an additional contractual obligation of the Corporation, whether or not the lost, stolen or destroyed Note shall be found at any time, and shall be entitled to all the benefits of this Indenture equally and proportionately with the other Notes duly issued hereunder. Both Notes shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, lost, stolen or destroyed Notes and shall preclude any and all other rights or remedies, except as to any law or statute hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

ARTICLE TWO

Issue of Notes; Deposited Cash

Section 2.01. The Notes shall be issuable as provided in Section 2.03 hereof and Deposited Cash shall be applied to the extent and for the

purposes provided in Section 2.04 hereof and Section 4.09 hereof, provided that no Deposited Cash may be withdrawn if an Event of Reinstatement shall have happened.

SECTION 2.02. As a prior or concurrent condition to the authentication and delivery of Notes under this Article Two the Corporation shall deliver to the Trustee

(1) a Certified Resolution authorizing the authentication and delivery of the Notes in the specified principal amounts;

(2) a Request for the authentication and delivery of the Notes in the specified principal amounts designated in such Certified Resolution;

(3) a copy, authenticated in a manner satisfactory to the Trustee, of any orders or certificates of any commission or other governmental authority authorizing the issuance of the Notes, or exempting such issuance from any requirement for authorization;

(4) evidence satisfactory to the Trustee that, upon the authentication and delivery of the Notes, all obligations of the Corporation under the Financing Agreement and the Loan Agreement shall have been satisfied, discharged and cancelled;

(5) an Opinion of Counsel stating that:

(a) no authorization by any commission or governmental authority is required by law for the issuance of the Notes except such authorization or exemption, if any, as shall be evidenced by the copies of the orders or certificates delivered to the Trustee pursuant to subparagraph (3) of this Section 2.02;

(b) in all other respects the issuance, or authentication and delivery, of the Notes is authorized by law, and by the terms of this Indenture;

(c) the issuance, authentication and delivery of the Notes have been duly authorized by all requisite corporate action on the part of the Corporation;

(d) the instruments delivered to the Trustee conform to the requirements of this Indenture and constitute sufficient authority hereunder for the Trustee to authenticate and deliver the Notes;

(e) the Notes when issued will constitute valid and binding obligations of the Corporation and will be secured by this Indenture;

(f) all necessary stamp taxes in respect of the original issue of the Notes have been paid, or that no stamp taxes are payable, and specifying the certificate or other evidence which will be sufficient to show or provide for compliance with the requirements, if any, of any mortgage recording tax law or other tax law applicable to the issuance of the Notes;

(g) no part of the Mortgaged Property is subject to any lien (other than Prior Liens or Excepted Encumbrances) which is senior to the lien of this Indenture as security for the Notes whose authentication and delivery is then being requested;

and

(6) an Officers' Certificate stating that no Event of Reinstatement has happened.

SECTION 2.03. After the execution of this Indenture, upon delivery to the Trustee of the documents specified in Section 2.02 hereof, the Notes shall be authenticated and delivered by the Trustee.

SECTION 2.04. This Indenture pledges to the Trustee, among other things, (i) Deposited Cash held by the trustee under the Delaware & Hudson First and General Mortgage on the effective date hereof (ii) securities (including securities acquired pursuant to Sections 4.02 or 8.02 hereof), dividends (except dividends in respect of the stock of the corporations listed in Granting Clause Sixth hereof) and interest on securities, instruments and obligations held under this Indenture, (iii) the net proceeds of the sale of any Mortgaged Property, and (iv) interest earned on Deposited Cash held by the Trustee or by the trustee under the Delaware & Hudson First and General Mortgage. All of said enumerated items are included in the definition of "Deposited Cash" under this Indenture. Such pledge, and the subsequent provisions of this Section, are subordinate to the terms and provisions of Prior Lien Indentures to the extent provided therein and consistent herewith, and no privilege given to the Corporation by this Section may be exercised to any extent prohibited by such a Prior Lien Indenture.

If the Corporation shall file with the Trustee

(1) a Request for the payment of a specified a nount of Deposited Cash;

(2) an Officers' Certificate describing in general terms the Bondable Expenditures to be made with such Deposited Cash and an estimate of the Bondable Expenditures to be made (which estimate shall not be less than the amount of Deposited Cash requested) and stating that no Event of Reinstatement has happened; and

(3) an Opinion of Counsel stating that said Request and Officers' Certificate conform to the requirements of this Indenture, do not conflict with the requirements of any Prior Lien Indenture and constitute sufficient authority hereunder for the Trustee to pay such moneys;

the Trustee shall forthwith disburse such Deposited Cash to the Corporation.

Annually on or before the last day of June, beginning with the last day of June next following the effective date of this Indenture, the Corporation shall file with the Trustee an Officers' Certificate setting forth

(1) the total of moneys withdrawn by the Corporation pursuant to this Section 2.04 during the preceding calendar year (or, in the case of the first such filing, since the execution and delivery of this Indenture);

(2) the Bondable Expenditures made during such period, the cost of each item thereof and the total cost;

(3) the amount of such Deposited Cash then held by the Corporation pursuant to this Indenture for Bondable Expenditures during the ensuing twelve-month period, the estimated cost of each item thereof and the estimated total cost.

If the amount set forth in said Officers' Certificate pursuant to clause (1) above shall exceed the sum of the amounts set forth pursuant to clauses (2) and (3) above, the Corporation shall forthwith pay to the Trustee an amount equal to such excess to be held by the Trustee in accordance with the provisions of this Indenture, including this Section 2.04.

Whenever in this Indenture provision is made for the deposit of cash with the Trustee which is subject to disposition as provided in this Section 2.04, such cash need not be actually deposited if and to the extent that the Corporation shall at the time furnish to the Trustee the documents provided for in the preceding paragraph to procure the release of such cash pursuant to this Section 2.04. In such event, however, such cash shall, for all purposes of this Indenture, be deemed to have been actually deposited with the Trustee and to have been paid by the Trustee to the Corporation pursuant to this Section 2.04.

SECTION 2.05. In addition to the withdrawal of Deposited Cash for the purpose of making Bondable Expenditures pursuant to Section 2.04 hereof, Deposited Cash may be withdrawn by the Corporation and applied to reimburse the Corporation for 100% of the cost of Bondable Expenditures theretofore made by the Corporation after the date of this

Indenture in respect of the Mortgaged Property. In any such case the cost of such Bondable Expenditures shall be included in the certification of Bondable Expenditures set forth in the Officers' Certificate required by the second paragraph of Section 2.04.

SECTION 2.06. Deposited Cash may also be applied, in lieu of its application to the making of Bondable Expenditures, to the retirement of specified Prior Lien Securities if the Corporation shall file with the Trustee a Request that a specified amount of such Deposited Cash, (together with such additional amount of cash as the Corporation may then deposit with the Trustee with such Request, as may be required to pay the premium, if any, and accrued interest hereinafter referred to in this sentence) be held for the purpose of paying (a) the principal amount of specified Prior Lien Securities and accrued interest thereon to the date of maturity of such principal or (b) the redemption price (including premium, if any, and accrued interest) of specified Prior Lien Securities. Upon the filing of any such Request and any documents in respect of such Prior Lien Securities required to be filed by the relevant Prior Lien Indenture, and, in the case of redemption, stating that all required notice of redemption has been given and setting forth the details thereof, and the form of the notice of redemption as so given, or stating what provision has been made for the giving of such notice, the amount of moneys and such additional cash therein specified shall be

(1) set aside and held in trust by the Trustee, or

(2) deposited in trust with the trustee of the Prior Lien Indenture which secures such Prior Lien Securities,

for the payment or redemption of the Prior Lien Securities specified in such Request; provided, however, that all procedures to be followed in connection with any such payment or redemption shall be satisfactory to the Trustee. Any such moneys set aside for the payment or redemption of particular Prior Lien Securities shall be applied from time to time to the payment or redemption thereof upon surrender thereof to the Trustee or the trustee with which such moneys have been deposited, as the case may be.

In the event that Deposited Cash is applied to the payment of Prior Lien Securities, the Corporation shall issue to the Trustee a full recourse note in the principal amount of the Deposited Cash so applied; provided, however, that if the original proceeds of the Prior Lien Security were used solely to acquire capital assets which did not become Mortgaged Property, the Corporation shall deliver to the Trustee a first lien on such capital assets in lieu of such full recourse note. Any such note shall be due

and payable only upon the occurrence of an Event of Reinstatement and shall, while held by the Trustee, be treated as and deemed to be Deposited Cash for purposes of Sections 2.04 and 2.05 of this Indenture.

SECTION 2.07. Deposited Cash from time to time held by the Trustee shall be invested as provided in Section 8.02 hereof.

ARTICLE THREE

PARTICULAR COVENANTS OF THE CORPORATION

SECTION 3.01. If an Event of Reinstatement shall have happened, the Corporation will duly and punctually pay or cause to be paid, but only out of the Mortgaged Property, the principal of and interest, if any, on the Notes, at the dates and place and in the manner and to the extent prescribed herein and in the Notes. When paid the Notes shall be cancelled.

At all times until the payment of the principal of the Notes, the principal corporate trust office of the Trustee in the City of Albany and State of New York, shall be the office where the Notes may be presented for payment and where notices and demands in respect of the Notes may be served and made.

SECTION 3.02. The Corporation, as of the effective date of this Indenture, owns and is lawfully possessed of the Mortgaged Property described in the Granting Clauses hereof as owned by it, and is duly authorized to assign, convey, mortgage and pledge the Mortgaged Property as security for the Notes as provided in this Indenture, and to operate said lines of railroad, and covenants and agrees to do any and all acts or things necessary or proper to defend its title to the same or any thereof.

All lines of railroad and appurtenances and other property of every kind which the Corporation has covenanted by this Indenture to convey or pledge or assign to the Trustee and all property at any time acquired by the Corporation and provided by this Indenture to become subject to this Indenture shall, immediately upon the acquisition thereof by the Corporation and without any further conveyance or assignment, become and be subject to the lien of this Indenture as fully and completely as though specifically described in the Granting Clauses hereof; but whenever required by the Trustee, the Corporation will grant, convey, confirm, assign, transfer and set over unto the Trustee the estate, right, title and interest of the Corporation in and to all real and personal property, estates, rights and franchises which the Corporation may hereafter acquire and which by the Granting Clauses or other provisions of this Indenture are subjected to the lien of this Indenture or intended so to be, and will, subject to the requirements of any Prior Lien Indenture, deliver

to the Trustee all securities included in such property, and the Corporation will also do, execute, acknowledge and deliver, or it will cause to be done, executed, acknowledged and delivered, all and every such further acts, deeds, transfers, conveyances and assurances for the better assuring, conveying and confirming unto the Trustee all and singular the Mortgaged Property hereby mortgaged or intended so to be, as the Trustee shall reasonably require for better accomplishing the purposes of this Indenture and for securing the payment of the principal of and interest, if any, on the Notes.

The Corporation will deliver to the Trustee annually on or before the last day of June in each year, commencing in 1985, an Officers' Certificate setting forth in reasonable detail a description of any substantial items of property acquired during the previous calendar year (the first such Officers' Certificate to cover the period from the date of the execution and delivery of this Indenture to the end of the year 1984) which are required or intended by the Granting Clauses or other provisions of this Indenture to be subjected to the lien hereof, and an Opinion of Counsel stating either (a) that no supplemental indenture is necessary to subject to the lien of this Indenture the items of property described in such certificate, or (b) that the supplemental indenture delivered to the Trustee with such Opinion of Counsel is sufficient for that purpose and has been or is being recorded and filed in accordance with the provisions of Section 3.10 hereof.

In all cases in which, pursuant to the requirements of any Prior Lien Indenture, cash, securities, obligations or rights which would otherwise be required to be deposited with the Trustee are deposited with the trustee or mortgagee under such Prior Lien Indenture, the Corporation will forthwith, upon the discharge and cancellation of such Prior Lien Indenture (subject to the obligation of the Corporation, if any, to cause the same to be deposited under any other such Prior Lien Indenture), cause to be deposited with the Trustee any and all of such cash, securities, obligations or rights remaining at the time of such discharge and cancellation with the trustee or mortgagee of the Prior Lien Indenture so discharged and cancelled. The Corporation hereby authorizes and directs the trustee or mortgagee under each such Prior Lien Indenture, upon such discharge and cancellation thereof, to deposit with the Trustee all such cash, securities, obligations or rights so remaining. The Corporation covenants to deliver an executed or certified copy of this Indenture to the trustee or mortgagee under each such Prior Lien Indenture and to furnish the Trustee with evidence of such delivery.

SECTION 3.03. The Corporation will make, or cause to be made, any and all payments required to be made under and by the terms of any

Equipment Agreement or other instrument constituting a lien on or claim of ownership to Equipment in the possession of or used by the Corporation and will do or cause to be done all and every such further acts as may be necessary to assure to the Corporation the use of such Equipment and the ultimate acquisition of title thereto if such ultimate acquisition of title is contemplated by the Equipment Agreement or other instrument.

Nothing contained in this Section 3.03, and nothing in any other provision of this Indenture expressed or implied, is intended or shall be construed to limit the right or power of the Corporation, which is hereby expressly reserved, to extend the time of payment of the balance of the rental or other payments remaining to be paid under any such Equipment Agreement or other instrument or secured thereby or to refinance the same as provided in Section 4.14 hereof or to take any other action permitted by Article Four hereof.

SECTION 3.04. The Corporation will pay or cause to be paid the interest on all outstanding Prior Lien Securities, when and as the same shall become due and payable, and at or immediately after the stated maturity of such Prior Lien Securities will pay or acquire all such Prior Lien Securities and will cancel the same or will deposit the same with the Trustee or, pursuant to the requirements of any Prior Lien Indenture, with the trustee or mortgagee under such Prior Lien Indenture.

The Corporation hereby expressly reserves the right to extend the time of payment of the principal of or interest on any Prior Lien Securities, whether at the same or a lower or higher rate of interest.

SECTION 3.05. The Corporation will pay and discharge or cause to be paid and discharged all taxes, assessments and governmental charges, the lien of which would be prior to or on an equality with the lien hereof, lawfully imposed upon the Mortgaged Property or any part thereof or upon the income and profits thereof, and also will pay and discharge all taxes, assessments and governmental charges lawfully imposed upon the interest of the Trustee in the Mortgaged Property or the income or profits thereof, so that the lien and priority of this Indenture shall be preserved at the cost of the Corporation and without expense to the Trustee or the holders of the Notes.

SECTION 3.06. The Corporation will pay and discharge all sums which it shall be obligated to pay under or by virtue of any lease or joint facility, terminal, trackage or other agreement held by it and subject to the lien of this Indenture, and will perform and observe all obligations on its part to be performed or observed under said instruments.

SECTION 3.07. The Corporation will not create or suffer to be created or to exist any debt, lien or charge having priority or preference over or

equality with the lien of this Indenture upon the Mortgaged Property or any part thereof except (a) Prior Liens, (b) Equipment Agreements in effect as of the effective date of this Indenture and any obligations refinanced or refunded under such Equipment Agreements in accordance with Section 4.14 hereof, (c) Prior Liens created to renew, extend or refund obligations secured by a preexisting Prior Lien, provided that after any such refunding the principal amount of the obligations secured by such newly-created Prior Lien does not exceed the principal amount of such obligations before such refunding, (d) Excepted Encumbrances, and (e) Qualified Senior Debt as hereinafter defined. Within six months after the same shall accrue the Corporation will pay, or cause to be discharged, or make adequate provision for the satisfaction and discharge of, all lawful claims and demands of suppliers, mechanics, laborers and others which if unpaid might by law be given precedence over this Indenture as a lien or charge upon the Mortgaged Property or a part thereof, or on the income and profits thereof.

"Qualified Senior Debt" shall mean debt secured by a Prior Lien Indenture incurred (a) to provide working capital for use in railroad operations upon the Mortgaged Property, or to refinance any such working capital indebtedness, all in an aggregate principal amount not to exceed $18,200,000 at any one time outstanding, or (b) to construct, acquire, replace or improve (which, for purposes of this paragraph, shall mean to replace or to increase the useful life of such capital assets to the extent that expenditures for such purposes are considered to be capital expenditures under Accounting Principles) capital assets which will be used for freight transportation in the States of Maine, New Hampshire, Vermont, New York, Massachusetts, Connecticut, Pennsylvania, Maryland, New Jersey, Ohio, Virginia or West Virginia, or the District of Columbia, or any combination thereof, or to refinance any such indebtedness, but not in excess of the principal amount to be refinanced; provided, however, that (i) title to the capital assets referred to in clause (b) above shall be vested in the then owner of the Mortgaged Property or that part of the Mortgaged Property subject to the lien securing such Qualified Senior Debt but, subject to the provisions of clause (ii) below, may be subject as a whole or in part to Prior Liens or Excepted Encumbrances to the extent permitted by this Indenture, (ii) a lien shall be placed on such capital assets to secure the Qualified Senior Debt, which lien shall not be subordinated to, or *pari passu* with, any other lien on such capital assets incurred simultaneously with or at any time after the creation of the lien securing the Qualified Senior Debt, and (iii) the instrument creating the lien on such capital assets securing the Qualified Senior Debt shall provide (x) that the net proceeds of the sale or other disposition of all or any

part of such capital assets shall be applied as soon as practicable to the payment of the outstanding principal of such Qualified Senior Debt and (y) that the lien shall not be released until the net proceeds of the sale or other disposition of all or any part of such capital assets shall have been applied to the payment of the outstanding principal of such Qualified Senior Debt.

SECTION 3.08. No covenant in Sections 3.03, 3.04, 3.05, 3.06 or 3.07 hereof shall be construed to require the Corporation to make any payment so long as the Corporation shall contest in good faith the validity of the claim for such payment or the amount thereof, and in the judgment of the Corporation, expressed in an appropriate Officers' Certificate or Certified Resolution delivered to the Trustee, the failure to make such payment will not materially prejudice or jeopardize the interests of the holders of the Notes.

If the Corporation shall fail to make any such payment when required to do so by the provisions hereof, the Trustee, without affecting any of its rights hereunder, from time to time in its discretion may itself pay any sum so in default and thereupon, if paid with its own funds, shall have and forthwith may assert a lien for such advances, together with interest thereon, upon the Mortgaged Property and the proceeds thereof and the income and profits therefrom, which lien shall be entitled to priority in rank and payment from the Mortgaged Property, or the proceeds thereof or income and profits therefrom, over the Notes. The Trustee shall be under no obligation to make any such payment unless furnished in advance with the necessary funds. If the Trustee shall make such a payment, it shall be entitled to reimbursement of the amount of any such payment from the Corporation.

SECTION 3.09. The Corporation will not permit any Pledged Subsidiary to issue any securities if the result of such issuance would be that the corporation issuing such securities would cease to be a Pledged Subsidiary. The Corporation will not permit any Pledged Subsidiary to become indebted otherwise than in the ordinary course of business except to the Corporation.

SECTION 3.10. The Corporation, with all convenient speed, at its expense will duly record, register, file, rerecord, reregister and refile this Indenture and every indenture supplemental hereto which hereafter may be executed as may be required by law (including the Uniform Commercial Code or similar law pertaining to security interests in personal property) in order to protect the lien hereof or the security interest created hereby on the property covered hereby or by such supplemental inden-

ture, and will furnish as promptly as practicable after the date of this Indenture and annually on or before the last day of June in each year thereafter to the Trustee an Opinion of Counsel that the Corporation has taken all action during the preceding calendar year (or, in the case of the first such opinion of Counsel, during the period since the date of this Indenture) necessary to comply with the provisions of this Section 3.10.

SECTION 3.11. Subject to the provisions of Articles Four and Ten hereof, to the extent needful and proper for the efficient and economical operation of its properties the Corporation will maintain, preserve and keep all of its rights and franchises subject to the lien hereof and every part thereof, and will maintain, preserve and keep its properties subject to the lien of this Indenture in good repair, working order and condition and will from time to time make needful and proper repairs thereto and renewals and replacements thereof and will keep the lines of railroad and appurtenant facilities subject to the lien hereof supplied with sufficient Equipment, machinery, tools and other supplies for the operation thereof.

If the proceeds from any insurance upon property subject to the lien of this Indenture shall exceed the sum of $100,000 in respect of any one loss or shall exceed the sum of $300,000 in respect of losses suffered during any calendar year, such excess proceeds shall either (i) be used to repair or replace the damaged or destroyed property or (ii) subject to the requirements of any mortgage or other instrument constituting a prior lien on such property, be paid to the Trustee and be held in trust by it as Deposited Cash.

SECTION 3.12. The Corporation covenants and agrees, subject to the provisions of Article Ten hereof, at all times until the payment in full of the principal of the Notes and of the interest, if any, payable thereon, to take all steps and do all acts necessary to continue and maintain its corporate existence.

SECTION 3.13. Except as otherwise provided herein, any moneys which at any time shall be deposited by the Corporation with the Trustee, including any office or agency of the Corporation, for the purpose of paying the principal of, or interest, if any, on the Notes, shall be and are hereby assigned, transferred and set over unto the Trustee, in trust for the respective holders of the Notes, for the purpose of paying that for which said moneys shall have been deposited, and, in the event of the appointment of a Receiver, such Receiver shall have no right, title or interest in said moneys so deposited, or in any part thereof, except such thereof, if any, as may be payable to the Corporation pursuant to the provisions of Section 13.02 hereof.

SECTION 3.14. The Corporation will at all reasonable times upon the written request of the Trustee, and at the expense of the Corporation, permit and afford reasonable opportunity to the Trustee by its representatives to inspect the properties and the books of account, records, reports and other papers of the Corporation; but the Trustee shall be under no duty to make such request or inspection. The Corporation will furnish the Trustee with such other information as the Trustee may reasonably request with respect to the performance by the Corporation of its covenants in this Indenture.

SECTION 3.15. The Corporation will deliver to the Trustee on or before the last day of June in each year beginning in the year 1985 an Officers' Certificate, stating that a review of the activities of the Corporation during the preceding calendar year has been made by, or under the supervision of, the officer signing such Officers' Certificate, with a view to determining whether there exists any default by the Corporation in the fulfillment of the terms, conditions and provisions of this Indenture, and that to the best of the knowledge of such officer no such default exists or, if any such default shall exist to the knowledge of such officer, specifying such default and the nature thereof.

SECTION 3.16. If the Corporation shall receive any property, including cash and securities, to reimburse it for any expenditures made by it with respect to property held by the Corporation under lease, it will forthwith deliver, convey or assign such property to the Trustee as part of the Mortgaged Property. Any such cash shall be held by the Trustee as Deposited Cash, and any such securities shall be held by it as pledged securities hereunder. All the provisions of this Section 3.16 are subject to any conflicting or contrary provisions contained in Prior Lien Indentures.

ARTICLE FOUR
RELEASES OF MORTGAGED PROPERTY

SECTION 4.01. From time to time the Corporation may request release by the Trustee, and it shall release, from the lien of this Indenture any of the various kinds of Mortgaged Property in this Article Four described and the Corporation may dispose of without release only the various kinds of Mortgaged Property described in Sections 4.03, 4.06 and 4.07 hereof as so disposable, all on the conditions and subject to the limitations herein set forth; provided, however, that the Corporation shall not, any other provision of this Article Four to the contrary notwithstanding,

dispose of any such Mortgaged Property to any Affiliate or to any Affiliate of Guilford unless all of the conditions of this Section 4.01 have been met.

Whenever requesting the release of any Mortgaged Property pursuant to this Article Four, the Corporation shall, except as hereinafter in this Article Four specifically provided, deliver to the Trustee

(1) a Request for the release of the property described in the Officers' Certificate required by subparagraph (2) of this paragraph;

(2) an Officers' Certificate which shall:

(a) set forth a description of the property sought to be released;

(b) state such facts as shall be necessary to show that the release sought is authorized under the provisions and restrictions of this Article Four;

(c) set forth the selling price of the property sought to be released, if it is to be sold, or a description of any property to be received in exchange therefor and of any Prior Liens thereon, or, if the property sought to be released is to be otherwise disposed of, the resulting enhancement in value of the remainder of the Mortgaged Property; and

(d) set forth the fair value of the property sought to be released and state that such fair value is not greater than the price at which it is to be sold, or is not greater than the fair value of the property (including any cash) to be received in exchange therefor, as the case may be, after taking into account any cash paid by the Corporation pursuant to subparagraph (5) of this paragraph (the amount of which shall be specified), or, in the case of a disposition of property otherwise than by sale or exchange, is not greater than the resulting enhancement in value of the remainder of its property subject to the lien of this Indenture, with appropriate adjustment for Prior Liens to which any of the property referred to in this subparagraph (2) may be subject;

(3) a Certified Resolution approving such release, which may be in general terms and relate to classes of releases;

(4) an Opinion of Counsel stating that the action so requested is authorized by the provisions of this Article Four; that no authorization of or exemption by any governmental agency is required for any

sale, exchange or other disposition referred to in said Officers' Certificate or that any such authorization or exemption which is required has been obtained and is in full force and effect, specifying the same; that there are no Prior Liens on any property to be received in exchange for property to be released except that those specified in the Officers' Certificate required by the foregoing subparagraph (2) and that the instruments furnished to the Trustee in connection with the action so requested are in compliance with the provisions of this Section 4.01, and where necessary or appropriate that no conveyances, declarations or instruments of further assurance are necessary for the purpose of subjecting such property to the lien of this Indenture (as a first lien thereon, subject only to such Prior Liens, if any, as may be specified in such Opinion of Counsel and to Excepted Encumbrances) except such conveyances, declarations or instruments of further assurance, if any, as may be delivered to the Trustee with such Opinion of Counsel for such purpose, and, if any conveyances, declarations or instruments of further assurance be delivered to the Trustee with such Opinion of Counsel, that the same accomplish such purpose; and

(5) subject to the requirements of any mortgage or other instrument consituting a Prior Lien on the property, the release of which is requested, if such property is to be sold, the consideration to be received therefor, together with, if the fair value of such property is greater than such consideration, an amount in cash equal to such excess, and if such property is to be exchanged, cash equal to the amount, if any, by which the fair value of the property, the release of which is requested, exceeds the fair value of the property to be received in exchange therefor, with appropriate adjustment for Prior Liens as aforesaid.

In case the aggregate fair value of any particular property to be released and of all other property released from the lien of this Indenture since the commencement of the then current calendar year, as shown by certificates filed pursuant to clause (d) of subparagraph (2) of this Section 4.01 or to this paragraph, is 5% or more of the aggregate principal amount of Notes outstanding at the time of the application for release then being made, the Corporation shall deliver to the Trustee the certificate of an independent engineer, appraiser or other expert, dated not more than thirty days prior to the date of such application, stating the fair value as of the date of such certificate, in the opinion of the signer, of the property to be released and the fair value of any property being received by the Corporation from any sale, exchange or other disposition of the property

to be released; provided, however, that no such certificate need be delivered to the Trustee if the fair value of the property to be released, as shown by the certificate filed pursuant to the said clause (d), is not more than the lesser of $100,000 or 1% of the aggregate principal amount of Notes outstanding at the date of the application.

The requests, certificates, resolutions and opinions hereinabove provided to be furnished to the Trustee may be received by it as conclusive evidence of anything by this Article required to be established in order to authorize the action forming the subject of such requests, certificates, resolutions or opinions, and shall be full warrant to the Trustee for any action taken on the faith thereof; but the Trustee, in its discretion, may require at the cost and expense of the Corporation, such further evidence as it shall deem reasonable.

SECTION 4.02. From time to time the Corporation, subject to the conditions in this Article Four, and not otherwise, may sell, exchange for other property or otherwise dispose of, and the Trustee, upon compliance by the Corporation with the provisions of Section 4.01 hereof, and of this Section 4.02, shall release from the lien of this Indenture:

(1) any part of the Mortgaged Property, except cash or pledged securities, if in the judgment of the officers of the Corporation executing the Officers' Certificate required under Section 4.01 hereof (a) it shall no longer be necessary or advantageous for the Corporation to retain the property to be released, and (b) the Corporation will not be prevented by such release from efficiently operating its rail transportation business and such release will not adversely affect the security for the Notes; or

(2) any pledged securities, if (a) in the judgment of the officers of the Corporation executing the Officers' Certificate required under Section 4.01 hereof it shall no longer be necessary or advantageous for the Corporation to retain the same, the Corporation will not by such release be prevented from efficiently operating its rail transportation business and such release will not adversely affect the security for the Notes, (b) the pledged securities to be released are not bonds or obligations secured by a Prior Lien, and (c) in the event such pledged securities are securities of a Pledged Subsidiary, then either (i) the pledged securities to be released are not less than all of the securities of such Pledged Subsidiary at the time subject to the lien of this Indenture, or (ii) the pledged securities to be released are less than all of such securities of such Pledged Subsidiary and either (x) the Pledged Subsidiary will remain a Pledged Subsidiary after disposition of the pledged securities to be released or (y) in the judgment of

the officers of the Corporation executing the Officers' Certificate required under Section 4.01 hereof the disposition of less than all of the securities of such Pledged Subsidiary is desirable in connection with arrangements for ownership of the stock of such Pledged Subsidiary by the Corporation and one or more other corporations and will be beneficial to the security for the Notes.

In any case of the sale or exchange of property pursuant to the provisions of subparagraphs (1) or (2) of this Section 4.02 the consideration, in the case of sale of property, or the property to be received in exchange in the case of an exchange, must consist of (a) cash or (b) obligations secured by purchase money mortgage on the property to be released or obligations under conditional sale or similar agreements with respect to the property to be released, in either case in an amount not exceeding 90% of the value of the aggregate consideration received and maturing not later than ten years after their date, or (c) property of such character that, if the same had been purchased by the Corporation, it would have constituted a Bondable Addition, or (d) in case of any release of property in connection with any joint terminal or other joint facility, rights to use the property of such terminal or other joint facility, or (e) a combination of any of the foregoing such that the combination shall aggregate the fair market value of the property so sold or exchanged.

Subject to the provisions of any mortgage or other instrument constituting a Prior Lien on any property so released, all cash received for property so released, and all cash paid by the Corporation pursuant to subparagraph (5) of the second paragraph of Section 4.01 hereof, shall be paid over to or deposited with the Trustee to be held by it as Deposited Cash; provided, however, that to the extent that the Corporation is entitled to retain such cash pursuant to Section 2.05 or 2.06, such cash need not be deposited with the Trustee. All obligations secured by a purchase money mortgage on the property to be released, and all obligations under conditional sale or similar agreements with respect to the property to be released, shall be delivered to the Trustee and shall be held by it as pledged securities hereunder (unless the Corporation shall pay to the Trustee, in cash, an amount equal to the principal amount of such purchase money mortgage, conditional sale or other obligations, in which event such cash shall be held by the Trustee as Deposited Cash and such purchase money mortgage, conditional sale or other obligations shall not become subject to the lien of this Indenture).

In case any part of the consideration delivered to the Trustee shall consist of obligations secured by a purchase money mortgage on the property to be released or obligations under conditional sale or similar

agreements with respect to the property to be released, the Corporation shall deliver to the Trustee an Opinion of Counsel stating that such obligations are valid obligations, and (a) in the case of any obligation secured by a purchase money mortgage, that such mortgage affords a valid purchase money lien upon the property to be released, subject to no Prior Lien except any Prior Lien subject to which said property is to be sold, and that a valid assignment of such mortgage (unless it be a mortgage to a trustee) to the Trustee has been duly recorded to the extent necessary for the proper protection of the title of the Trustee to the property to be released, or (b) in the case of any obligation under a conditional sale or similar agreement, that a valid assignment of such agreement to the Trustee has been made and that such conditional sale or similar agreement and such assignment have been duly recorded to the extent necessary for the proper protection of the title of the Trustee to the property to be released.

SECTION 4.03. The Trustee shall release upon Request from the lien of this Indenture any franchise or portion thereof which is to be or shall be surrendered and any tracks, structures and other property abandoned if such abandonment or surrender be made (a) pursuant to the authority of or exemption by the Interstate Commerce Commission or (b) by virtue of an agreement with or action by the Federal government or any State, municipality, or other political division or subdivision of a State or any governmental agency or (c) in accordance with some other legal requirement or (d) as otherwise may be permissible under applicable law, upon compliance by the Corporation with the requirements of Section 4.01 hereof and upon receiving a certified copy of any order or agreement pursuant to which such abandonment or surrender is made.

If the Corporation shall not make a Request for such a release, it nevertheless shall deliver to the Trustee (a) an Officers' Certificate describing any property to be abandoned or any franchise or portion thereof to be surrendered, and (b) an Opinion of Counsel that such abandonment or surrender is of the type described in the foregoing paragraph of this Section 4.03, together with a certified copy of any requisite approval of or exemption by the Interstate Commerce Commission or of any other order or agreement pursuant to which such abandonment or surrender is made.

The Corporation shall have full power, in its discretion and without notice to or action by the Trustee, to sell, exchange for other property or otherwise dispose of, free from the lien of this Indenture, any property so abandoned or any franchise or portion thereof so surrendered, but any cash or other consideration received on the disposition thereof shall (sub-

ject to the requirements of any Prior Lien Indenture) be delivered to the Trustee to be held subject to the lien of this Indenture.

SECTION 4.04. Should any of the Mortgaged Property be taken by exercise of the power of eminent domain or should any governmental body or agency exercise any right which it may have to purchase any part of the Mortgaged Property, the Trustee, without requiring compliance with any of the provisions of any of the other Sections of this Article Four, shall release the property so taken or purchased upon receipt by the Trustee of an Officers' Certificate and an Opinion of Counsel to the effect that such property has been taken by exercise of the power of eminent domain or purchase by a governmental body or agency in the exercise of a right which it had to acquire the same, and in each case, subject to the provisions of any Prior Lien Indenture, upon receipt by the Trustee of any consideration received by the Corporation for the portion or portions of the Mortgaged Property so to be released or upon the making of arrangements satisfactory to the Trustee for the subsequent receipt by it of such consideration.

SECTION 4.05. The Corporation may at any time, provided that the ability of the Corporation to operate efficiently its rail transportation business will not be materially impaired thereby and the security for the Notes will not be adversely affected thereby, make any change in location of its lines, tracks, station houses, buildings or other structures situated upon any part of the Mortgaged Property to other premises, or may move any machine tools, machinery or other fixtures to other premises, whether or not such other premises be subject to the lien of this Indenture; provided, however, that if such other premises are not subject to the lien of this Indenture the Corporation shall deliver to the Trustee, promptly after any such change in location, a conveyance to the Trustee subjecting to the lien of this Indenture (as a first lien thereon, subject only to such Prior Liens, if any, upon the old premises as may be specified in the Opinion of Counsel referred to below in this Section 4.05 and to Excepted Encumbrances) the new or relocated lines, tracks, station houses, buildings or other structures, and the property on which the same are situated, together with an Opinion of Counsel that such conveyance is effective for such purpose, and that such property is not subject to any Prior Liens, other than such Prior Liens upon the old premises as may be specified in such Opinion of Counsel.

SECTION 4.06. In addition to any dispositions made pursuant to the provisions of Section 4.07 hereof, the Corporation may from time to time sell, exchange or otherwise dispose of, free from the lien of this Indenture and without release by the Trustee, any property, other than cash and securities at any time subject to the lien hereof, which is no longer used

for railroad purposes, not exceeding in any one calendar year a total of $100,000 in fair value. The Corporation agrees that it will, within a reasonable time thereafter, expend the net cash proceeds of any such sales or other dispositions to replace the property so sold or otherwise disposed of by other property (including improvements to property), not necessarily of the same character, which in its judgment is of at least equal fair value. All property resulting from such expenditures and all property received in exchange for property which was subject to the lien hereof shall forthwith become subject to the lien hereof.

The Trustee from time to time, upon receipt of a Request so to do and an Officers' Certificate specifying the property sold, exchanged or otherwise disposed of and the value thereof at the date of disposition, stating that it is not used for railroad purposes of the Corporation and stating the value at such date of all property theretofore sold, exchanged, or otherwise disposed of by the Corporation pursuant to this Section 4.06 within the calendar year in which such property was sold, exchanged or otherwise disposed of, shall execute and deliver confirmatory releases or certificates that such property is free from the lien of this Indenture.

SECTION 4.07. The Corporation shall have full power, in its discretion, without notice to, or action by, the Trustee, from time to time (a) to alter, remove, demolish or retire from service, otherwise than by sale or exchange, any building or structure or industry tracks or side tracks or yard tracks or other similar Mortgaged Property which may have become unfit, obsolete, or undesirable for use or which it may deem necessary or advantageous to alter, remove, demolish or retire in connection with the maintenance, operation or improvement of the Mortgaged Property, and (b) to sell or dispose of, free from the lien of this Indenture, any portion of the Equipment, machinery, tools, implements, materials, supplies and portable personal property at any time held subject to the lien hereof, which in the opinion of the Corporation may have become obsolete or otherwise unfit or undesirable for use or which it may not be necessary or advantageous longer to retain for use upon the Mortgaged Property and to sell or dispose of, free from the lien of this Indenture, or use in the construction of new Equipment, machinery or apparatus, any scrap or other material accumulated from any above mentioned alteration, removal, demolition or retirement, and the Corporation agrees that it will replace the same with, or substitute therefor, other properties, not necessarily of the same character but having a value at least equal to the then value of the old property at the time of its disposition or, if it be sold, to the consideration therefor received by the Corporation, and such new property shall become subject to the lien of this Indenture.

SECTION 4.08. Subject to the provisions of Article Ten hereof, the Corporation shall have full power, in its discretion, without notice to, or action by, the Trustee, from time to time

(1) to make any lease of, or to grant trackage rights upon, or to grant easements for any purpose in respect of, any part of the Mortgaged Property or to amend or to enter into any contract affecting the same, in each case expressly subject and subordinate to the prior lien of this Indenture; and

(2) to make amendments in, or substitutions for, any leases and any trackage, joint facility or other operating contracts or agreements leasing or granting the rights to use lines of railroad or appurtenant facilities owned by others, the rights of the Corporation under which are subject to this Indenture; provided, however, (a) that the Corporation is not thereby prevented (except to an extent which in the judgment of the Corporation will not adversely affect the security for the Notes) from efficiently operating its rail transportation business and (b) that any amended or supplemental lease or trackage, joint facility or other contract or agreement forthwith shall be subject to this Indenture in the same manner and to the same extent as that previously existing.

Except as otherwise provided in this Indenture, the Corporation shall have the right, with the written consent of the Trustee, to make any lease of, or to make any agreement granting trackage, joint facility or other operating rights upon or grant easements in respect of, any part of the Mortgaged Property, on such terms that the rights of the lessee under such lease or the person to whom such trackage, joint facility or other operating rights or such easement are granted shall be superior to the lien of this Indenture; provided, however, that no such lease or agreement shall be made unless the rent or other consideration to be received thereunder is fair and reasonable in the circumstances. Any lease or agreement made pursuant to this paragraph may thereafter be amended or terminated with the written consent of the Trustee.

The Trustee shall give written consent (in form for recording, if requested by the Corporation) to any action to be taken by the Corporation pursuant to the next preceding paragraph upon receipt of

(1) a Request for such consent, accompanied by a copy of the proposed lease or agreement and the proposed form of consent;

(2) a Certified Resolution determining that in the opinion of the Board of Directors the action, consent to which is requested, will not adversely affect the security for the Notes;

(3) except when consent to the termination of a lease or agreement is requested, an Officers' Certificate stating that the rent or

other consideration to be received by the Corporation thereunder, or under any amendment thereof then proposed, is fair and adequate in the circumstances and stating whether or not the value of the property to be leased or in respect of which such an agreement is to be made amounts to $250,000 or more; and

(4) if the value of the property to be leased or in respect of which such an agreement is to be made amounts to $250,000, or more, either (a) a certificate of an independent railroad analyst, engineer, or other expert, satisfactory to the Trustee, stating that the action, consent to which is requested, will not adversely affect the security for the Notes, in which event any consideration received by the Corporation in respect of any such lease or agreement (other than amounts in the nature of reimbursement of expense or loss and other than rent or other consideration payable on a periodic basis while no Event of Reinstatement shall have happened, unless the Board of Directors voluntarily determines to pledge the same with the Trustee) shall, subject to the requirements of any mortgage or other instrument constituting a Prior Lien on the property affected, be pledged with the Trustee; or (b) an assignment (subject as stated in clause (a) above) by the Corporation pledging with the Trustee all rights to receive rent or other consideration, whether or not payable on a periodic basis and whether or not an Event of Reinstatement shall have happened.

SECTION 4.09. All Deposited Cash and other moneys described in the first paragraph of Section 2.04 may be disbursed by the Trustee or retained by the Corporation as provided in Section 2.04, 2.05 or 2.06.

SECTION 4.10. Any property or rights received by the Corporation (other than purchase money, conditional sale or similar obligations in lieu of which cash is deposited with the Trustee and other than cash not required to be deposited with the Trustee) in exchange, replacement or substitution for any property or rights released or otherwise freed under any provisions of this Article Four from the lien of this Indenture or which are made the basis of the withdrawal of moneys pursuant to Section 4.09 hereof shall be and become subject to the lien of this Indenture as fully as if specifically mortgaged hereby.

SECTION 4.11. The purchaser of any property released under the provisions of this Article Four shall not be required to see to the application of the consideration.

SECTION 4.12. In case the Mortgaged Property shall be in the possession of a Receiver, the powers conferred by this Article Four upon the Corporation may be exercised by such Receiver with the approval of the Trustee irrespective of the happening of any Event of Reinstatement. In

any case of the exercise of said powers by a Receiver, such Receiver shall deliver to the Trustee, in lieu of any Certified Resolutions, Officers' Certificates and Opinions of Counsel required by any provision of this Article Four to be delivered to the Trustee by the Corporation, appropriate orders of court, certificates of such Receiver and Opinions of Counsel.

SECTION 4.13. Anything in this Article Four to the contrary notwithstanding, the Trustee, with the written consent of the holders of the majority in principal amount of the Notes outstanding, may release property under any provision of this Article Four or take other action contemplated in this Article Four if the aggregate fair value of such property released or the release of which is requested pursuant to the provisions of Sections 4.02 and 4.03 hereof is less than the amount of any cash and the fair value of any property received or to be received by the Trustee upon such release, all as determined by certificates filed pursuant to Section 4.01. Nothing in this Section 4.13 shall limit or affect the provisions of Section 4.12 hereof.

SECTION 4.14. In order to permit the Corporation to refinance or refund any obligations outstanding under any Equipment Agreement, and for no other purpose, the Trustee shall execute an instrument subordinating to the refinancing or refunding Equipment Agreement, to the extent necessary to enable such refinancing or refunding to be consummated, the lien, solely with respect to the Equipment previously covered by such Equipment Agreement, of this Indenture on any Equipment then subject to the lien hereof as the Corporation shall describe in the Certified Resolution hereinafter in this paragraph provided for; provided, however, that (a) the aggregate principal amount of the Corporation's obligations outstanding at the time under Equipment Agreements (exclusive of obligations then being issued in respect of the acquisition of additional Equipment) shall not be increased by such refinancing or refunding, and (b) the Corporation shall deliver to the Trustee a Certified Resolution requesting such subordination, together with an Officers' Certificate stating that such refinancing or refunding has been or is to be made upon terms which will effect a saving or advantage to the Corporation.

If under the provisions of any Equipment Agreement the Corporation shall be required to convey Equipment to replace Equipment thereunder which has been destroyed, retired or otherwise disposed of, the Corporation may so convey Equipment which is subject to the lien of this Indenture. Whenever requesting subordination of the lien of this Indenture on any Equipment so conveyed, the Corporation shall deliver to the Trustee a Certified Resolution requesting the subordination of the lien of this Indenture on such Equipment to such Equipment Agreement, together with an Officers' Certificate that the Corporation has no Equip-

ment not subject to the lien of this Indenture which can be so conveyed in replacement; and upon receipt of such Certified Resolution and Officers' Certificate the Trustee shall execute an appropriate instrument of subordination. In the event of any such conveyance, the Corporation shall issue to the Trustee a full recourse note in a principal amount equal to the value of the equipment so conveyed. Any such note shall be due and payable only upon the occurrence of an Event of Reinstatement and shall be cancelled and returned to the Corporation when the Equipment Agreement no longer constitutes a lien on such Equipment prior to the lien of this Indenture.

In order to permit the Corporation to effect a sale and leaseback of any of its Equipment subject to the lien of this Indenture, the Trustee shall execute and deliver upon Request a release from the lien of this Indenture of such Equipment as the Corporation shall describe in the Officers' Certificate hereinafter in this paragraph provided for if (a) in the judgment of the Board of Directors as evidenced by a Certified Resolution delivered to the Trustee (i) such sale and leaseback is effected on terms which are of benefit to the Corporation and (ii) the release of such Equipment will not adversely affect the security for the Notes and (b) there shall also be delivered to the Trustee (i) an Officers' Certificate which shall set forth a description of the Equipment to be sold and leased back, the selling price of such Equipment, the fair value thereof, and a statement that payments to be made by the Corporation under the lease are fair and reasonable, (ii) the cash proceeds received by the Corporation on such sale or cash equal to the fair value of the Equipment, whichever is greater, which cash shall, subject to the provisions of Prior Lien Indentures, be held as Deposited Cash, (iii) an assignment of the Corporation's interest in such lease and (iv) an Opinion of Counsel to the effect that the action requested is authorized by the provisions of this paragraph and that the assignment of interest in such lease is sufficient to subject the same to the lien of this Indenture.

SECTION 4.15. Whenever the Corporation shall have acquired all, or substantially all, of the property, both real and personal, of any corporation, capital stock of which is at the time pledged hereunder, and shall have subjected to the lien of this Indenture all lines of railroad and appurtenances and other real property, all Equipment and all securities theretofore owned by such corporation, upon the Request of the Corporation and compliance with the provisions of Section 5.07 hereof the Trustee shall release from the lien of this Indenture any capital stock of such corporation which may then be held by it and the Trustee shall deliver to the Corporation the certificates for such stock properly assigned for transfer. In order to facilitate any such acquisition, the Trustee shall

give to the Corporation, upon delivery of a Request therefor, all proxies, powers and releases which may be necessary or desirable to enable such capital stock to be voted, sold, applied or otherwise disposed of in effecting such acquisition by consolidation, merger or otherwise.

In any case in which the Corporation proposes to acquire a part only of the lines of railroad or other property of any corporation, a part of the capital stock of which (whether or not a majority of such capital stock) shall be subject to the lien of this Indenture, such capital stock, or any part thereof which may be required for such purpose, may be exchanged for such property, or may be applied in consummating the acquisition of such property, and the stock to be so exchanged or applied shall be released by the Trustee from the Lien of this Indenture; provided, however, that in the opinion of an engineer the property acquired in lieu of the capital stock released shall be at least equal in fair value to the fair value of the released capital stock (in the case of property so valued at less than $10,000, such engineer may be an engineer employed by the Corporation and, otherwise, shall be an independent engineer), with appropriate adjustment for Prior Liens to which any such capital stock or property may be subject, and shall be forthwith subjected to the lien of this Indenture. The Corporation in any such case shall deliver to the Trustee an Opinion of Counsel to the effect that, upon the release of said stock, such property will become subject to the lien of this Indenture.

SECTION 4.16. The Trustee, upon receipt of a Request so to do, shall execute and deliver to the Corporation a quitclaim deed or disclaimer, or shall join with the Corporation in the execution and delivery of a quitclaim deed, relating solely to property or rights which are not at the time subject to the lien of this Indenture. The Corporation, when requesting any action under this Section 4.16, shall deliver to the Trustee:

(1) An Officers' Certificate which shall set forth a description of the property or rights a quitclaim of which or a disclaimer in respect of which is requested; and

(2) an Opinion of Counsel that such property or rights are not subject to the lien of this Indenture.

Such Officers' Certificate and Opinion of Counsel may be received by the Trustee as conclusive evidence of any of the facts or of the continuance of any condition, or of anything by this Section 4.16 required to be established or shown in order to authorize the action sought, and shall be full warrant to the Trustee for any action taken on the faith thereof. The Corporation shall not be required to deposit with the Trustee, or to account to the Trustee for, the consideration for any property or rights quitclaimed or disclaimed under the provisions of this Section 4.16.

ARTICLE FIVE
PLEDGED SECURITIES

SECTION 5.01. As used in this Article Five or in Article Four hereof the word "corporation" shall include any other similar legal entity; the word "bonds" shall include notes and other evidences of indebtedness (including notes issued pursuant to Section 8.02 hereof, evidence of indebtedness received in exchange for Mortgaged Property or upon the application of Deposited Cash, purchase money mortgages and conditional sale and similar agreements), whether secured or unsecured; the words "stock" and "stock certificates" shall be construed to denote proprietary interests in a corporation or the certificates evidencing the same, as the context may require; the word "securities" shall mean "bonds" and "stock" as used herein; and, except as the context may otherwise require, the word "pledged" shall mean required to be pledged with the Trustee by any of the provisions of this Indenture, or which may be pledged with or held by the Trustee hereunder at any time, or which may be subject to the lien of this Indenture but pledged or held at any time under any Prior Lien Indenture. The Trustee shall have no duty to take any action in respect of any pledged securities required or permitted to be taken under any provision of this Article Five if the taking of such action requires the possession of such pledged securities, so long as such pledged securities are in fact in the possession of a pledgee under a Prior Lien Indenture; but the Trustee may in its discretion join with the trustee under such Prior Lien Indenture in the taking of any such action.

Subject to the provisions of any Prior Lien Indenture, all pledged securities shall be delivered to the Trustee in bearer form or accompanied by proper instruments of assignment and transfer and shall be held by the Trustee subject to the terms and provisions of this Indenture.

SECTION 5.02. The Trustee is hereby authorized in its discretion to cause to be registered in its name as Trustee, or in the name of its nominee, any and all pledged coupon bonds or to cause the same to be exchanged for registered bonds without coupons. The Trustee may cause to be transferred into its name as Trustee, or into the name of its nominee, all pledged registered bonds without coupons and all pledged stock; and it may make such other transfers and arrangements as may be required from time to time to protect the lien intended to be created hereby upon such pledged securities.

SECTION 5.03. Unless (a) a Receiver shall be in possession of the Mortgaged Property or a substantial part thereof or (b) one or more of the Events of Reinstatement shall have happened—(i) the Corporation shall have the right, with the same force and effect as though such stock had

not been pledged hereunder, to vote, or to give any approval, consent or waiver in respect of, all pledged stock and all other pledged securities having voting rights, for all purposes not contrary to any provision of this Indenture, and from time to time the Trustee, upon receipt of a Request so to do, shall execute and deliver, or shall cause to be executed and delivered, to the Corporation or its nominees, suitable powers of attorney or proxies to enable the Corporation so to vote or take action; (ii) the Corporation shall be entitled to receive all dividends in respect of the stock of the corporations listed in Granting Clause Sixth hereof, and the Trustee shall not be entitled to collect the same for its own account except with the consent of the Corporation; (iii) the Trustee shall not, except upon receipt of a Request so to do, enforce any of the provisions of pledged bonds or the mortgages, trust deeds or other instruments under which any of the pledged bonds are issued or by which the same are secured unless in the opinion of the Trustee the security of this Indenture will be impaired or endangered without such enforcement; (iv) from time to time, upon receipt of a Request so to do, the Trustee shall deliver to the Corporation suitable revocable orders in favor of the Corporation, or its nominee or nominees, for the payment of dividends in respect of the stock of the corporations listed in Granting Clause Sixth hereof, and, except as hereinafter provided in this Section 5.03, the Corporation may collect all dividends which the Corporation is entitled to receive, as aforesaid, and the Trustee shall pay over promptly to the Corporation any such dividends which may be received by the Trustee or its nominees; and (v) the Trustee, at the expense of the Corporation, shall assign and transfer to persons designated by the Corporation a sufficient number of pledged shares to qualify such persons to act as directors of, or in any other official relation to, the several corporations which issued such shares, upon receipt of a Request so to do, stating that the Corporation has no shares for that purpose under its control, other than shares held hereunder; provided, however, that under this provision no transfer of the stock of any Pledged Subsidiary shall be made which would change the status of such Pledged Subsidiary hereunder.

In case of the happening of any of the contingencies specified in clauses (a) and (b) of the preceding paragraph of this Section 5.03, the Trustee shall be entitled to vote all the pledged stock, and other pledged securities having voting rights, to collect and receive all interest and dividends on the pledged securities, and, as the holder of the pledged securities, to perform any and all acts and to make and execute any and all transfers, requests and requisitions or other instruments which may be necessary or proper to carry out the provisions of this Indenture.

Notwithstanding any other provision of this Indenture, all interest and dividends paid in respect of any pledged securities, except dividends in respect of the stock of the corporations listed in Granting Clause Sixth hereof, shall be paid to and held by the Trustee as Deposited Cash.

Notwithstanding any other provision of this Indenture, (a) the Corporation shall not be entitled to receive, and the Trustee shall not pay over to the Corporation pursuant to this Article Five but shall be entitled to receive, (i) the principal of, or any premium on, any pledged bond or (ii) any interest on any pledged bond which shall have been paid out of the proceeds of any sale, condemnation or expropriation of any property covered by a mortgage or lien securing such bond or (iii) any dividend on any pledged stock which shall have been paid out of the proceeds of a sale, condemnation or expropriation of the property of the corporation which issued said stock or as a result of the dissolution, liquidation, in whole or in part, or winding up of such corporation or as a stock dividend or as a dividend which in any way shall be chargeable to or be payable out of capital or appropriated or paid-in or capital surplus or upon the reduction of the capital stock of any such corporation or anything paid in retirement or redemption of any pledged stock, it being the intention that the Corporation shall be entitled to receive dividend payments only when made out of the earned and unappropriated surplus of any such corporation; (b) the Corporation shall not sell, assign or transfer any such coupon or right to interest or dividends delivered or assigned to it, or collect any coupon, interest or dividend by legal proceedings or by enforcement in any manner which shall be prejudicial to the Mortgaged Property; and (c) until actually paid or discharged, every such coupon or right to interest or dividends and any claim and indebtedness therefor shall in all respects remain subject to the lien of this Indenture.

The Trustee shall be entitled to assume that any interest received by it on any pledged bond is not paid out of the proceeds of any sale, condemnation or expropriation of property, and that any dividend received in money on any pledged stock is paid out of earned and unappropriated surplus, until it is notified in writing to the contrary by the holders of at least 50% in principal amount of the Notes, by the Corporation or by the payor of such interest or dividend.

If any such coupon or any such order for the payment of interest or dividends delivered to the Corporation shall not forthwith be paid or cancelled, the Corporation shall return the same to the Trustee, and in case of the payment of any such coupon or interest, the Corporation shall, upon demand of the Trustee, furnish satisfactory evidence of the cancellation and extinguishment thereof.

In case the Corporation or the Trustee shall receive rights to subscribe to additional securities in respect of any of the pledged securities, the Corporation may exercise or sell such rights in its discretion; provided, however, and subject to the provisions of any Prior Lien Indenture, (a) that all securities acquired by exercise of such rights shall forthwith be delivered to the Trustee as pledged securities, (b) that all net proceeds from the sale of any such rights shall forthwith be paid to the Trustee, (c) that if the Corporation shall not have elected to exercise or sell such rights five business days prior to the expiration thereof it shall give the Trustee notice thereof and the Trustee shall forthwith sell such rights in such manner as in its uncontrolled discretion it may deem advisable and (d) that if any of the contingencies specified in clauses (a) and (b) of the first paragraph of this Section 5.03 shall have happened the Trustee shall be entitled at any time in its discretion to sell such rights.

SECTION 5.04. If in the opinion of the Board of Directors the rights of the holders of the Notes will not be prejudiced or impaired thereby, the Trustee at any time, upon receipt of a Request so to do, a Certified Resolution evidencing such opinion, and an Opinion of Counsel evidencing the applicability of this Section 5.04, shall, subject to the provisions of the next succeeding paragraph of this Section 5.04, (a) cancel, or consent to the cancellation of, any of the pledged securities which, owing to acquisition by the Corporation in fee of all property subject to the lien of any mortgage or other instrument securing such pledged securities, foreclosure, reorganization, consolidation or other disposition of the property of the corporation which issued such securities, or for any reason, shall have become no longer of any value as security for the Notes, or (b) consent to a reduction, increase or other change in the capitalization of any corporation whose stock is pledged hereunder, provided that if such corporation is a Pledged Subsidiary the proportionate interest of the Corporation in such Pledged Subsidiary evidenced by such stock so pledged is not thereby reduced.

Whenever all of the property securing any Prior Lien Indenture shall be subject to the lien of this Indenture (subject to no Prior Lien junior to the lien of such Prior Lien Indenture), and there shall not be any outstanding Prior Lien Securities not held by the Trustee secured by said Prior Lien Indenture, the Trustee shall, upon receipt of a Request so to do, an Opinion of Counsel that the action requested may be taken in accordance with the provisions hereof, and a certificate of the trustee under such Prior Lien Indenture to the effect that there are no outstanding Prior Lien Securities secured by said Prior Lien Indenture not held by the Trustee, cancel such Prior Lien Securities or surrender the same to the trustee under such Prior Lien Indenture for cancellation and the Prior Lien released.

In case one of the contingencies specified in clauses (a) and (b) of the first paragraph of Section 5.03 shall have happened, the Trustee may in its discretion, but shall not be obligated to, take any action referred to in this Section 5.04.

SECTION 5.05. In case default shall be made in the payment of the principal of or interest on any of the pledged bonds or on any bonds secured by a mortgage, deed of trust, or other instrument which secures or purports to secure any of the pledged bonds, or in the due observance or performance of any covenant contained in any of such bonds or any such mortgage or deed of trust or other instrument, then, and in every such case, the Trustee shall, upon receipt of a Request so to do, and upon being indemnified to its satisfaction against any fees for additional services and expenses, including reasonable attorneys' fees, to be incurred in connection therewith, bring an appropriate action to recover such principal and interest or to compel the observance or performance of such covenant, and if it holds an amount of such bonds in default sufficient under such mortgage, deed of trust or instrument to take such action, cause proper proceedings to be instituted and prosecuted in some court of competent jurisdiction to foreclose the mortgage, deed of trust or other instrument by which such bonds are secured, or otherwise enforce such rights; provided, however, that if (a) a Receiver shall be in possession of the Mortgaged Property or a substantial part thereof or (b) one or more of the Events of Reinstatement shall have happened or (c) in the opinion of the Trustee the security of this Indenture will be impaired or endangered without such action, then the Trustee may institute such proceedings without such Request.

If at any time all or any of the property of any Pledged Subsidiary shall be sold at any judicial or any other sale, or if any property covered by a mortgage securing any pledged bonds shall be sold upon foreclosure of such mortgage, then, if the property of such Pledged Subsidiary, or the property sold, can be acquired by crediting on the securities pledged hereunder any sum accruing or to be received thereon out of the proceeds of such property, and the Trustee is requested in writing by the Corporation or by the holders of the Notes at the time outstanding hereunder so to purchase or cause to be purchased such property and if it is provided with the cash necessary therefor and indemnified to its satisfaction on account of its fees for additional services and expenses, including reasonable attorneys' fees, in connection therewith, the Trustee shall so purchase or cause to be purchased such property, and shall use such pledged securities and the cash, if any, so provided in paying for said property. In case of any such purchase the Trustee shall take such steps as it may deem best to cause such property to be vested either in the Corporation, subject to the lien of this Indenture, or in some corporation

organized or to be organized for that purpose, all of whose funded debt (except such, if any, as shall represent a lien existing upon the property at the time it was acquired) and all of whose capital stock (except the number of shares required to qualify directors) shall be received and held by the Trustee and shall be vested in the Corporation subject to the lien of this Indenture.

The Trustee may take such other action from time to time as the Trustee shall deem best calculated to protect the interests of the holders of the Notes in respect of any pledged securities; and for that purpose, with the consent of the Corporation, the Trustee may join in or consent to any plan of readjustment or reorganization in respect of any such pledged securities and may accept any cash, securities or other property delivered in payment or exchange therefor under such plan; provided, however, that if (a) a Receiver shall be in possession of the Mortgaged Property or a substantial part thereof or (b) one or more of the Events of Reinstatement shall have happened or (c) in the opinion of the Trustee the security of this Indenture will be impaired or endangered without such action, the Trustee shall be entitled to take the steps authorized in this paragraph without the consent of the Corporation.

The Corporation covenants that on demand of the Trustee it forthwith will pay or provide for the payment of all of the Trustee's fees for additional services and expenditures, including reasonable attorneys' fees, (except expenditures for which cash shall theretofore have been deposited by the Corporation with the Trustee under the provisions of this Section 5.05) due to or incurred by the Trustee under any of the provisions of this Section 5.05, and in case the Corporation shall fail so to do, then, without impairment of or prejudice to any of its rights hereunder by reason of such default of the Corporation, the Trustee, without notice to the holders of the Notes, may advance all such expenses and other moneys required or may procure such advances to be made by others (but shall be under no obligation so to do unless first furnished with the necessary funds), and for such advances made by the Trustee or by others at its request, with interest thereon, the Trustee shall have a lien on the Mortgaged Property prior to the lien of the Notes; but in no case shall the Trustee make or procure an advance which would be so secured if as a result the principal sum secured by such lien would exceed in the aggregate a sum equal to 5% of the total principal amount of Notes then outstanding.

Notwithstanding any other provision of this Indenture, as between the Corporation and the Trustee, the Corporation shall be primarily responsible for enforcing rights which both of them may assert under this Indenture in order to preserve or protect the Mortgaged Property. In the event that the Corporation fails to enforce diligently such rights and the Trustee acts to enforce such rights, the Corporation shall pay all of the

Trustee's expenses, including reasonable legal fees and court costs. If the Corporation fails to make such payment and the Trustee obtains satisfaction out of the Mortgaged Property, then the Corporation shall issue a full recourse note to the Trustee for the benefit of the holders of the Notes in a face amount equal to such payment.

SECTION 5.06. The Trustee at any time, whether or not one or more of the Events or Reinstatement shall have happened, may consent to the renewal or extension of any of the pledged bonds and of the mortgages or other instruments, if any, securing the same, at the same or at a higher rate of interest, and shall so consent, upon receipt of a Request so to do, if no Event of Reinstatement shall have happened; and in case of the renewal of any of such bonds the Trustee may surrender such bonds to the corporation which issued them or its successor and in lieu thereof may receive renewal bonds bearing such interest and maturing at such time as the Trustee may deem reasonable; provided, however, that if such bonds were secured by a lien, such extended or renewal bonds shall be secured by a lien upon the same property, or upon the same property and additional property, equal or superior to that securing the bonds extended or renewed. The Trustee may accept an Opinion of Counsel as conclusive evidence that such extended or renewal bonds are so secured. All bonds received in exchange for or in renewal of any pledged bonds shall be held subject to the lien and to all the terms and provisions of this Indenture in the same manner and to the same extent as the bonds in exchange for which or in renewal of which they shall have been received.

SECTION 5.07. The pledge hereunder at any time of any shares of stock of any corporation shall not prevent the consolidation with or merger of such corporation into, or the sale, conveyance, transfer or lease of all or any part of the property of such corporation to, the Corporation; provided, however, that such consolidation, merger, sale, conveyance, transfer or lease shall be made only upon such terms as shall not adversely affect the security hereof and shall be subject to the provisions of Article Ten hereof to the extent that such provisions shall be applicable. In the event of the consolidation or merger of any such corporation with, or the sale, conveyance, transfer or lease of all or substantially all its property to, the Corporation, this Indenture *ipso facto* shall become and be a lien upon all the estate, right, title and interest of the corporation in an undivided interest in all lines of railroad and appurtenances and other real property, all Equipment and all securities theretofore owned by such corporation or in the leasehold so acquired, which would fall within the definition of Railroad Operating Assets if owned by the Corporation and which shall be the equitable equivalent of the proportion of the total stock of such corporation theretofore pledged hereunder with the same force

and effect as if such undivided interest had been directly owned by the Corporation at the date of this Indenture and conveyed to the Trustee hereunder; and the Corporation shall execute and deliver to the Trustee all such instruments as may be required of it by the Trustee further to establish and perfect such lien.

Any corporation, shares of whose stock are pledged hereunder, may consolidate with, merge into, or sell, convey, transfer or lease all or any part of its property to, any other person or corporation, provided, however, (a) that the value of the Mortgaged Property shall not be adversely affected thereby, (b) that the net consideration payable, distributable or deliverable on account of the shares of stock pledged hereunder in the event of any such consolidation, merger, sale, conveyance or transfer (whether such consideration be in cash or otherwise) shall be pledged with and delivered to the Trustee and shall be and become subject to the lien of this Indenture and (c) that, if such corporation be a Pledged Subsidiary, either (i) the consolidated corporation, or the corporation into which such Pledged Subsidiary is merged, or to which its property is sold, conveyed, transferred or leased, is, or thereafter will be, a Pledged Subsidiary, or (ii) in the judgment of the Board of Directors, evidenced by a Certified Resolution delivered to the Trustee, the transaction is desirable in connection with arrangements for control of the property of such Pledged Subsidiary by the Corporation and other corporations.

Any corporation, shares of whose stock are pledged hereunder, may merge another corporation into itself or take a conveyance of all or any part of the property of any other corporation, provided, however, (a) that the value of the Mortgaged Property shall not be adversely affected thereby and (b) that, if such corporation be a Pledged Subsidiary, either (i) such corporation shall remain a Pledged Subsidiary, or (ii) in the judgment of the Board of Directors, evidenced by a Certified Resolution delivered to the Trustee, the transaction is desirable in connection with arrangements for control of the property of such Pledged Subsidiary by the Corporation and other corporations.

The stock of any corporation, any of whose stock is pledged hereunder, may for the purpose of carrying out any transaction permitted by the foregoing provisions of this Section 5.07, and as a part of or in contemplation of such transaction, be increased or reduced to the extent necessary therefor, provided, however, that the percentage of the stock of such corporation of each class pledged hereunder shall not be decreased by such increase or reduction of stock.

The Trustee may accept an Officers' Certificate as conclusive evidence that the value of the security hereunder will not be adversely affected by any consolidation, merger, sale, conveyance, transfer or lease proposed to be made under the provisions of this Section 5.07.

SECTION 5.08. All moneys received by the Trustee under any of the provisions of this Article Five, other than moneys to which the Corporation is entitled pursuant to the provisions of Section 5.03 hereof, shall, subject to the provisions of Prior Lien Indentures, be held as Deposited Cash, and any securities so received shall become subject to the lien and to all the terms and provisions of this Indenture; provided, however, that nothing in this Article Five shall require the deposit of cash with the Trustee to the extent that the Corporation is entitled to retain such cash pursuant to the last paragraph of Section 2.04 or to withdraw such cash pursuant to Section 2.05 or 2.06 hereof.

ARTICLE SIX

REMEDIES OF TRUSTEE AND NOTEHOLDERS

SECTION 6.01. If one or more of the following events, herein called Events of Reinstatement, shall happen, that is to say, if:

(1) a bankruptcy, receivership, reorganization or other insolvency proceeding (x) is commenced by the Corporation or (y) is commenced in respect of the Corporation by others and remains undismissed or unstayed for a period of 60 consecutive days;

(2) the sale or other disposition of substantially all of the Railroad Operating Assets occurs; or

(3) liquidation of, or adoption of a plan of liquidation for, the assets of the Corporation occurs.

then, and in any such case, the Corporation agrees, subject to any valid order to the contrary of a court having jurisdiction in the premises, that the Trustee shall be entitled as a matter of right, (a) to foreclose on the Mortgaged Property, (b) to the appointment of a receiver of the Mortgaged Property and (c) to the entry of an order directing that the premises and property comprised in the Mortgaged Property be segregated, sequestered and impounded for the benefit, subject to the provisions of Prior Lien Indentures, of the Trustee and the holders of the Notes. The Corporation hereby irrevocably consents to the appointment of such a receiver and to the entry of such order. Notwithstanding the appointment of any receiver, the Trustee shall be entitled as pledgee to retain possession and control of, and to collect all interest and dividends or earnings on, all of the pledged securities.

Notwithstanding the provisions of subparagraphs (2) and (3) of the foregoing paragraph, no merger of the Corporation with any other corporation shall constitute an Event of Reinstatement if the provisions of Article Ten hereof are met; and no lease of all or any part of the Mortgaged Property to an Affiliate of the Corporation or Guilford for any term of years and for any rental, including nominal rental, shall constitute an Event of Reinstatement if such lease provides by its terms that it is inferior to, and subject to the lien of, this Indenture and all Prior Lien Indentures.

SECTION 6.02. In case any one or more of the Events of Reinstatement shall have happened, then in any such case the Trustee may, and upon the written request of the holders of at least 50% in principal amount of the Notes then outstanding shall, upon being indemnified as provided in Section 8.01 hereof, proceed to protect and to enforce the rights of the Trustee and of the holders of the Notes, by a suit or suits in equity or at law, whether in aid of the execution of any power herein granted, or to prevent any impairment of the security hereof, or for the foreclosure of this Indenture and the sale of the Mortgaged Property, or for the enforcement of any other appropriate legal or equitable remedy as the Trustee acting therein, being advised by counsel, shall deem most effectual to protect and enforce any of its rights and the rights of holders of the Notes under this Indenture.

SECTION 6.03. In case any one or more of the Events of Reinstatement shall have happened, the principal of all Notes then outstanding shall *ipso facto* be and become due and payable forthwith, anything in this Indenture or in the Notes to the contrary notwithstanding. This provision, however, is subject to the condition that, if at any time after the principal of the Notes shall have so become due and payable before any sale of the Mortgaged Property or any part thereof shall have been made, and the reasonable charges and expenses of the Trustee, its agents and attorneys, shall either be paid by the Corporation or collected out of the income of the Mortgaged Property, then and in every such case the holders of at least 50% in principal amount of the Notes then outstanding by written notice to the Corporation and to the Trustee, may waive such Events of Reinstatement and their consequences and annul such declaration of the maturity of the Notes, but no such waiver and annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

In case the Trustee shall have proceeded to enforce any right under this Indenture by foreclosure or otherwise, and such proceedings shall have been discontinued or abandoned because of such waiver, or for any other reason, or shall have been determined adversely to the Trustee, then and in every such case the Corporation and the Trustee shall be

restored to their former positions and rights hereunder in respect of the Mortgaged Property, and all rights, remedies and powers of the Trustee and of the Corporation shall continue in the future as though no such proceedings had been taken.

SECTION 6.04. Any sale or sales made pursuant to this Indenture, under or by virtue of any judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Corporation of, in and to the premises and property sold, and shall be a perpetual bar, both at law and in equity, against the Corporation, its successors and assigns, and against any and all persons claiming the premises and property sold, or any part thereof, from, through or under the Corporation, its successors or assigns.

The Corporation, for itself and all persons and corporations hereafter claiming through or under it, hereby expressly waives and releases all right to have the Mortgaged Property marshalled for its benefit upon any foreclosure or other enforcement hereof.

The personal property and chattels conveyed or intended to be conveyed by or pursuant to this Indenture, other than cash and securities, shall be deemed to be real estate for all the purposes of this Indenture, and shall be held and taken to be fixtures and appurtenances of the lines of railroad subject to the lien of this Indenture and a part thereof, and may be used and sold therewith.

SECTION 6.05. The receipt of the Trustee or other person authorized to receive the same for the purchase money paid at any such sale shall be a sufficient discharge therefor to any purchaser of the property, or any part thereof, sold as aforesaid, and no such purchaser, or his representatives, grantees or assigns, after paying such purchase money and receiving such receipt, shall be bound to see to the application of such purchase money or any part thereof upon or for any trust or purpose of this Indenture, or, in any manner whatsoever, be answerable for any loss, misapplication or nonapplication of any such purchase money, or any part thereof, or be bound to inquire as to the authorization, necessity, expediency or regularity of any such sale.

SECTION 6.06. The purchase money, proceeds and avails of any such sale, together with any other sums which then may be held by or for the Trustee under any of the provisions of this Indenture as part of the Mortgaged Property, shall be applied as follows:

FIRST: To the payment of the costs and expenses of such sale, including reasonable compensation to the Trustee, its agents, attor-

neys and counsel, and of all expenses, liabilities and advances made or incurred by the Trustee under this Indenture and to the payment of all taxes, assessments and Prior Liens, except taxes, assessments and Prior Liens, if any, subject to which the property shall have been sold;

SECOND: To the payment of the whole amount then due and unpaid upon the Notes, for principal and for interest, if any, and in case such proceeds shall be insufficient to pay in full such whole amount so due and unpaid, then to the payment thereof ratably, according to the aggregate of such principal and interest, if any, without preference or priority of any Note over any other Note or of principal over interest, or of interest over principal; and

THIRD: To the payment of the surplus, if any, to the Corporation, its successors or assigns, or to whosoever may be lawfully entitled to receive the same.

SECTION 6.07. In case of any sale under the foregoing provisions of this Article Six, any purchaser, for the purpose of making settlement or payment for the property purchased, shall be entitled to use and apply either or both of the Notes in order that there may be credited, as paid thereon, the sums payable out of the net proceeds of such sale to the holder of such Notes, as his ratable share of such net proceeds; and such purchaser shall be credited on account of the purchase price payable by him with the sums payable out of such net proceeds which shall be applicable to the payment of and which shall have been credited upon the Notes; and at any such sale, the holder of either or both of the Notes may bid for, and purchase, such property, and may make payment therefor as aforesaid, and, upon compliance with the terms of said sale, may hold, retain and dispose of such property without further accountability therefor, except to pay the Trustee's costs and the expenses of sale, as set forth in paragraph FIRST of Section 6.06 above.

SECTION 6.08. The Trustee shall give the holders of the Notes prompt written notice of every breach by the Corporation of any covenant of this Indenture of which the Trustee shall have actual knowledge and which does not constitute an Event of Reinstatement. The Trustee shall not be liable to the holders of the Notes for failure to give notice of any such breach (a) of which the Trustee has no actual knowledge or (b) which does not involve any diminution or impairment of the Mortgaged Property. Notwithstanding any other provision of this Article Six, the holders of at least 50% in principal amount of the Notes and only such holders shall be entitled to bring suit against the Corporation for such breach, and the Noteholders, by acceptance of the Notes, hereby agree that any judgment

or verdict rendered in any such action shall be limited to actual damages to the Mortgaged Property suffered by reason of such breach.

SECTION 6.09. If any Event of Reinstatement shall have happened, the Corporation will not at any time insist upon or plead, or in any manner whatever claim or take the benefit or advantage of, any law, wherever enacted, in aid of debtors (other than Subchapter IV of Chapter 113 of Title 49 of the U.S. Code, 49 U.S.C. §§ 11361-11367, or other law granting similar relief) or any law, wherever enacted, for staying actions in respect of mortgages or mortgage indebtedness or extending the time of payment of such indebtedness now or at any time hereafter in force in any locality where the Mortgaged Property, or any part thereof, may or shall be situate, nor will it claim, take or insist on any benefit or advantage from any law now or hereafter in force, wherever enacted, providing for the valuation or appraisement of the Mortgaged Property, or any part thereof, prior to any sale or sales thereof to be made pursuant to the decree, judgment or order of any court of competent jurisdiction; nor after any such sale or sales will it claim or exercise any right under any statute heretofore or hereafter enacted by the United States, or by any State, or otherwise, to redeem the property so sold or any part thereof; and the Corporation hereby expressly waives all benefit and advantage of any such law or laws, and covenants that it will not hinder, delay or impede the execution of any power herein granted or delegated to the Trustee, but that it will suffer and permit the execution of every such power, as though no such law or laws had been made or enacted.

SECTION 6.10. Anything in this Indenture contained to the contrary notwithstanding, the holders of a majority in principal amount of the Notes then outstanding shall have the right to direct the time, method and place of conducting any proceeding for any remedy open to the Trustee, and of exercising any power or trust conferred upon the Trustee under this Indenture.

SECTION 6.11. The Trustee is hereby appointed (and the successive holders of the Notes by taking and holding the same shall conclusively be deemed to have so appointed the Trustee) the true and lawful attorney-in-fact of the respective holders of the Notes, with authority to make or file, irrespective of whether the Notes or either of them are in default as to payment of principal or interest, in the respective names of the holders of the Notes or in behalf of all holders of the Notes as a class, any proof of claim, amendment to any proof of claim, petition or other document, and to execute any and all other papers and documents and do and perform any and all other acts and things for and in behalf of the respective holders of the Notes, or in behalf of all holders of the Notes as a class, as

may be necessary or advisable in the judgment of the Trustee in order to have the claims of the holders of the Notes against the Corporation, or any successor, or any other person or corporation, allowed and paid in any equity receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding which shall involve the Mortgaged Property or any part thereof, and to receive payment of or on account of any such claim or claims; and any Receiver in any such proceeding is hereby authorized by the holder of each Note to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to the holders of the Notes, to pay to the Trustee any amount due it for compensation and expenses, including counsel fees, incurred by it up to the date of such distribution. The Trustee shall have full power of substitution and delegation in respect of any such power. Nothing herein contained shall give the Trustee authority to assent to or reject on behalf of any holder of Notes any plan of reorganization proposed or approved in any such proceeding.

SECTION 6.12. Except as otherwise provided in Section 6.08, no holder of any Note shall have any right to institute any suit, action or proceeding in equity or at law for the foreclosure of this Indenture, or for the execution of any trust hereunder, including the appointment of a Receiver, or for any other remedy hereunder, unless such holder previously shall have delivered to the Trustee written notice that some one or more specified Events of Reinstatement has happened, nor unless the holders of not less than 50% in principal amount of the Notes then outstanding shall have requested the Trustee in writing, and shall have afforded to it reasonable opportunity, either to proceed to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name, nor unless also one or more holders of Notes shall have offered to the Trustee reasonable security and indemnity, satisfactory to it, against its fees for additional services and the costs, expenses, including reasonable attorneys' fees, and liabilities to be incurred therein or thereby, nor unless also the Trustee shall have refused or neglected to act on such notification, request and offer of indemnity; and such notification, request and offer of indemnity are hereby declared, in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of this Indenture and to any action or cause of action for foreclosure, including the appointment of a Receiver, or for any other remedy hereunder, it being understood and intended that no holder of Notes shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the lien of this Indenture or to enforce any right hereunder, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had or maintained in the

manner herein provided, and for the equal benefit of all holders of the outstanding Notes.

Nothing contained in this Section 6.12 or elsewhere in this Indenture or in the Notes shall alter or impair the rights of the holders to receive payment of the principal of the Notes and the interest thereon, if any, at the time and place, in the amount, and in the currency prescribed in such Notes and in this Indenture, or affect or impair the right of action at law, which is also absolute and unconditional, of such holders to enforce such payments.

SECTION 6.13. Except as herein expressly provided to the contrary, no remedy herein conferred upon or reserved to the Trustee or the holders of the Notes is intended to be exclusive of any other remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder, or now or hereafter existing at law or in equity or by statute.

SECTION 6.14. No delay of the Trustee or of any holder of Notes in exercising any right or power accruing upon any default continuing as aforesaid and no omission to exercise any such right or power shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by this Article Six to the Trustee, or to the holders of the Notes, may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the holders of the Notes, respectively.

SECTION 6.15. The Trustee shall have power, but unless indemnified as set forth in Section 8.01(c) hereof shall not be required, to institute and maintain suits or proceedings to restrain the enforcement of, or compliance with, or the observance of, any legislative or governmental enactment, rule or order that it may believe to be unconstitutional, or otherwise invalid, if the enforcement of, or compliance with, or observance of, such enactment, rule or order would, in the judgment of the Trustee, impair the security hereunder or be prejudicial to the Trustee or to the holders of the Notes.

ARTICLE SEVEN

IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

No recourse shall be had for the payment of the principal of, or the interest on, if any, any Note, or any part thereof, or for any claim based thereon or otherwise in respect thereof or of the indebtedness represented thereby, or based on or in respect of this Indenture or any indenture supplemental hereto, against any incorporator, or any past, present or future stockholder, officer or director of the Corporation or of any succes-

sor corporation, as such, either directly or through the Corporation or any successor corporation or any other person, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, it being expressly understood and agreed that no personal liability whatever shall attach to or be incurred by any incorporator, stockholder, officer or director of the Corporation or of any successor corporation, as such, because of the incurring of the indebtedness hereby secured or under or by reason of any of the obligations, covenants or agreements contained in this Indenture or any supplemental indenture or either of the Notes, any and all such personal liability, whether presently existing or hereafter arising, being hereby expressly waived and released as a part of the consideration for the execution of this Indenture and the issue of the Notes.

ARTICLE EIGHT

Concerning the Trustee

Section 8.01. The Trustee accepts the trusts hereby created upon the following terms and conditions, to all of which the Corporation and the holders of the Notes at any time outstanding, by their acceptance thereof, agree:

(a) The recitals herein and in the Notes contained shall be taken as the statements of the Corporation, and the Trustee assumes no responsibility for the correctness of the same.

(b) The Trustee shall be under no duty to file, register or record or cause to be filed, registered or recorded this Indenture or any supplement hereto as a mortgage, conveyance or transfer of real or personal property or otherwise, or to refile, reregister or rerecord or renew the same.

(c) The Trustee may execute any of the trusts under this Indenture or exercise any of the powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys, agents or employees and the Trustee shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys, agents or employees, provided reasonable care has been exercised in the selection and in the continued employment of any such attorney, agent or employee, nor shall the Trustee be otherwise answerable or accountable under any circumstances whatsoever, except for negligence or bad faith. The Trustee shall not be under any obligation or duty to institute, appear in or defend any suit in respect hereof, unless first reasonably indemnified for its fees for additional services, costs, expenses, including reasonable attorneys' fees, and for any liability it may incur as a result of undertaking such action, and the Trustee shall not be under any obligation to take any action in

respect of any default or otherwise or toward the execution or enforcement of any of the trusts hereby created or to institute, appear in or defend any suit or other proceeding in connection therewith, unless one or more of the holders of the Notes shall, as often as required by the Trustee, furnish it with reasonable security and indemnity against the cost and expenses, including reasonable attorneys' fees, of said proceeding, and for its fees for additional services and for any liability which it might incur as a result of undertaking such action, but this provision shall not affect any discretionary power herein given to the Trustee to determine whether or not it shall take action in respect of such default or otherwise.

(d) Except as herein otherwise provided, any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or any other person to or on the Corporation shall be deemed to have been sufficiently given and served for all purposes if deposited, first class postage prepaid, in a United States Post Office letterbox or mail chute, addressed to Delaware and Hudson Railway Company, 40 Beaver Street, Albany, New York 12207 until another address is filed by the Corporation with the Trustee and thereafter addressed to such other address. Any notice, request or demand by any holder of a Note or Notes to or upon the Trustee, shall be deemed to have been sufficiently given or made, for all purposes, if given or made at the principal office of the Trustee.

(e) The Trustee shall be entitled, in taking, failing to take, or permitting any action under the provisions of this Indenture, to assume that no Event of Reinstatement has happened, unless (a) the Trustee shall have actual knowledge that an Event of Reinstatement has happened or (b) any holder of a Note shall have notified the Trustee in writing that an Event of Reinstatement has happened.

(f) In any instance or instances in which the Trustee is required or permitted, by any provision of this Indenture, or in the execution of the trusts hereunder, to exercise discretion, the Trustee may employ an independent engineer, accountant, or other expert or adviser and the Trustee shall be fully protected in relying upon any statement of fact or opinion of any such engineer, accountant, expert or adviser; but nothing in this paragraph shall be construed to require the employment of any such engineer, accountant, expert or adviser.

(g) The Trustee may consult with counsel (who may be counsel for the Corporation) and the opinion of such counsel and any Opinion of Counsel delivered to the Trustee in accordance with this Indenture shall be full and complete authority and protection in

respect of any action taken, suffered or omitted by it hereunder in good faith, in accordance with any such opinion.

(h) Any notice, resolution, request, certificate, statement, appraisal, opinion, report, order or other paper which in accordance with any provision of this Indenture is required or permitted to be delivered to the Trustee may be accepted without further inquiry if believed by it to be genuine and to have been signed, sent or presented by the proper party or parties and the Trustee shall not be liable for any action taken, suffered or omitted in good faith and in reliance thereon. The Trustee shall be under no duty to make any further investigation into the matters covered by any such notice, resolution, request, certificate, statement, appraisal, opinion, report, order or other paper before granting any application for the authentication or delivery of Notes or for the payment of any Deposited Cash or for the execution of any release or consent or any other application to the Trustee or before taking, suffering or omitting to take any other action, hereunder, provided, however, that the Trustee may make any such independent inquiry or investigation as it may see fit.

(i) The Corporation covenants and agrees to pay to the Trustee from time to time, on demand of the Trustee, reasonable compensation (which shall not be limited by any provision of law with respect to the compensation of fiduciaries or of trustees of an express trust) for all services rendered by it hereunder and also its reasonable expenses and counsel fees and other disbursements, and those of its attorneys, agents and employees, incurred in the administration and execution of the trusts hereby created and the exercise of its powers and the performance of its duties hereunder. The Corporation also covenants to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense, including reasonable attorneys' fees, incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the acceptance or administration of this trust, including the costs of expenses of defending against any claim of liability in the premises. The Corporation further covenants and agrees to pay interest to the Trustee upon all amounts paid, advanced or disbursed by the Trustee for which it is entitled to reinbursement or indemnity as herein provided. The Trustee shall have a lien on the Mortgaged Property prior to the lien of the Notes, for all amounts agreed to be paid by, and for all obligations of, the Corporation under this subparagraph (i).

(j) Whenever in the administration of the trusts created by this Indenture the Trustee shall deem it necessary or desirable that a

matter be proved or established prior to taking, suffering or omitting any action hereunder, said matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be proved and established by an Officers' Certificate delivered to the Trustee, but in its discretion the Trustee may require such further or additional evidence as to it may seem reasonable.

(k) Except as provided in Section 8.02 hereof, the Trustee shall be under no duty to invest any moneys paid to or deposited with it or to its credit pursuant to any of the provisions of this Indenture, and shall not be liable for interest on any moneys during the period such moneys remain on deposit with it, except such interest as the Trustee may agree with the Corporation to pay thereon.

(l) The Trustee, or any corporation in or with which the Trustee may be interested or affiliated, may act as depositary, transfer agent, exchange agent, paying agent, registrar, custodian, escrow agent or fiscal agent for the Corporation or for any committee or other body, firm or corporation in respect of the Notes or in respect of any other securities of the Corporation or any other corporation.

(m) Any action at any time taken by the Trustee pursuant to or with respect to this Indenture at the request or with the consent or approval of any person who at the time is the holder of any Note, shall be conclusive and binding upon all the future holders of such Note.

(n) All rights of action under this Indenture may be enforced by the Trustee without the possession of either the Notes or the production thereof on the trial or other proceedings relative thereto.

(o) No implied covenant shall be read into this Indenture against the Trustee; but the duties of the Trustee shall be determined solely by the provisions of this Indenture.

SECTION 8.02. Any moneys which at any time shall be deposited with the Trustee shall be held in trust by the Trustee for the holders of all outstanding Notes until disposed of in accordance with the provisions of this Indenture but need not be segregated and may be held as part of the general funds of the Trustee.

Any Deposited Cash in excess of $100,000 shall be invested or reinvested by the Trustee in any obligations, as specified in a Request of the Corporation or, if not so specified, as determined by the Trustee, maturing not more than five years after their acquisition which as to principal and interest constitute direct obligations of the United States of America.

The Corporation shall promptly reimburse the Trustee for any expenses incurred by it in connection with the purchase or sale thereof, including any brokerage commissions.

Notwithstanding the immediately preceding paragraph, upon Request of the Corporation the Trustee shall invest Deposited Cash in unsecured full recourse notes issued or guaranteed by Guilford, maturing on demand or within 90 days of issuance and bearing interest at a rate not less than the rate of 90-day United States Treasury bills at the most recent sale thereof by the Treasury preceding the date of issue of such unsecured notes; provided that any such Request shall be accompanied by a certificate signed by the Chairman of the Board, the President or a Vice President of Guilford and by the chief financial officer, chief accounting officer, comptroller or treasurer of Guilford stating that (i) the proceeds of the sale of such unsecured notes shall be used in connection with freight transportation, and (ii) there has been no adverse change in the financial condition of Guilford or its successors, since that condition shown in its consolidated audited financial statements dated December 31, 1983 (taking into account the *pro forma* effect of the acquisition of the Corporation by Guilford if that occurs subsequent to December 31, 1983) such as would have a material effect on the ability of Guilford or its successors to repay said notes or satisfy said guaranty.

Such notes and obligations and retained interest shall be held by the Trustee as a part of the Mortgaged Property, but, upon Request (solely with respect to direct obligations of the United States), or at any time when the Trustee in its discretion shall deem such action advisable, the Trustee shall sell all or any designated part of the same, and the proceeds of such sale shall be held by the Trustee as Deposited Cash.

Whenever the Corporation shall be entitled to the withdrawal of Deposited Cash, the Corporation shall accept notes or other obligations held by the Trustee as part of the Mortgaged Property pursuant to this Section 8.02 to the extent that such notes or other obligations shall be tendered to the Corporation by the Trustee in lieu of cash, and such notes or other obligations shall be accepted in lieu of cash at the cost of the acquisition thereof.

SECTION 8.03. Any corporation into which the Trustee may be merged or converted, or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, if such corporation shall be a trust company or a banking corporation in good standing organized under the laws of the United States of America or one of the fifty states with its principal office in the United States and having a capital and surplus aggregating at least

$10,000,000, shall be the successor Trustee under this Indenture without the execution or filing of any paper or the performance of any further act on the part of the parties hereto, anything herein to the contrary notwithstanding.

SECTION 8.04. The Trustee may at any time resign and be discharged from the trusts hereby created by giving to the Corporation written notice of such resignation specifying a date when such resignation shall take effect.

The Trustee may be removed at any time by the holders of not less than 50% in principal amount of the Notes at the time outstanding. Any Trustee so removed shall be entitled to its reasonable compensation then accrued and unpaid, and the reimbursement of proper expenses theretofore incurred and not previously reimbursed.

SECTION 8.05. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting or shall be adjudged bankrupt or insolvent, or if a receiver of the Trustee or of its property shall be appointed, or if any public officer in the exercise of his official powers shall take charge or control of the Trustee, or its property or affairs, or if a vacancy shall arise in the trusteeship under this Indenture from any other cause, the Corporation, by an instrument duly executed and acknowledged by its proper officers, by authority of its Board of Directors, may appoint a successor Trustee to fill the vacancy until the appointment of a new Trustee by the holders of Notes or by a court as hereinafter provided. The Corporation shall promptly notify each holder of a Note of any such appointment made by it.

In any instance in which the Corporation may be authorized to appoint a Trustee to fill a vacancy, a successor Trustee may be appointed by the holders of not less than 50% in principal amount of the Notes then outstanding, notification being given to the Corporation and the predecessor Trustee; provided, however, that no such appointment may be made (a) more than one year after the appointment by the Corporation of a successor Trustee to fill such vacancy; or (b) after the appointment of a successor Trustee by a court, as hereinafter provided. Upon the appointment of a successor Trustee by the holders of Notes as hereinabove provided, any successor Trustee theretofore appointed by the Corporation to fill a vacancy shall, immediately and without further act, be superseded by the successor Trustee so appointed.

If no appointment of a successor Trustee shall be made by the holders of the Notes or by the Corporation pursuant to the foregoing provisions of this Section 8.05 within three months after the happening of any

of the events set forth in the first paragraph of this Section 8.05, the holder of either Note or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as said court may deem proper and prescribe, appoint a successor Trustee, unless in the meantime a successor Trustee shall have been so appointed by the holders of the Notes.

Every successor to the Trustee appointed under any of the provisions of this Article Eight shall be a trust company or a banking corporation in good standing organized under the laws of the United States of America or one of the fifty states with its principal office in the United States and having a capital and surplus aggregating at least $10,000,000, if there be such a trust company or banking corporation able and willing to act on customary terms

Any successor Trustee appointed hereunder shall execute, acknowledge and deliver to the predecessor Trustee hereunder and to the Corporation an instrument in writing accepting such appointment hereunder, and thereupon said successor Trustee, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor in trust hereunder, with like effect as if originally named as Trustee herein; but the retiring Trustee, nevertheless, on the written request of the Corporation or of the successor Trustee, and upon payment of its unpaid compensation and expenses, if any, shall execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in said successor Trustee all the right, title and interest of the retiring Trustee in and to the Mortgaged Property and said rights, powers, trusts, duties and obligations; and the retiring Trustee shall also, upon like request and upon payment of its unpaid compensation and expenses as aforesaid, pay over, assign and deliver to the successor Trustee any money and other property subject to the lien of this Indenture then held by it, and deliver any and all records, or copies thereof, in respect of the trusts hereunder which it may have; and upon request of any such successor Trustee the Corporation shall execute, acknowledge and deliver any and all deeds, conveyances or other instruments in writing for more fully and certainly vesting in and confirming to such successor Trustee said estates, properties, rights, powers, trusts, duties and obligations.

SECTION 8.06. If at any time or times, in order to conform to any legal requirement or in order fully to protect the interests of the holders of the Notes, the Trustee shall so request, the Corporation and the Trustee shall

unite in the execution and performance of all instruments and agreements necessary or proper to appoint another bank or trust company or one or more persons approved by the Trustee, either to act as co-trustee or co-trustees of all or any part of the Mortgaged Property, jointly with the Trustee, or to act as separate trustee or trustees of any such property, with such power and authority as may be necessary to the effectual operation of the trusts herein set forth and specified in the instrument of appointment.

SECTION 8.07. If at any time the Corporation intends to incur Qualified Senior Debt, it shall file with the Trustee (i) a Request for the subordination of the lien of this Indenture to the lien of specified Qualified Senior Debt, and (ii) a Certified Resolution determining that the debt which has been incurred or is about to be incurred constitutes Qualified Senior Debt as herein defined and specifying whether such debt comes within clause (a) or clause (b) of the second paragraph of Section 3.07 hereof, and an Opinion of Counsel to the effect that such debt constitutes Qualified Senior Debt, and the Trustee shall thereupon deliver to the Corporation such number of executed counterparts as the Corporation shall reasonably request of an appropriate instrument of subordination in recordable form subordinating the lien of this Indenture to the instrument or lien securing such Qualified Senior Debt, together with any such further assurances and evidence as the Corporation shall reasonably request to perfect the lien of such Qualified Senior Debt.

ARTICLE NINE

POSSESSION UNTIL REINSTATEMENT — DEFEASANCE CLAUSE

SECTION 9.01. Unless and until (a) a Receiver shall have entered into possession of the Mortgaged Property or a substantial part thereof or (b) some one or more of the Events of Reinstatement shall have happened, the Corporation, its successors and assigns, shall be suffered and permitted to retain actual possession of all of the Mortgaged Property (other than pledged securities and cash held by the Trustee hereunder) and to manage, operate and use the same and every part thereof with the rights and franchises appertaining thereto and to collect, receive, take, use and enjoy the rents, earnings, income, issues and profits thereof.

SECTION 9.02. If (a) when the Notes shall become due and payable upon the happening of an Event of Reinstatement, the Corporation shall pay or cause to be paid the whole amount of the principal and interest, if any, owing on the Notes then outstanding, or shall provide for the payment of such Notes by depositing such amount with the Trustee as trust funds, or shall deliver the Notes to the Trustee for cancellation, or (b)

prior to the Notes having become due and payable, the Corporation shall deposit with the Trustee as trust funds an amount sufficient to pay the Notes at the time issued and outstanding, together with the interest thereon, if any, and if, in either such event, the Corporation shall pay or cause to be paid all other sums payable hereunder by the Corporation — then, and in any such case, upon delivery to the Trustee of a Certified Resolution expressing the Corporation's election that action be taken under this Section 9.02, all property, rights, and interests hereby conveyed, assigned or pledged shall revert to the Corporation, its successors or assigns, and the estate, right, title, and interest of the Trustee shall thereupon cease and determine and become void; and the Trustee in any such case shall execute an instrument of release and satisfaction of this Indenture, and shall assign and transfer or cause to be assigned and transferred, and shall deliver or cause to be delivered to the Corporation, its successors and assigns (subject to the rights in respect thereof, if any, of the trustee or trustees under any other mortgage or other instrument of the Corporation), all cash and pledged securities which may then be in the possession of the Trustee, except moneys deposited as provided in this Article Nine, and all property then held hereunder by the Trustee, and shall deliver to the Corporation orders for the payment of any moneys deposited with other depositaries as provided in this Indenture; otherwise, this Indenture shall remain in full force and effect.

For the purposes of this Section 9.02, the term "outstanding" shall be deemed to include Notes held in the treasury of the Corporation.

ARTICLE TEN

Consolidation, Merger, Conveyance and Lease

Section 10.01. Nothing in this Indenture or in either Note shall prevent the consolidation or merger of the Corporation with or into any other corporation lawfully entitled to acquire and operate the Mortgaged Property or the conveyance or lease, including a lease for any term of years, for any rental (including a nominal rental) by the Corporation of the Mortgaged Property as a whole, or substantially as a whole, to any other such corporation, provided, however, that

(1) every such consolidation, merger, conveyance or lease shall be on such terms as shall fully perserve the lien and security of this Indenture and the rights and powers of the Trustee and of the holders of the Notes hereunder and every such lease shall be made expressly subject to termination by the Corporation or by the Trustee at any time upon the occurrence of an Event of Reinstatement and also by the purchaser of the property so leased at any sale thereof hereunder;

(2) immediately upon such consolidation, merger, conveyance or lease the Successor Corporation shall, by indenture supplemental hereto, expressly assume the obligations of the Corporation with respect to the principal of and interest on all of the Notes according to their tenor and purport and the due and punctual performance of all the terms and conditions of this Indenture and of any indenture supplemental hereto to be kept and performed by the Corporation.

(3) in the case of any such lease, the Corporation shall also remain obligated with respect to the principal of and interest, if any, on the Notes according to their tenor and purport and the due and punctual performance of all the terms and conditions of this Indenture and of any indenture supplemental hereto to be kept and performed by the Corporation.

For the purpose of this Article Ten the term "Successor Corporation" shall mean any corporation, other than the Corporation, resulting from any such consolidation or surviving in any such merger or any corporation to which any such conveyance or lease shall be made.

SECTION 10.02. Any supplemental indenture provided for in Section 10.01 hereof shall contain

(1) a grant by the Successor Corporation confirming the prior lien of this Indenture upon the Mortgaged Property; and

(2) a convenant by the Successor Corporation to keep the Mortgaged Property, so far as practicable, readily identifiable; and a stipulation that the Trustee shall not be taken impliedly to waive, by accepting or joining in the supplemental indenture, any rights it would otherwise have.

SECTION 10.03. In case the Corporation shall be consolidated with or merged into or shall make a conveyance or lease to any other corporation as permitted and upon the terms provided in Section 10.01 hereof, the Successor Corporation, upon executing and delivering to the Trustee, and causing to be recorded, the supplemental indenture provided for in Section 10.01 hereof, shall succeed to and be substituted for the Corporation with the same force and effect as if it had been named in and had executed this Indenture as the party of the first part hereto, and shall have and possess and may exercise, subject to the terms and conditions of this Indenture, each and every power, authority and right herein reserved to or conferred upon the Corporation.

The Trustee may receive an Opinion of Counsel as conclusive evidence that any consolidation, merger, conveyance or lease, and any sup-

plemental indenture delivered to the Trustee pursuant to the provisions of Section 10.01 hereof, comply with the provisions of this Article Ten.

ARTICLE ELEVEN
SUPPLEMENTAL INDENTURES

SECTION 11.01. The Corporation, when authorized by resolution of the Board of Directors, and the Trustee, from time to time and at any time, may, without any authorization or consent of the holders of the Notes (except with respect to the first clause of subparagraph (1) below, as to which the consent of the holders of a majority in principal amount of the Notes outstanding is required), enter into an indenture or indentures supplemental hereto and which thereafter shall form a part hereof, for any one or more of the following purposes.

(1) to correct the description of any property hereby conveyed, transferred and assigned, or intended so to be, or to convey, transfer and assign to the Trustee and to subject to the lien of this Indenture, with the same force and effect as though included in the Granting Clauses hereof, additional property then owned by the Corporation;

(2) to pledge with or assign to the Trustee and to subject to the lien of this Indenture securities of other corporations;

(3) to evidence the succession of another corporation to the Corporation, or successive successions, and the assumption by any such successor corporation of the covenants and obligations of the Corporation under this Indenture;

(4) to add to the covenants of the Corporation such further covenants as the Board of Directors shall consider to be for the protection of the Mortgaged Property and of the holders of the Notes; provided, however, that in respect of any such additional covenant such supplemental indenture may provide for a particular period of grace after default which may be shorter or longer than allowed in the case of other defaults or may permit an immediate enforcement upon such default or may limit the remedies available to the Trustee upon such default;

(5) to make any modifications herein or in the form of the Notes, as either of which may be required by law;

(6) to permit Notes issued under this Indenture to be appropriately renamed and references in the Notes to this Indenture appropriately to be altered, all in such manner as appropriately to reflect any improvement in the character or priority of the lien of this Indenture; and

(7) for any other purpose not inconsistent with the terms of this Indenture, or for the purpose of curing any ambiguity or of curing, correcting or supplementing any omission or any defective or inconsistent provision contained herein or in any supplemental indenture.

SECTION 11.02. The Trustee is authorized to join with the Corporation in the execution of any such supplemental indenture, to make any further agreements and stipulations which may be therein contained, not inconsistent with the provisions of this Indenture, and to accept the conveyance, transfer and assignment of any property thereunder.

SECTION 11.03. The Trustee is also authorized to join with the Corporation in the execution of any supplemental indenture authorized by action taken in accordance with the provisions of Article Twelve hereof.

SECTION 11.04. The Corporation agrees to furnish to the Trustee upon the execution and delivery of each supplemental indenture, whether pursuant to the provisions of this Article Eleven or any other provision of this Indenture, and the Trustee shall be fully protected in relying upon, an Opinion of Counsel that the execution of such supplemental indenture is authorized by, and is in compliance with, the provisions of this Indenture.

SECTION 11.05. Each supplemental indenture shall be recorded, in such offices, if any, as may then be required by law in such place or places, if any, as may be necessary to effectuate the lien of this Indenture upon any property conveyed to the Trustee by such supplemental indenture or to protect the lien of this Indenture upon the property theretofore subject to the lien hereof. Within two months after the execution of each supplemental indenture the Corporation shall deliver to the Trustee an Opinion of Counsel stating that such supplemental indenture has been duly recorded as stated in such Opinion of Counsel and that no additional recording is requisite under the provisions of this Indenture or, as the case may be, that such supplemental indenture is not required to be recorded under the provisions of this Indenture.

ARTICLE TWELVE
POWERS OF NOTEHOLDERS

The holders of not less than 50% in principal amount of the Notes then outstanding to be affected by any action proposed to be taken may

(1) authorize the Trustee to join with the Corporation in making any change in the lien of this Indenture or any other modification in or addition to any provisions of this Indenture or the rights and obligations of the Corporation or the rights of the holders of the

Notes under this Indenture, provided that no modification of or addition to the provisions of this Indenture which, in the opinion of the Trustee, shall affect the rights, duties or immunities of the Trustee under this Indenture may be made without its written consent;

(2) sanction any compromise with the Corporation of the rights of the holders of the Notes against the Corporation or against its property whether such rights shall arise under the provisions of this Indenture or otherwise;

(3) cause the Trustee to release from the lien of this Indenture any of the Mortgaged Property with or without compliance with the provisions of Article Four hereof, with or without the consent of the Corporation and whether or not any Events of Reinstatement shall have happened;

(4) sanction any plan for the reorganization, readjustment or liquidation of the Corporation;

(5) authorize the Trustee to accept in satisfaction or part satisfaction for the sale or transfer of all or any part of the Mortgaged Property any securities of any corporation formed or to be formed; and

(6) waive any default on the part of the Corporation upon such terms as may be approved by such holders of the Notes.

The Trustee shall be entitled to rely upon an Opinion of Counsel with respect to the manner and extent, if any, to which any action taken pursuant to this Article Twelve affects the outstanding rights of the holders of the outstanding Notes.

Upon the demand of the holder of any Note outstanding at the date of the taking of any action pursuant to this Article Twelve and presentation of his Note for that purpose, the Corporation shall cause suitable notation to be made on such Note, by endorsement or otherwise, as to any such action. If the Corporation or the Trustee shall so determine, new Notes, so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any action taken pursuant to this Article Twelve, shall be prepared by the Corporation, authenticated by the Trustee and delivered, without cost, to the holders of the Notes then outstanding hereunder upon surrender of such Notes, in equal aggregate principal amounts. The Corporation or the Trustee may require the Notes outstanding to be presented for notation or exchange as aforesaid, if either of them shall see fit to do so.

ARTICLE THIRTEEN

MISCELLANEOUS PROVISIONS

SECTION 13.01. Except as otherwise expressly provided in this Indenture, all Notes cancelled pursuant to any provision of this Indenture shall be cremated, subject to such rules and regulations, if any, as may be prescribed by the Interstate Commerce Commission; unless such rules and regulations otherwise require, any such cremation shall be by the Trustee or an agent designated by it.

SECTION 13.02. Any moneys received by any Paying Agent under any provision of this Indenture for the payment of the principal of, or interest, if any, on the Notes shall be held in trust for the holders of the Notes for the payment of which such moneys were received until paid conformably with the provisions of this Indenture, but need not be segregated and may be held as part of the general funds of the Paying Agent, and the Paying Agent shall not be under any liability for interest on any such moneys, except such as it may agree with the corporation to pay thereon.

Upon the request of the Corporation, and subject to any applicable laws to the contrary, any moneys held by any Paying Agent or by the Trustee which shall have been deposited for the payment of the principal of, or interest, if any, on, any Note and which may remain unclaimed by the holder of such Note entitled thereto for six years after the date when such moneys were payable shall be repaid by the Paying Agent or the Trustee, as the case may be, to the Corporation and any liability of the Paying Agent or the Trustee with respect to such moneys shall cease upon such repayment and the holders of such Notes shall thereafter be entitled to look only to such moneys for the payment thereof, subject to the applicable statute of limitations.

In no event shall the holders of such Notes be entitled to interest upon moneys so deposited, whether remaining with the Paying Agent or the Trustee or so repaid to the Corporation.

SECTION 13.03. In any case where the date fixed for payment of interest or premium on, or principal of, any Note shall be a Saturday or a Sunday or shall be a legal holiday at the place where payment thereof is to be made, or shall be a date on which banking organizations at the place where such payment is to be made are authorized by law to close, then payment thereof may be made on the next succeeding business day, with the same force and effect as if made on the nominal date of payment, and no interest shall accrue for the period after such nominal date.

SECTION 13.04. Nothing in this Indenture expressed or implied is intended or shall be construed to give to any person, firm or corporation

other than the parties hereto and the holders of the Notes, any legal or equitable right, remedy or claim under or in respect of this Indenture, or any covenant, condition or provision herein contained, all the covenants, conditions and provisions hereof being and intended to be for the sole and exclusive benefit of the parties hereto, their successors and assigns, and of the holders of the Notes.

SECTION 13.05. Interest payable to the Trustee under any provision of this Indenture shall be at the following rate or rates per annum: so long as there shall be a rediscount rate of the Federal Reserve Bank of New York, such interest shall be at the current rediscount rate of such Federal Reserve Bank plus 1½%; provided, however, that such interest shall be not less than 3½% nor more than 6% per annum; if for any reason there shall cease to be a rediscount rate of the Federal Reserve Bank of New York, such interest shall be at the rate of 4% per annum.

SECTION 13.06. Any Opinion of Counsel may be based, insofar as it relates to factual matters or information which is in possession of the Corporation, upon the certificate of an officer or officers of the Corporation, unless such counsel knows or in the exercise of reasonable care should have known that such certificate is erroneous.

SECTION 13.07. Key Trust Company, party of the second part hereto, hereby accepts the trust in this Indenture declared and provided and agrees to perform the same upon the terms and conditions herein set forth.

SECTION 13.08. The headings of the several Articles hereof and the statements contained in the Table of Contents prefixed hereto are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

SECTION 13.09. This Indenture may be executed in several counterparts, each of which shall be an original, and all collectively shall constitute but one instrument, which shall be sufficiently proved by the production of any one of said counterparts.

SECTION 13.10. This Indenture shall be construed in accordance with and governed by the laws of the State of New York.

IN WITNESS WHEREOF, DELAWARE AND HUDSON RAILWAY COMPANY, the party of the first part, has caused this Indenture to be signed and acknowledged by its Chairman of the Board or its President or one of its Vice Presidents, and its corporate seal to be affixed hereunto and the same to be attested by the signature of its Secretary or one of its Assistant Secretaries; KEY BANK, N.A., the party of the second part, has caused this Indenture to be signed and acknowledged by its Corporate Trust Officer or one of its Vice Presidents, and its corporate seal to be affixed hereunto and the same to be attested by the signature of one of its Assistant Cashiers or Assistant Secretaries; and the UNITED STATES OF AMERICA has caused this Indenture to be signed and acknowledged by the Federal Railroad Administrator or a duly appointed delegate and the same to be duly witnessed.

DELAWARE AND HUDSON
RAILWAY COMPANY

By CHARLES R. MCKENNA
President

[SEAL]

ATTEST:

R. E. LONG

Signed, sealed and acknowledged in the presence of:

ANTHONY CILLO

FREDERICK WHITRIDGE, JR.
Attesting Witnesses

KEY BANK, N.A.

By W. G. REITTINGER
Corporate Trust Officer

[SEAL]

ATTEST:

PAUL C. ATKINSON

Signed, sealed and acknowledged in the presence of:

STANLEY J. TURNER

ALEXANDER J. DERRY
Attesting Witnesses

UNITED STATES OF AMERICA

By JOHN H. RILEY
Federal Railroad Administrator

WITNESS:

JARED I. ROBERTS

Signed, witnessed and acknowledged in the presence of:

LISA B. PALACHE

MICHAEL F. TRENTACOSTE
Attesting Witnesses

CERTIFICATE OF ACKNOWLEDGMENT

STATE OF NEW YORK }
COUNTY OF ALBANY } ss:

I, STANLEY J. TURNER, a notary public in and for the State of New York, do hereby certify that CHARLES R. MCKENNA, being personally well-known to me as the person who executed the foregoing instrument, bearing date on the 1st day of January, 1984, personally appeared before me in said County of Albany, State of New York and, being by me duly sworn, acknowledged that he is the President of DELAWARE AND HUDSON RAILWAY COMPANY, that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and that the execution of the foregoing instrument was the free act and deed of such corporation and of himself.

Given under my hand and seal this 4th day of January, 1984.

STANLEY J. TURNER
Notary Public

[SEAL] My commission expires:

3/30/85

CERTIFICATE OF ACKNOWLEDGMENT

STATE OF NEW YORK }
COUNTY OF ALBANY } ss:

I, NEIL H. RIVCHIN, a notary public in and for the State of New York, do hereby certify that WILLIAM G. REITTINGER, being personally well-known to me as the person who executed the foregoing instrument, bearing date on the 1st day of January, 1984, personally appeared before me in said County of Albany, State of New York and, being by me duly sworn, acknowledged that he is Corporate Trust Officer of KEY BANK, N.A., that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and that the execution of the foregoing instrument was the free act and deed of such corporation and of himself.

Given under my hand and seal this 4th day of January, 1984.

NEIL H. RIVCHIN
Notary Public

[SEAL] My commission expires:

3/30/85

CERTIFICATE OF ACKNOWLEDGMENT

DISTRICT OF COLUMBIA } ss:

I, STANLEY C. FELDMAN, a notary public in and for the District of Columbia, do hereby certify that JOHN H. RILEY, being personally well-known to me as the person who executed the foregoing instrument, bearing date on the 1st day of January, 1984, personally appeared before me in said District of Columbia and, being duly sworn, acknowledged that he is the Federal Railroad Administrator; that the foregoing instrument was signed on behalf of the UNITED STATES OF AMERICA by authority duly granted; and that the execution of the foregoing instrument was the free act and deed of the UNITED STATES OF AMERICA and himself.

Given under my hand and seal this 4th day of January, 1984.

STANLEY C. FELDMAN
Notary Public

[SEAL]

My commission expires:

12/14/87

CERTIFICATE OF ACKNOWLEDGMENT

STATE OF NEW YORK }
COUNTY OF ALBANY } ss:

On this, the 4th day of January, 1984, before me, STANLEY J. TURNER, the undersigned officer, personally appeared CHARLES R. MCKENNA, who acknowledged himself to be the President of DELAWARE AND HUDSON RAILWAY COMPANY, a corporation, and that he, as such President being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as President.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

STANLEY J. TURNER

[SEAL]

My commission expires:

3/30/85

CERTIFICATE OF ACKNOWLEDGMENT

STATE OF NEW YORK }
COUNTY OF ALBANY } ss:

On this, the 4th day of January, 1984, before me, NEIL H. RIVCHIN, the undersigned officer, personally appeared WILLIAM G. REITTINGER, who acknowledged himself to be Corporate Trust Officer of KEY BANK, N.A., a corporation, and that he, as such Corporate Trust Officer, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Corporate Trust Officer.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

NEIL H. RIVCHIN
Notary Public

[SEAL]

My commission expires:

3/30/85

CERTIFICATE OF ACKNOWLEDGMENT

DISTRICT OF COLUMBIA } ss:

On this 4th day of January, 1984, before me, STANLEY C. FELDMAN, the undersigned officer, personally appeared JOHN H. RILEY, who acknowledged himself to be the Federal Railroad Administrator and that he, as such being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the UNITED STATES OF AMERICA by himself as Federal Railroad Administrator.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

STANLEY C. FELDMAN
Notary Public

[SEAL]

My commission expires:

12/14/87

CERTIFICATE OF ACKNOWLEDGMENT

STATE OF NEW YORK }
COUNTY OF ALBANY } ss:

On the 4th day of January, in the year 1984, before me personally came CHARLES R. MCKENNA, to me known, who, being by me duly sworn, did depose and say that he resides at 210 Meadow Hills Drive, Guilford, Connecticut; that he is the President of DELAWARE AND HUDSON RAILWAY COMPANY, the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the board of directors of said corporation, and that he signed his name thereto by like order.

STANLEY J. TURNER
Notary Public

[SEAL]

My commission expires:

3/30/85

CERTIFICATE OF ACKNOWLEDGMENT

STATE OF NEW YORK }
COUNTY OF ALBANY } ss:

On the 4th day of January, in the year 1984, before me personally came WILLIAM G. REITTINGER, to me known, who, being by me duly sworn, did depose and say that he resides at 7 Cedarcrest Drive, Saratoga, New York; that he is Corporate Trust Officer of KEY BANK, N.A., the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the board of directors of said corporation, and that he signed his name thereto by like order.

NEIL H. RIVCHIN
Notary Public

[SEAL]

My commission expires:

3/30/85

CERTIFICATE OF ACKNOWLEDGMENT

DISTRICT OF COLUMBIA } SS:

On the 4th day of January, in the year 1984, before me personally came JOHN H. RILEY, to me known, who, being by me duly sworn, did depose and say that he resides at 3411 Cypress Drive, Falls Church, Virginia; that he is the Federal Railroad Administrator; that he signed his name to the above instrument on behalf of the UNITED STATES OF AMERICA; and that he was duly authorized to do so.

STANLEY C. FELDMAN
Notary Public

[SEAL]

My commission expires:

12/14/87