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13413
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INTERSTATE COMMERCE COMMISSION

WILLIAM P. JACKSON, JR.
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DAVID L. BOLYARD
WILLIAM G. MORRIS
RICHARD E. CONNOR
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OF COUNSEL
GERALD E. JESSUP

January 5, 1982

2-005A080

No. JAN 5 1982

Date .....

Fee $ 50.00

Washington, D. C.

Ms. Agatha L. Mergenovich
Secretary
Interstate Commerce Commission
Washington, DC 20423

Re: Consolidated Rail Corporation
and
Armstrong World Industries, Inc.
Lease Agreement No. 5

Dear Ms. Mergenovich:

I am attaching hereto the original and one certified copy of Lease Agreement No. 5, dated December 31, 1981, between the parties above, pertaining to additions and improvements. An exact description of the property involved is contained in the agreement attached. Also enclosed is a $50.00 filing fee check.

The lessor is Armstrong World Industries, Inc., Post Office Box 3001, Lancaster, Pa. 17604. The lessee is Consolidated Rail Corporation, 6 Penn Center Plaza, Philadelphia, Pa. 19104.

Please acknowledge receipt and filing of the enclosures by appropriate notation on the copy of this letter, attached for that purpose, and return it to me.

Please return the original document to Donald R. James, Esquire, Post Office Box 3001, Lancaster, Pa. 17604.

Very truly yours,

William P Jackson Jr.

William P. Jackson, Jr.

WPJ/brs

Enclosures

cc: Donald R. James, Esquire

JAN 5 - 1982 - 2 45 PM
INTERSTATE COMMERCE COMMISSION

CONSOLIDATED RAIL CORPORATION
and
ARMSTRONG WORLD INDUSTRIES

LEASE AGREEMENT NO. 5

Armstrong

13413

RECORDATION NO. ..... Filed 1425

JAN 5 - 1982 · 2 45 PM

INTERSTATE COMMERCE COMMISSION

COMMONWEALTH OF PENNSYLVANIA:
: SS
COUNTY OF LANCASTER :

I, Jane W. Singer, a notary public in and for the county and state aforesaid, hereby certify that I have compared the attached copy of Agreement No. 5 dated as of December 31, 1981, between Consolidated Rail Corporation, Lessee, and Armstrong World Industries, Inc., Lessor, and that it is a true and correct copy in all respects.

Jane W. Singer

JANE W. SINGER, NOTARY PUBLIC
LANCASTER, LANCASTER COUNTY, PA.
MY COMMISSION EXPIRES JANUARY 6, 1983

JAN 5 2 21 PM '82

AGREEMENT

Dated as of December 31, 1981

Between

CONSOLIDATED RAIL CORPORATION

Lessee,

and

ARMSTRONG WORLD INDUSTRIES, INC.

Lessor.

$3,053,144 of Additions and Improvements

Agreement No. 5

SECTION 168 AGREEMENT AND ELECTION

As provided in Section 3 of this Agreement, the parties hereto have agreed that, for Federal income tax purposes only, this Agreement shall constitute an agreement with respect to "qualified leased property," as defined in section 168(f)(8) of the Internal Revenue Code of 1954, as amended (the "Code"). Lessor as lessor and owner for Federal income tax purposes only, and Lessee as lessee for Federal income tax purposes only, have agreed herein to characterize this Agreement as a separate lease with respect to each Item of Property (as defined herein) and have irrevocably elected to have the provisions of section 168(f)(8) of the Code apply hereto.

AGREEMENT

dated as of December 31, 1981,
between Consolidated Rail
Corporation and Armstrong World Industries, Inc.

$3,053,144 of Additions and Improvements

TABLE OF CONTENTS

Section	Title	Page
Section 1	Definitions.....	2
Section 2	Transfer of Tax Benefits.....	6
Section 3	Deemed Leases.....	7
Section 4	Conditional Obligations.....	11
Section 5	Representations, Warranties and Agreements of Lessee.....	12
Section 6	Representations, Warranties and Agreements of Lessor.....	18
Section 7	Termination Occurrences.....	20
Section 8	Insurance.....	23
Section 9	General Indemnity.....	24
Section 10	General Tax Indemnity.....	25
Section 11	Special Tax Indemnity.....	26
Section 12	Fees and Expenses.....	33
Section 13	Survival; Successors and Assigns; Certain Payments Unconditional; Mandatory Prepayment of Deemed Loan.....	34
Section 14	Brokers and Finders.....	36
Section 15	Conditions Precedent.....	37
Section 16	Notices.....	39
Section 17	Miscellaneous.....	40

Exhibit A	Description of Property and Lessee's Adjusted Basis
Schedule I	Schedule of Termination Values
Schedule II	Schedule of Deemed Loan Payments
Schedule III	Schedule of Deemed Rent Payments

AGREEMENT

AGREEMENT between Lessor, Armstrong World Industries, Inc., and Lessee, Consolidated Rail Corporation.

W I T N E S S E T H

WHEREAS, Lessee is the owner of each Item of Property (as such term is hereinafter defined) described in Exhibit A hereto; and

WHEREAS, each Item of Property is "qualified leased property" within the meaning of section 168(f)(8)(D) of the Internal Revenue Code of 1954, as amended, and is "5-year property" within the meaning of section 168(f)(8) of the Code as indicated on Exhibit A; and

WHEREAS, Lessee is willing to transfer to Lessor, and Lessor is willing to acquire from Lessee, all of Lessee's right to claim Investment Credit and Recovery Deductions (as such terms are hereinafter defined) allowable with respect to Lessee's Adjusted Basis in each Item of Property and, in such connection, Lessor and Lessee desire to enter into a transaction to be characterized for Federal income tax purposes only as a separate lease with respect to each Item of Property under section 168(f)(8) of the Code.

NOW, THEREFORE, based upon the foregoing premises and in consideration of the mutual agreements hereinafter contained and of other good and valuable consideration, receipt of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

SECTION 1. DEFINITIONS

(a) The terms defined in this Agreement and in any agreement or instrument executed in connection herewith shall include the plural as well as the singular and the singular as well as the plural. Except as otherwise indicated, all the exhibits, schedules, agreements or other instruments herein defined shall mean such instruments as the same may from time to time be supplemented or amended, or the terms thereof waived or modified to the extent permitted by, and in accordance with, the terms hereof and thereof.

(b) In this Agreement, unless the context otherwise requires, the following terms used herein shall have the respective meanings set forth below for all purposes of this Agreement.

Agreement shall mean this instrument (including Exhibit A and any Schedules attached hereto or incorporated herein by reference).

Allocable Portion shall have the meaning set forth in Section 3 hereof.

Amortization Deduction shall have the meaning set forth in Section 11 hereof.

Claims shall have the meaning set forth in Section 9 hereof.

Code shall mean the Internal Revenue Code of 1954, as amended, including, without limitation, the amendments adopted and enacted under the Economic Recovery Tax Act of 1981.

Deemed Lease, Deemed Loan and Deemed Rent shall have the respective meanings set forth in Section 3 hereof.

Disallowance shall have the meaning set forth in Section 11 hereof.

Disqualified Item shall have the meaning set forth in Section 7 hereof.

Excess Basis shall have the meaning set forth in Section 2 hereof.

Final Determination shall have the meaning set forth in Section 11 hereof.

Initial Payment shall have the meaning set forth in Section 2 hereof.

Interest Deductions shall have the meaning set forth in Section 11 hereof.

Investment Credit shall have the meaning set forth in Section 11 hereof.

Item of Property shall mean each of the items of property described in Exhibit A hereto. If, and to the extent that, an Item of Property shall suffer a Termination Occurrence and the Termination Value in respect of such Item of Property shall have been paid, Exhibit A hereto shall, without further action of Lessor or Lessee, be deemed amended by striking the Item of Property subject to such Termination Occurrence.

Lease Term shall mean and include with respect to each Item of Property the period commencing on the date hereof and ending on the earlier of (i) the first Payment Date following the date of any Termination Occurrence with respect to such Item of Property, or (ii) the date listed as the "Lease Termination Date" on Schedule I hereto.

Lessee's Adjusted Basis shall mean with respect to the Property and each Item thereof the adjusted basis of Lessee therein for Federal income tax purposes.

Lessor's Senior Security Interest shall have the meaning set forth in Section 5 hereof.

Lien shall mean any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (other than as created pursuant to this Agreement), including, without limitation, any conditional sale or other title retention agreement, any lease in the nature thereof, or the filing of any financing statement, or agreement to give any security interest, under the Uniform Commercial Code of any jurisdiction, other than (i) liens for taxes either not yet due or being contested in good faith by appropriate proceedings, (ii) materialmen's, mechanics', workmen's, repairmen's, employees' or other like liens arising in the ordinary course of business, (iii) liens created by or resulting from

any litigation or legal proceeding that is being contested in good faith by appropriate proceedings, and (iv) zoning restrictions, easements, licenses or minor irregularities in title, in each case arising in the ordinary course of business.

Loss shall have the meaning set forth in Section 11 hereof.

Payment Date shall mean and include with respect to the Deemed Loan and the Deemed Lease the last day of each third month after December, 1981 to and including, the date listed as the "Lease Termination Date" on Schedule I hereto.

Person shall mean any individual, partnership, corporation, trust, unincorporated association or joint venture, a government or any department or agency thereof, or any other entity.

Prime Rate shall have the meaning set forth in Section 11 hereof.

Property shall mean the Items of Property described in Exhibit A hereto, which may from time to time be subject to this Agreement.

Purchase Price shall mean and include with respect to the Property and each Item thereof the sum of the Initial Payment and the principal amount of Lessor's obligation under the Deemed Loan.

Recovery Deductions shall have the meaning set forth in Section 11 hereof.

Regulations shall mean temporary, proposed, or final regulations published or adopted by the Secretary of the Treasury under and pursuant to the Code, as such regulations may be from time to time amended.

Schedule of Deemed Loan Payments shall mean the Schedule of Deemed Loan Payments attached as Schedule II hereto, as determined on the date hereof pursuant to Section 3(d) hereof and as recomputed and adjusted from time to time hereafter pursuant to Section 3(e) hereof.

Schedule of Deemed Rent Payments shall mean the Schedule of Deemed Rent Payments attached as Schedule III hereto, as determined on the date hereof pursuant to Section 3(f) hereof and as recomputed and adjusted from time to time hereafter pursuant to Section 3(g) hereof.

Tax Benefits shall have the meaning set forth in Section 2 hereof.

Tax Payment shall have the meaning set forth in Section 11 hereof.

Taxes shall have the meaning set forth in Section 10 hereof.

Termination Occurrence shall have the meaning set forth in Section 7 hereof.

Termination Value as of any Payment Date shall mean with respect to each Item of Property the amount determined in accordance with Schedule I attached hereto opposite the number of such Payment Date.

SECTION 2. TRANSFER OF TAX BENEFITS

(a) Transfer of Tax Benefits. In consideration of the payment by Lessor to Lessee of $1,122,061 (the "Initial Payment", representing 36.751 percent of the aggregate Purchase Price) which sum shall be payable on December 31, 1981 by delivery from Lessor to Lessee of a Federal funds check drawn on immediately available funds in that amount on the Philadelphia National Bank, and of Lessor's obligations under the Deemed Loan (the principal amount thereof representing 63.249 percent of the aggregate Purchase Price), Lessee hereby transfers to Lessor, and Lessor accepts from Lessee, such of Lessee's rights and interests in and to, each Item of Property as will enable Lessor to claim all Federal income tax benefits with respect to each Item of Property, as contemplated by this Agreement, including, without limitation, Investment Credit and Recovery Deductions allowable to an owner of such Item of Property under the Code for, or in respect of, the Purchase Price of such Item of Property (such Federal income tax benefits being herein referred to as the "Tax Benefits").

(b) Adjustment to Purchase Price. If at any time after the date of this Agreement it shall be determined that the adjusted basis of the Lessor for Federal income tax purposes in the Property or any Item thereof shall exceed the Lessee's Adjusted Basis in the Property or in such Item, the Purchase Price with respect thereto shall be reduced by an amount equal to such excess (the "Excess Basis"). Such reduction shall be effected by (i) delivery by the Lessee to the Lessor of a wire transfer of immediately available funds in an amount equal to 36.751 percent of the Excess Basis and (ii) the adjustment of the principal amount of the Deemed Loan to equal the outstanding principal amount of the Deemed Loan reduced by an amount equal to 63.249 percent of the Excess Basis. The installments payable in respect to the adjusted Deemed Loan and the Deemed Rent payable pursuant to Sections 3(d) and 3(f), respectively, for such Item of Property shall be appropriately adjusted to give effect to such reduction (and the Lessee shall indemnify the Lessor against any resulting Loss to the extent required pursuant to Sections 10 and 11).

(c) Reversion to Lessee. Upon expiration of the Lease Term, such of Lessor's right and interest in and to each Item of Property as will enable Lessor to claim the Tax Benefits with respect to each Item of Property and to the transaction contemplated by this Agreement will pass to the Lessee without further action by the Lessor or the Lessee, whereupon all of the Lessor's rights and interests with respect to each Item of Property shall terminate.

SECTION 3. DEEMED LEASES

(a) Characterization. The provisions of this Section describe the relationship between Lessee as lessee under leases deemed to be created hereby for Federal income tax purposes, and for such purposes only, and Lessor as lessor and owner under such Deemed Leases for such purposes only. Accordingly, Lessor, as lessor and owner, and Lessee, as such lessee, hereby elect to have the provisions of section 168(f)(8) of the Code apply with respect to this Agreement and hereby characterize this Agreement, for Federal income tax purposes and for such purposes only, as a separate lease for each Item of Property. For all purposes other than Federal income tax purposes, this Agreement shall be construed as it is intended by the parties hereto, namely, the transfer by Lessee to Lessor of an intangible asset, the Tax Benefits.

(b) Deemed Lease. By virtue of the characterization and elections set forth herein, Lessor, as owner of each Item of Property for Federal income tax purposes and for such purposes only, is hereby deemed to have leased each Item of Property to Lessee, and Lessee is hereby deemed to have leased each Item of Property from Lessor, for Federal income tax purposes and for such purposes only, for the Lease Term. This Agreement constitutes a separate lease as to each Item of Property. Each such lease for such purposes is herein referred to as a "Deemed Lease".

(c) Section 168(f)(8) Election. For Federal income tax purposes and for such purposes only, this Agreement shall constitute an agreement with respect to "qualified leased property", as such term is defined in section 168(f)(8) of the Code. Lessor, as lessor for Federal income tax purposes and for such purposes only, and Lessee, as lessee for only such purposes, hereby (i) irrevocably elect to have the provisions of section 168(f)(8) of the Code apply hereto and (ii) agree to inform the Internal Revenue Service of their election by filing information returns with their Federal income tax returns as provided by the Regulations and applicable statutory provisions, identifying the parties hereto and the Property. The Lessee agrees (i) to provide to the Lessor all the information required pursuant to section 5c.168(f)(8)-2(a)(3) of the Regulations and applicable statutory provisions with respect to the Lessee and the Property, (ii) to sign the information return prepared by the Lessor pursuant to the Regulations and applicable statutory provisions, and to return such return, as signed by the Lessee, to the Lessor no more than five days after its

delivery to the Lessee for signature and (iii) to prepare, sign, and deliver to the Lessor for signature and file, all in accordance with the Regulations and applicable statutory provisions, the information return required of the Lessee pursuant to the Regulations and applicable statutory provisions. The Lessor agrees (i) to provide to the Lessee all the information required pursuant to section 5c.168(f)(8)-2(a)(3) of the Regulations and applicable statutory provisions with respect to the Lessor, (ii) to sign the return prepared by the Lessee pursuant to the Regulations and applicable statutory provisions, and to return such return, as signed by the Lessor, to the Lessee no more than five days after its delivery to the Lessor for signature and (iii) to prepare, sign and deliver to the Lessee for signature and file, all in accordance with the Regulations and applicable statutory provisions, the information return required of the Lessor pursuant to the Regulations and applicable statutory provisions.

(d) Deemed Loan. As part of the aggregate Purchase Price paid by Lessor to Lessee pursuant to Section 2 hereof, Lessor is hereby deemed, for Federal income tax purposes and for such purposes only, to have borrowed from Lessee, and Lessee is hereby deemed, for Federal income tax purposes and for such purposes only, to have lent to Lessor on a nonrecourse basis an amount equal to 63.249 percent of the aggregate Purchase Price paid with respect to the Property pursuant to Section 2 hereof. Such loan for such purposes is herein referred to as the "Deemed Loan". The Deemed Loan shall be deemed to bear "interest" at the rate of 18 percent on the unpaid "principal" balance thereof, semi-annually in arrears. Except as provided in the Schedule of Deemed Loan Payments, "principal" and "interest" shall be deemed to be due and payable in equal consecutive semi-annual installment payments, calculated on a level payment mortgage assumption, payable on each Payment Date. Each such payment shall be in the amount set forth in the Schedule of Deemed Loan Payments (as such Schedule shall be in effect on the applicable Payment Date) and shall be allocated to "principal" and "interest" in accordance with such Schedule.

(e) Prepayment of Deemed Loan. Notwithstanding the provisions of paragraph (d) of this Section, the Deemed Loan shall be deemed to be prepaid, as provided in this paragraph, if a Termination Occurrence shall occur with respect to one or more Items of Property. On the Payment Date next following the date of such Termination Occurrence, Lessor shall be deemed to have paid to Lessee, in partial prepayment of the Deemed Loan, the Allocable Portion of the unpaid "principal" amount of the Deemed Loan, with the effect that the amount of such prepayment made by Lessor

shall, for all purposes other than Federal income tax purposes, be, and be deemed to be, made without cash payment by one party to the other party. Promptly after the prepayment of the Deemed Loan pursuant to this paragraph, Lessee will prepare and distribute to Lessor a new Schedule of Deemed Loan Payments reflecting the consequences of such prepayment and a new Schedule of Deemed Rent Payments prepared in accordance with paragraph (g) of this Section.

As used herein, "Allocable Portion" shall mean that amount which bears the same relation to the unpaid "principal" amount of the Deemed Loan as the Lessor's Purchase Price of the Item of Property suffering such Termination Occurrence bears to the aggregate Purchase Price for all Items of Property not previously suffering a Termination Occurrence.

(f) Deemed Rent. Lessee shall be deemed to pay, for Federal income tax purposes and such purposes only, to Lessor, on each Payment Date during the Lease Term, "rent" with respect to all Items of Property in the amount set forth in the Schedule of Deemed Rent Payments. Such "rent" for such purpose is herein referred to as "Deemed Rent".

(g) Adjustment of Deemed Rent. Notwithstanding the provisions of paragraph (f) of this Section, the Schedule of Deemed Rent Payments shall be subject to adjustment if the Deemed Loan shall be deemed prepaid pursuant to paragraph (e) of this Section. Deemed Rent in such adjusted Schedule shall be equal in timing and amount to installments of the Deemed Loan under the Schedule of Deemed Loan Payments, as adjusted in accordance with paragraph (e) of this Section.

(h) Payments for Federal Income Tax Purposes. Lessor and Lessee hereby agree that the timing and amount of all payments of Deemed Rent in the Schedule of Deemed Rent Payments shall at all times be exactly equal to the timing and amount of all payments on the Deemed Loan in the Schedule of Deemed Loan Payments. Notwithstanding anything in this Agreement to the contrary, the parties hereto agree that, for Federal income tax purposes, all payments of Deemed Rent to be made on each Payment Date, and all payments on the Deemed Loan to be made on each Payment Date, shall be, and shall be deemed to be, made without cash payment by one party to the other party, and no cash payment by one party to the other shall be made.

(i) Federal Income Tax Returns. Lessor and Lessee agree that for Federal income tax purposes they will report on their respective Federal income tax returns all payments deemed to have been made by Lessee in accordance with the Schedule of Deemed Rent Payments as "rent" paid by Lessee and received by Lessor on each Payment Date, and all payments of "interest" deemed to have been made by Lessor in accordance with the Schedule of Deemed Loan Payments as "interest" paid by Lessor and received by Lessee on each Payment Date.

(j) Acknowledgements. Lessor and Lessee hereby acknowledge and agree that, except for the Tax Benefits transferred to Lessor pursuant to Section 2, Lessee is the owner of each Item of Property for all purposes. Accordingly, Lessor agrees that Lessee has all of the benefits and burdens of each Item of Property, including, without limitation, the exclusive right or obligation to possess, control, sublease, repair, modify, make additions to, maintain, retire and use each Item of Property without interference from Lessor or any Person claiming by, through or under Lessor. Lessee hereby acknowledges and agrees that Lessor shall have no responsibility for such possession, control, repair, maintenance, retirement or use.

SECTION 4. CONDITIONAL OBLIGATIONS

Lessor and Lessee agree that all payments of Deemed Rent to be made on all Payment Dates and all payments on the Deemed Loan to be made on all Payment Dates are deemed to be made for Federal income tax purposes only, and that the obligations of Lessor with respect to the Deemed Loan and the obligations of Lessee with respect to the Deemed Rent shall be mutually concurrent conditions and shall be performed at the same time.

SECTION 5. REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF LESSEE

(a) Representations and Warranties. The Lessee represents and warrants that:

(i) Due Organization. Lessee is duly organized and validly existing as a corporation in good standing under the laws of the Commonwealth of Pennsylvania, and has full power and authority to carry on its business as presently conducted and to enter into and perform its obligations under this Agreement.

(ii) Due Authorization. The execution, delivery and performance by Lessee of this Agreement has been duly authorized by all necessary corporate action.

(iii) Due Execution. This Agreement has been duly executed and delivered by Lessee, and constitutes the legal, valid and binding obligation of Lessee, enforceable against Lessee in accordance with its terms, except that such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights.

(iv) No Violation. Neither the execution or delivery of this Agreement, nor the consummation of the transactions contemplated hereby, nor the performance by Lessee of its obligations hereunder, violates or will violate any law, governmental rule or regulation or any judgment, order or decree of any court, administrative agency or other governmental authority, or conflicts or will conflict with, or results or will result in a breach of any of the terms, conditions or provisions of, or constitutes or will constitute a default under, or results or will result in the creation or imposition of any Lien upon any of the properties or assets of Lessee pursuant to its Restated Articles of Incorporation or By-laws or any agreement or instrument to which it is subject or is a party or by which it or its properties are bound, or requires or will require the consent or approval of any trustee or holders of its indebtedness or obligations, except such as have been duly obtained and copies of which have been delivered to Lessor.

(v) No Registration, etc. No consent or approval of, giving of notice to, registration with, or taking of any other action in respect of or by, any Federal, state or local governmental authority or agency or other Person is or will be required in connection with the execution, delivery or performance by Lessee of, or the consummation by Lessee of the transactions contemplated by, this Agreement, except such as have been duly obtained, given or accomplished.

(vi) Title to Property. Lessee is the owner of each Item of Property free and clear of all Liens.

(vii) No Similar Agreement. Lessee has not entered into, and will not during the Lease Term enter into, any contract, agreement or understanding of any nature or description relating to any Item of Property which treats or purports to treat a Person other than Lessor as owner of such Item of Property for Federal income tax purposes.

(viii) Federal Income Tax Characteristics of the Property.

(A) Each Item of Equipment is "qualified leased property" within the meaning of section 168(f)(8) of the Code and, further, is "5-year property" as indicated on Exhibit A within the meaning of section 168(c)(2)(B) of the Code with respect to which Recovery Deductions in the respective percentages of Lessor's cost set forth in section 168(b)(1)(A) of the Code are allowable in each recovery year.

(B) Lessee's Adjusted Basis in each Item of Property, for purposes of section 168(f)(8)(D)(ii)(III) of the Code, is not less than the Purchase Price with respect to such Item of Property.

(C) Each Item of Property identified in Exhibit A hereto is "new section 38 property" within the meaning of section 48(b) of the Code, and an amount equal to 10 percent of the Purchase Price constitutes the amount of the Investment Credit allowable under section 46 of the Code.

(D) Each Item of Property was, but for the provisions of section 168(f)(8)(D)(ii) of the Code, placed in service by Lessee after October 31, 1981 and on or before the date hereof.

(E) The Lease Term for any Item of Property does not exceed the greater of (i) 90 percent of the useful life of such Item of Property for purposes of section 167(m) of the Code, or (ii) 150 percent of the present class life ("midpoint") of such Item of Property under section 167(m) of the Code applicable as of January 1, 1981 (without regard to section 167(m)(4) of the Code), as published in Rev. Proc. 77-10, 1977-1 C.B. 548, as amended.

(b) Further Assurances. Lessee, at its own cost and expense, will cause to be promptly and duly taken, executed, acknowledged and delivered all such further elections, acts, documents and assurances as Lessor may from time to time reasonably request in order more effectively to carry out the intent and purposes of this Agreement.

(c) Covenants. Lessee covenants and agrees with Lessor as follows:

(i) Amendment to Conform to Regulations. If hereafter, Regulations are published which are applicable to the transactions contemplated by this Agreement and which are, for any reason and in any respect, contrary to, or inconsistent with, the terms and provisions of this Agreement, and in connection therewith, the parties hereto are required or permitted to amend or modify this Agreement to conform to, or comply with, such Regulations, Lessee agrees to negotiate with Lessor in good faith all such amendments and modifications as shall be necessary or advisable in order to preserve for the respective parties hereto the rights and benefits which each seeks in the execution hereof.

(ii) Restriction on Transfer. Lessee shall not sell, assign, transfer or convey any interest in any Item of Property to any other person if such sale, assignment, transfer or conveyance would result in this Agreement ceasing to be a lease under section 168(f)(8) of the Code with respect to such Item of Property unless, prior to consummation of the transaction, (A) any transferee or assignee has consented in writing to take such Item of Property subject to this Agreement and to Lessor's position as tax owner of such Item of Property, (B) the Lessee has agreed in writing with Lessor to file a statement of information with its Federal income tax return, to perform any other act required by the Regulations under section 168(f)(8) of the Code necessary to prevent this Agreement from ceasing to be

treated as a lease for Federal income tax purposes with respect to such Item of Property, and to be bound by the provisions of this Agreement, and (C) the Lessee has agreed in writing, in form and substance satisfactory to Lessor, to indemnify Lessor for any breach of such transferee's or assignee's obligations.

(iii) Restriction on Use. So long as this Agreement shall be in effect, Lessee shall not permit the use of any Item of Property by (A) an organization which is by law exempt from the tax imposed by Chapter 1 of Subtitle A of the Code, (B) the United States, any state or political subdivision thereof, any international organization, or any agency or instrumentality of any of the foregoing, or (C) any other Person, if, in any such case, in consequence of such use, any such Item of Property shall cease to be treated as "section 38 property" under the Code. So long as this Agreement shall be in effect, Lessee shall not use or permit the use of any Item of Property (A) in such a manner so as to cause any item of Lessor's expense with respect thereto to be allocable to income from sources without the United States of America, or (B) in such a manner as to cause such Item of Property to cease to be treated as "section 38 property" under the Code.

(iv) Anything in paragraphs (ii) or (iii) of this Section 5(c) to the contrary notwithstanding, Lessee may use, permit the use of, sell, assign, transfer or convey any Item of Property or any interest therein, in the ordinary course of business or in connection with abandonments of rail properties or pursuant to Section 405 et seq. of the Regional Rail Reorganization Act of 1973, as amended, if the Termination Value in respect of such Item of Property shall be paid to Lessor. In any such sale, assignment, transfer or conveyance of any Item of Property or any interest therein, Lessee shall, if practical, use its best efforts to ensure that any transferee of any such Item of Property or interest therein shall consent in writing to take such Item of Property or interest therein subject to this Agreement and to Lessor's position as tax owner of such Item of Property or interest therein.

(v) Cooperation. Lessee agrees to keep and make available for inspection and copying by Lessor, and to provide full support at Lessee's cost, such records as will enable Lessor to determine the extent to which it is entitled

to the benefits of the Recovery Deductions, the Interest Deductions, and the Investment Credit with respect to each Item of Property and to determine the source of each item of income, deduction, loss, and credit with respect to the transactions contemplated by this Agreement.

(vi) Negative Pledge. During the entire Lease Term, the Lessee will not, without the prior written consent of the Lessor, directly or indirectly create, incur, assume or suffer to exist any Lien with respect to any of its real or personal property except (i) Liens on real or personal property purchased by the Lessee securing the purchase price of the property on which such Lien is given, or Liens securing the cost of construction, reconstruction or betterment of structures or other improvements on or to Lessee's property, or Liens existing on such property at the time of its acquisition, in each case provided that any such Lien shall at all times be confined solely to the property so acquired, constructed or improved; (ii) Liens on real or personal property imposed in connection with debt incurred to retire other debt, provided that any such Lien shall cover only the property subject to the Lien securing the debt being so retired and that the terms and conditions of the new Lien shall not be more onerous, nor the amount of debt be greater, than the terms and conditions of the Lien existing on such property on the date of the retirement of the preexisting debt, (iii) Liens on real or personal property imposed in connection with debt incurred for the acquisition by lease (including sale and leaseback transactions), conditional sale agreement or equipment trust agreement, or the construction, reconstruction or betterment of Lessee's property, provided that any such Lien shall at all times be confined solely to the newly acquired, constructed or improved property for which such debt was incurred or (iv) Liens resulting from other agreements pursuant to which the Lessee transfers tax benefits in transactions similar to the transactions contemplated in this Agreement to the extent that such other agreements are not in violation of Section 5(a)(vii) and do not provide for any first security interest in tangible property of the Lessee, unless prior to any such creation, incurrence, or assumption the Lessee shall have granted to the Lessor a first security interest (a "Lessor's Senior Security Interest") in other tangible property of the Lessee with an aggregate fair market value equal to at least the maximum amount to which the Lessor would be entitled pursuant to Sections 7, 9, 10 or 11 of this Agreement in the event of a breach by the Lessee of any of the provisions of this

Agreement at the time of the granting of such Lessor's Senior Security Interest. For purposes of this Section 5(c)(vi), the fair market value of the Lessee's tangible property which is to be subject to the Lessor's Senior Security Interest shall be as agreed to by the Lessee and the Lessor; provided that in the event the Lessor and the Lessee are unable so to agree, the determination of such fair market value shall be referred to an independent appraiser whose determination shall be binding on, and non-appealable by, the Lessor and the Lessee.

SECTION 6. REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF LESSOR

(a) Representations and Warranties. Lessor represents and warrants that:

(i) Due Organization. Lessor is duly organized and validly existing as a corporation in good standing under the laws of the Commonwealth of Pennsylvania, and has full power and authority to carry on its business as presently conducted, to purchase the Tax Benefits, to own or hold property under lease and to enter into and perform its obligations under this Agreement.

(ii) Due Authorization. The execution, delivery and performance by Lessor of this Agreement have been duly authorized by all necessary corporate action.

(iii) Due Execution. This Agreement has been duly executed and delivered by Lessor and constitutes the legal, valid and binding obligation of Lessor enforceable against Lessor in accordance with its terms, except that such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights.

(iv) Federal Income Tax Return. The Lessor will not include any amount other than the Purchase Price with respect to any Item of Property in its basis for Federal income tax purposes of such Item and will currently deduct or amortize on a straight-line basis over the term of this Agreement the amount of any costs or expenses incurred by it in connection with entering into the transactions contemplated by this Agreement.

(v) Information Returns. The Lessor agrees to timely file the information return required to be filed by section 5c.168(f)(8)-2 of the Regulations and by applicable statutory provisions.

(vi) Qualified Lessor. The Lessor is, and will continue to be, a "qualified lessor", within the meaning of section 5c.168(f)(8)-3(a) of the Regulations (or any comparable successor regulations), and section 168(f)(8)(B)(i) of the Code.

(b) Further Assurances. Lessor will, at the cost and expense of Lessor, cause to be promptly and duly taken, executed, acknowledged and delivered all such further elections, acts, documents and assurances as Lessee may from time to time reasonably request in order more effectively to carry out the intent and purposes of this Agreement.

(c) Amendments to Conform to Regulation. Lessor covenants and agrees with Lessee that if hereafter Regulations are published under section 168 of the Code which are applicable to the transactions contemplated by this Agreement and which are, for any reason and in any respect, contrary to, or inconsistent with, the terms and provisions of this Agreement, and, in connection therewith, the parties hereto are required or permitted to amend or modify this Agreement to conform to, or comply with, such Regulations, Lessor agrees to negotiate with Lessee in good faith all such amendments and modifications as shall be necessary or advisable in order to preserve for the respective parties hereto the rights and benefits which each seeks in the execution hereof.

SECTION 7. TERMINATION OCCURRENCES

(a) Notification in Event of Termination Occurrence. If, during the term of the Deemed Lease with respect to an Item of Property, an event with respect to such Item of Property occurs, other than as a direct result of an occurrence described in Section 11(e) of this Agreement, requiring the Lessor to recapture or to lose the right to claim all or a portion of Investment Credit and/or Recovery Deductions with respect to such Item of Property (any such event being hereinafter called a "Termination Occurrence", and any Item of Property which becomes the subject of a Termination Occurrence being hereinafter referred to as the "Disqualified Item"), then the Lessee shall promptly and fully notify the Lessor with respect thereto.

(b) Sale Treatment. On the date of the Termination Occurrence with respect to the Disqualified Item, the Disqualified Item shall be treated for Federal income tax purposes (and only such purposes) as having been sold by the Lessor to the Lessee for the amount set forth in the next sentence and the term of the Deemed Lease for the Disqualified Item shall terminate. The amount realized by the Lessor on the sale of the Disqualified Item shall be equal to (i) the Allocable Portion of the unpaid principal balance of the Deemed Loan with respect to the Disqualified Item (after taking into account the payments provided for in the following paragraph), which unpaid balance shall be treated as having been cancelled by the Lessee, plus (ii) an amount to be paid in cash by the Lessee to the Lessor equal to the Termination Value determined in accordance with Schedule I hereto for the Disqualified Item. The Termination Value set forth in Schedule I hereto for the Disqualified Item on the Payment Date next succeeding the date of the Termination Occurrence shall be paid in cash on the later of (i) the Payment Date set forth in Schedule II hereto next succeeding the date of the Termination Occurrence or (ii) thirty days after the date of the Termination Occurrence.

(c) Partial Payment of Deemed Rent and Deemed Loan. The Lessee shall be treated as having agreed for Federal income tax purposes (and only such purposes) to make a payment of Deemed Rent to the Lessor under the Deemed Lease on the date of the Termination Occurrence with respect to the Disqualified Item equal in amount to the payment on the Deemed Loan referred to in the next sentence. The Lessor shall be treated as having agreed for Federal income tax purposes (and only such purposes) to make a payment to the

Lessee on the date of the Termination Occurrence with respect to the Disqualified Item of principal and interest on the Deemed Loan with respect to the Disqualified Item in an amount equal to the Deemed Loan Payment due on the next succeeding Payment Date set forth in Schedule I hereto multiplied by a fraction, the numerator of which equals the number of days from the day after the last Payment Date set forth in Schedule II hereto to and including the date of the Termination Occurrence, and the denominator of which equals the number of days from the day after the last such Payment Date to and including the next succeeding Payment Date. The payment of Deemed Rent and the payment on the Deemed Loan referred to in this paragraph shall for Federal income tax purposes (and only such purposes) each be treated as having been paid automatically and without any action by either party on the date of the Termination Occurrence.

(d) Reports. The Lessee shall report to the Lessor no less than annually (or at such other intervals as may be agreed upon in writing by the parties hereto), but in no event later than the time required for timely inclusion in the Federal income tax returns of the Lessor, such Item or Items of the Property which have been the subject of a disposition or any other event (whether or not such disposition or event would otherwise be required to be reported under this Agreement) which will, or in the reasonable opinion of the Lessee could, result in a Termination Occurrence. The report shall provide such specificity as the Lessor shall reasonably require to complete its Federal income tax returns for any years to which such Termination Occurrence relates. The Lessee shall keep such records and provide such assistance to the Lessor as the Lessor may find necessary to file its Federal income tax returns and to contest any related matter before any level of the Internal Revenue Service or before any court.

(e) Lessee Recordkeeping Obligations. The Lessee shall maintain, and shall furnish to Lessor, such information and records as shall be necessary to comply with all rules and regulations or other documents or statements, proposed or adopted, of the Internal Revenue Service or the U.S. Treasury Department (including, without limitation, revenue rulings and procedures and Treasury notices and decisions) which address the proper accounting treatment for Federal income tax purposes for property of the type and character of the Items of Property covered by this Agreement, or which

require or may require the recapture of Tax Benefits with respect to any Item of Property. In the absence of the Internal Revenue Service or the U.S. Treasury Department proposing or adopting such rules and regulations, the Lessee shall maintain, and shall furnish to Lessor, such information and records as shall be necessary to comply with procedures proposed or adopted by the Association of American Railroads or generally used in the railroad industry.

SECTION 8. INSURANCE

Lessee will, at its own expense, cause to be carried and maintained insurance with respect to all Items of Property at the time subject hereto and the use and operation thereof, including, without limitation, property insurance and public liability insurance, in such amounts, subject to such deductibles and for such risks and with such insurance companies as are at least comparable to insurance coverage customary in Lessee's industry in respect of similar equipment owned or leased by it. Lessee hereby assigns and transfers to Lessor all right, title, and interest in and to any insurance proceeds paid under any policy of insurance to the extent such proceeds relate to the Items of Property or the use and operation thereof as aforesaid; provided, however, that if Lessee shall fully comply with all the provisions of this Section 8 in respect of the risk insured against as to which such proceeds are paid and Lessee is in compliance with the provisions of this Agreement, including, without limitation, payments of Termination Values pursuant to section 7, Lessee shall be entitled to retain all such proceeds. Lessee will furnish to Lessor on request a description of its insurance coverage with respect to the Property and will furnish to Lessor 30 days' prior written notice of any material change in such coverage; provided, however, that if it is not practicable for Lessee to have knowledge of a material change in coverage at least 30 days prior to the occurrence thereof, Lessee shall give Lessor written notice as soon as Lessee learns of such change.

SECTION 9. GENERAL INDEMNITY

If liability is imposed or sought to be imposed on Lessor as a result of its entitlement to the limited rights in each Item of Property transferred to Lessor under Section 2(a) or as the result of the inaccuracy of Lessee's representations, warranties and agreements under Section 5, Lessee agrees to assume liability for, and does hereby agree to indemnify, protect, save and hold harmless Lessor on an after-tax basis from and against, any and all liabilities, obligations, losses, damages, penalties, claims (including, without limitation, claims involving strict or absolute liability in tort), actions, suits, judgments, costs, expenses and disbursements (including, without limitation, legal fees and expenses of any kind and nature whatsoever without any limitations as to amount ("Claims") which may be imposed on, incurred by or asserted against Lessor, whether or not Lessor shall also be indemnified as to any such Claim by any other Person, in any way relating to or arising out of the design, manufacture, erection, ownership, lease, possession, use, operation, maintenance, condition, registration, sale, storage or in connection therewith (including, without limitation, latent and other defects, whether or not discoverable) and reasonable expenses incurred by Lessor in connection with any such Claim (including, without limitation, the reasonable fees and disbursements of outside counsel incurred in connection therewith). Notwithstanding the foregoing, Lessor shall not be indemnified under this Section 9 to the extent that it is fully indemnified for such liability under Section 10 or Section 11 (or would have been so indemnified if Section 10(b) or Sections 11(e) or (f) did not apply). To the extent that Lessor in fact received indemnification payment from Lessee under this Section, Lessee shall be subrogated, to the extent of the indemnity paid, to Lessor's rights with respect to the transaction or event requiring or giving rise to such indemnity. Lessor shall give Lessee prompt written notice of claims covered under this Section 9 and Lessee shall have the right to monitor the defense of such claims by Lessor.

SECTION 10. GENERAL TAX INDEMNITY

(a) Indemnity. Lessee does hereby agree to pay and, on written demand, to indemnify, protect, save and hold harmless Lessor from and against any and all license and registration fees and any and all taxes, assessments, levies, imposts, duties, charges and withholdings of any nature whatsoever together with any penalties, fines, additions to tax or interest thereon (collectively, "Taxes") imposed against Lessor or any Item of Property by any governmental or taxing authority upon or with respect to any Item of Property, or upon or with respect to the design, manufacture, execution, purchase, ownership, delivery, lease, possession, use, operation, maintenance, condition, registration, sale, storage or disposition thereof, or upon or with respect to the rentals, receipts or earnings arising therefrom, or upon or with respect to this Agreement, or arising from any breach by Lessee of any representation, warranty, or covenant contained in this Agreement, unless, and only to the extent that, any such Taxes which are not imposed by way of withholding are being contested by Lessee in good faith (and for the payment of which adequate reserves have been provided) with due diligence and by appropriate proceedings. Lessee further agrees that, with respect to any payment or indemnity hereunder, such payment or indemnity shall include any amount necessary to hold Lessor harmless, on an after-tax basis, for its costs and expenses with respect to the audit, contest or determination of such Taxes and from any and all Taxes required to be paid by Lessor with respect to such payment or indemnity.

(b) Limitation on Indemnity. Notwithstanding the provisions of paragraph (a) of this Section, Lessee shall not have any obligation thereunder as to:

(i) any taxes, fees or other charges on, based on, or measured by, the net income of Lessor imposed by the United States of America or by any state or local taxing authorities; or

(ii) any taxes, fees or other charges included in Lessee's Adjusted Basis and actually paid to the Person entitled thereto.

SECTION 11. SPECIAL TAX INDEMNITY

(a) Tax Assumptions. This Agreement has been entered into on the assumption that Lessor as purchaser of the Tax Benefits, will be entitled for Federal income tax purposes to take into account such credits, deductions and other benefits as are provided by the Code, including, without limitation:

(i) The investment credit (the "Investment Credit") for each Item of Property, in an amount equal to not less than 10 percent of the Purchase Price of such Item of Property, in Lessor's current taxable year.

(ii) Recovery deductions ("Recovery Deductions") under section 168(a) of the Code for each Item of Property, commencing with Lessor's 1981 taxable year, in an amount determined by multiplying the Purchase Price of such Item of Property by the applicable percentages under section 168(b)(1)(A) of the Code with respect to "5-year property" as indicated on Exhibit A within the meaning of section 168(c)(2)(B) of the Code.

(iii) Deductions with respect to "interest" deemed paid on the Deemed Loan ("Interest Deductions") in the amounts, in respect of each period, set forth in the Schedule of Deemed Loan Payments, as such Schedule shall be adjusted from time to time pursuant to Section 3(e) hereof.

(iv) Amortization of expenses paid or to be paid by Lessor pursuant to Section 12 hereof (the "Amortization Deductions") at a rate no less rapid than straight line over the Lease Term.

(v) The gross income attributable to the Property from all sources is derived from a trade or business located within the United States of America.

Lessor will claim the Investment Credit on its Federal income tax return for its current taxable year and the Recovery Deductions, the Interest Deductions and the Amortization Deductions on its Federal income tax returns in each year commencing with its current taxable year.

(b) Additional Tax Assumptions. This Agreement has been entered into on the further assumptions that the Lessor shall be required to include in gross income with

respect to the transactions contemplated by this Agreement (i) rental payments in the amounts herein specified accrued ratably over the periods to which such payments relate, (ii) the amount of any indemnities paid by the Lessee at the time of such payment, and (iii) the amount of any Termination Value payment in excess of Lessor's adjusted basis in the Item of Property with respect to which such payment is made.

(c) Consistent Federal Tax Returns. Lessee agrees that neither Lessee nor any affiliate will at any time take any action, directly or indirectly, or file any Federal tax returns or other Federal tax documents inconsistent with the assumptions reflected in paragraphs (a) and (b) hereof.

(d) Indemnification. If due to any breach by Lessee of any representation, warranty or covenant contained in this Agreement, or any other act or omission of Lessee, whether voluntary or involuntary, Lessor shall not be allowed for any taxable year (or portion thereof) all or any portion of the Investment Credit, the Recovery Deductions, the Interest Deductions or the Amortization Deductions, or if all or any portion of the Investment Credit or the Recovery Deductions is recaptured pursuant to section 47 or section 1245 of the Code or any other similar provision (any such non-allowance or recapture being referred to hereafter as a "Loss"), then, unless excused by the provisions of paragraphs (e) or (f) hereof, Lessee shall pay to Lessor, following written notice to Lessee by Lessor of such Loss, a lump sum amount as shall, in the reasonable opinion of Lessor, maintain Lessor's after-tax rate of return and total after-tax cash flows, taking into account any deductions or other offsetting tax benefits realized in connection therewith (e.g., acceleration of deduction for transactional costs) (computed on the same assumptions utilized by Lessor in originally evaluating this transaction, including, without limitation, assumptions as to Federal income tax rates) in respect of the Property hereunder at not less than the level that would have been available if such Loss had not occurred, and taking into consideration any interest, penalty, or addition to tax incurred by Lessor in connection with such Loss. If, as a result of a Loss, the aggregate income taxes paid by Lessor for any taxable year shall be less than the amount of such income taxes which would have been payable by Lessor had no such Loss occurred, then Lessor will pay to Lessee promptly the amount of such difference in income taxes plus any additional income tax benefits realized by Lessor as a result of such payment, provided, however, that in no event

shall the total amount paid to Lessee pursuant to this sentence with respect to a particular Loss exceed the amount paid by Lessee to Lessor in connection therewith. All amounts payable hereunder by the Lessee to the Lessor will be paid on 60 days' written notice to the Lessee by the Lessor of such Loss, but not prior to the earlier of (i) the payment by the Lessor of the additional Federal, state or local income tax, as the case may be, which becomes due as a result of the Loss or (ii) the receipt by the Lessor of a refund reflecting the inclusion of such Loss. Any payment payable hereunder to Lessee by the Lessor pursuant to this paragraph shall be paid promptly and in any event within 60 days after Lessor realizes any such savings in its income taxes or additional income tax benefits, as the case may be.

(e) Limitation on Indemnification. Notwithstanding anything to the contrary set forth in paragraph (d) of this Section, Lessee shall have no liability to Lessor for indemnification under this Agreement for any Loss, to the extent that such Loss is a direct result of the occurrence of any of the following events:

(i) A voluntary transfer or other voluntary disposition by Lessor of any interest in this Agreement or any Item of Property or any interest in the rentals derived therefrom for Federal income tax purposes or a transfer or other disposition of an Item of Property or any interest therein or any interest in the Deemed Rent derived therefrom or any interest in this Agreement which results from bankruptcy or other proceedings for the relief of debtors in which Lessor is the debtor.

(ii) The failure of Lessor to claim in a timely manner (including making all appropriate elections under the applicable Regulations) or to follow the proper procedure in claiming the Investment Credit, the Recovery Deductions, the Interest Deductions or the Amortization Deductions, or to file the information returns required by Section 3(c) hereof, or to include in income rental or other items of income described in Section 11(b) of this Agreement.

(iii) The failure of Lessor to have sufficient liability for tax within the meaning of section 46 of the Code against which to credit the Investment Credit or to have sufficient gross income within the meaning of section 61(a) of the Code to benefit from the Recovery Deductions, the Interest Deductions or the Amortization Deductions, as the case may be.

(iv) The failure of Lessor to maintain during the Lease Term its status as a "United States Person" within the meaning of section 48(a)(2)(B)(ii) of the Code, or its status as a corporation within the meaning of section 168(f)(8)(B)(i)(I) of the Code and section 5c.168(f)(8)-3(a)(1) of the Regulations, as amended.

(v) The failure of Lessor to maintain at any time during the Lease Term a minimum investment in each Item of Property then subject to this Agreement in an amount not less than the amount required by section 168(f)(8)(B)(ii) of the Code.

(vi) The willful misconduct or gross negligence of Lessor.

(vii) The failure of Lessor to file any tax return or returns in a manner consistent with the assumptions set forth in subsections (a) and (b) of this Section 11.

(viii) The failure of Lessor to be a calendar year taxpayer.

(ix) The applicability of Sections 465, 46(c)(8), 46(c)(9), 47(d) or 57(a) of the Code to Lessor.

(x) The occurrence of a change in the Code or the Regulations after the date of this Agreement.

(f) Further Limitation on Indemnification. Notwithstanding anything to the contrary set forth in paragraph (d) of this Section, Lessee shall have no liability to Lessor for indemnification under this Agreement with respect to an Item of Property suffering a Termination Occurrence to the extent Lessee has paid the Termination Value with respect to such Termination Occurrence pursuant to Section 7.

(g) Contest of Disallowance of Tax Benefits. Upon receipt of formal notification by the Internal Revenue Service of a proposed disallowance or adjustment of any credit or deduction arising from this Agreement for which an amount may be payable by Lessee in accordance with this Section 11 (hereinafter "Disallowance"), the Lessor shall promptly notify Lessee of such Disallowance.

In the event of such Disallowance or in the event any other claim shall be made against Lessor which, if successful, would result in payments under this Section 11

by Lessee, or would result in a Termination Occurrence, and if, in the opinion of independent tax counsel selected by Lessor and acceptable to Lessee (hereinafter "Counsel"), a reasonable basis for a defense to such claim exists, Lessor shall, upon request and at the expense of Lessee, contest such claim in such forum as Lessor, in its sole judgment, shall select; provided, however, that Lessor shall not be obligated to take any such legal or other appropriate action unless (i) the aggregate payment to be made hereunder exceeds $100,000 for the taxable year involved, (ii) Lessor has received an opinion from Counsel that there is a reasonable basis for contesting such matter and (iii) Lessee shall first have agreed to indemnify Lessor for all expenses which may be entailed therein and shall have provided such security for the indemnification as Lessor may reasonably request. Lessor may, at its option, take such action prior to making payment of any tax and interest and/or penalty attributable to such claim (a "Tax Payment") or may make such Tax Payment and then sue for a refund. If Lessor takes such action prior to making such Tax Payment, such sums payable hereunder need not be paid by Lessee while such action is pending; provided, however, that Lessee shall pay the liabilities and expenses relating to such action when and as the same shall become due. In such case, if the Final Determination (as defined hereinafter) shall be adverse to Lessor, the indemnity payment payable hereunder shall be computed by Lessor as of the date of such Final Determination, Lessor shall notify Lessee of such computation and furnish copies thereof to Lessee, and Lessee shall make payment thereof within thirty (30) days after such notification.

If Lessor shall elect to contest a proposed adjustment by paying the tax claimed (including such other amounts payable as interest, penalties, or additions to the tax) and seeking a refund, and if the proposed adjustment would be a Loss with respect to which Lessee would be required to indemnify Lessor, then Lessee shall advance to Lessor on an interest-free basis the aggregate amount arising from the Loss of such taxes, interest, penalties and additions to the tax which Lessor shall have elected to pay, and if Lessor subsequently receives directly or indirectly a refund of all or any taxes, interest, penalties or additions to the tax, it shall promptly pay to Lessee the amount of such refunded taxes, interest, penalties or additions to the tax plus the amount of any interest received by Lessor from the United States Government with respect to such refunded taxes, interest, penalties or additions to the tax.

If any such claim referred to above shall be made by the Internal Revenue Service and Lessee shall reasonably have requested Lessor to contest such claim as above provided and shall have duly complied with all of the terms of this Section 11, Lessor may elect not to contest any such claim despite the request of the Lessee, made in accordance with the terms of this Section 11(g), or to discontinue any proceedings previously commenced as a consequence of such request, and thereupon Lessee shall be relieved of all liability to indemnify Lessor with respect to the Loss involved in respect of such claim. In the event Lessee is relieved of its obligation to indemnify Lessor pursuant to the preceding sentence and Lessee has paid any sums hereunder in indemnification of Lessor, Lessor shall repay to Lessee all such sums (including such sums paid as interest and/or penalties) with interest at the fluctuating prime rate of The Chase Manhattan Bank, N.A. (the "Prime Rate") in effect from time to time during the period during which each of such sums has been paid by Lessee.

"Final Determination" for the purpose of this Section 11(g), means a final decision of a court of competent jurisdiction after all allowable appeals have been exhausted by either party to the action. Neither concession by Lessor of any of the aforementioned claims in the overall settlement of a controversy with the Internal Revenue Service, either at the administrative level or at the court level, nor the failure to recover a refund in whole or in part with respect to such claims which failure is the result of a set-off against a claim for refund based upon such claims where the matters set-off do not relate to such claims, will constitute an adverse "Final Determination" causing the aforementioned additional payments to accrue to Lessor, unless such overall settlement or set-off of a tax controversy with the Internal Revenue Service is approved by Lessee in a separate agreement between Lessor and Lessee. If Lessee does not request Lessor to contest a claim, or if Lessor after reasonable prior written notice to Lessee decided not to claim the tax benefit which gives rise to the Loss because Lessor has received an opinion of Counsel to the effect that there is no reasonable basis to claim such benefit, then Lessee's liability hereunder shall become fixed when Lessee receives notice of a Loss from Lessor.

In the event payments shall be due Lessor under this Section 11, the Termination Values referred to in Section 7 hereof shall be adjusted accordingly, computed on

the same assumptions as are utilized by Lessor in originally evaluating this transaction, except for the assumption that resulted in such adjustment.

(h) Consolidated Tax Returns. For purposes of this Section the term Lessor shall mean and include Lessor and any affiliated group within the meaning of section 1504 of the Code of which Lessor is a member, but only if a consolidated Federal income tax return is filed by such affiliated group for the taxable year or years with respect to which indemnification may be required.

SECTION 12. FEES AND EXPENSES

Each party shall bear its own fees and expenses in connection with entering into this Agreement.

SECTION 13. SURVIVAL; SUCCESSORS AND ASSIGNS; CERTAIN PAYMENTS UNCONDITIONAL; MANDATORY PREPAYMENT OF DEEMED LOAN

(a) Survival. All agreements, representations and warranties contained herein and in certificates and other instruments delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and shall continue in effect so long as this Agreement is in effect. All of Lessor's rights and privileges arising from the indemnities contained in Sections 9, 10 and 11 shall survive the expiration or other termination of this Agreement.

(b) Successors and Assigns. All agreements, representations and warranties in this Agreement or in certificates and other instruments delivered pursuant hereto or in connection herewith shall bind the party making the same and its successors and permitted assigns and shall inure to the benefit of and be enforceable by the other party and its successors and permitted assigns. With respect to the provisions of Sections 9, 10 and 11 hereof, Lessor, its successors and assigns shall each be indemnified thereunder as though specifically named therein.

(c) Certain Payments Unconditional. Lessee acknowledges and agrees that Lessee's obligations as to indemnification under Sections 9, 10 and 11 hereof and as to payment of Termination Values (other than with respect to the prepayment of the Deemed Loan as provided in Section 3(e) hereof) shall be absolute and unconditional and shall not be subject to any abatement, reduction, set-off, defense, counterclaim or recoupment for any reason whatsoever.

(d) Mandatory Prepayment of Deemed Loan. In the event that any Regulations or any Internal Revenue Service revenue ruling or other official pronouncement, or court decision, issued after the date hereof, in the reasonable opinion of Lessor, shall allow Lessor to claim a Recovery Deduction for any Item of Property which is "RRB replacement property" as defined in section 168(f)(3)(B) of the Code in an amount equal to 100 percent of the Purchase Price for such item in 1981, and if Lessor should so claim such a Recovery Deduction in respect thereof, Lessor shall so notify Lessee, and not less than 30 days after giving such notice, shall prepay the Deemed Loan in immediately available

funds in an amount equal to one-half of the increased after-tax yield realized by Lessor, as reasonably determined by Lessor. In such event, such prepayment shall be applied pro rata to all remaining Deemed Loan principal installments based on the respective amounts of such installments scheduled to become due on all remaining Payment Dates, appropriate adjustments to the Schedules of Deemed Loan Payments, Deemed Rent Payments and Termination Values shall be made, and such prepayment shall be included within the scope of Sections 7 and 11.

SECTION 14. BROKERS AND FINDERS

Lessee as to Lessor, and Lessor as to Lessee, hereby agree to indemnify and hold harmless each as to the other in respect of any commissions, fees, judgments or other expenses of any nature or kind which each may become liable to pay by reason of any claims by or on behalf of brokers, finders or agents in connection with the transactions contemplated by this Agreement, or any litigation or similar proceeding arising from such claims. Lessee and Lessor each represents and warrants that it has not made any contract in respect of any commissions, fees, judgments or other expenses of the type referred to above, except as may be disclosed by Lessor to Lessee at closing.

SECTION 15. CONDITIONS PRECEDENT

(a) Conditions Precedent to Lessor's Obligation. Lessor's obligation to execute and deliver this Agreement and to lease each Item of Property to Lessee hereunder shall be subject to Lessor's having received the following on or prior to the date hereof:

(i) an incumbency certificate as to the person or persons who execute and deliver this Agreement and any instruments or documents incidental hereto on behalf of Lessee;

(ii) A certificate of an officer of Lessee to the effect that Lessee's representations and warranties are correct as of the date hereof and that Lessee is in compliance with all terms and provisions of this Agreement as of the date hereof;

(iii) An opinion of counsel satisfactory to Lessor to the effect of Lessee's representations set forth in Sections 5(a)(i), (ii), (iii), (iv), and (v) of this Agreement; and

(iv) a certified copy of the resolutions of the Board of Directors of the United States Railway Association (the "Association") waiving compliance with certain terms and conditions of the Amended and Restated Financing Agreement dated May 12, 1979 between Lessee and the Association, as such provisions would relate to this Agreement.

(b) Conditions Precedent to Lessee's Obligation. Lessee's obligation to execute and deliver this Agreement and to lease each Item of Equipment from Lessor hereunder shall be subject to Lessee's having received on or prior to the date hereof:

(i) An incumbency certificate as to the person or persons who execute and deliver this Agreement and any instruments or documents incidental hereto on behalf of the Lessor;

(ii) A certificate of an officer of Lessor to the effect that Lessor's representations and warranties are correct as of the date hereof and that Lessor is in compliance with all terms and provisions of this Agreement as of the date hereof; and

(iii) An opinion of counsel satisfactory to Lessee to the effect of Lessor's representations set forth in Sections 6(a)(i), (ii) and (iii) of this Agreement.

SECTION 16. NOTICES

All communications, notices and consents provided for herein shall be in writing and shall become effective when given in person or by means of telecopy or other wire transmission (with request for assurance of receipt in a manner typical with respect to communications of that type) or when deposited in the United States mail, with proper postage for registered or certified first-class mail prepaid, addressed as indicated below or at such other address as either party hereto shall from time to time designate by notice duly given in accordance with the provisions of this Section to the other party hereto.

If to Lessor:

Armstrong World Industries, Inc.
P.O. Box 3001
Liberty & Charlotte Streets
Lancaster, PA 17604
Attention: Vice President and Treasurer

If to Lessee:

Consolidated Rail Corporation
Six Penn Center Plaza
Philadelphia, PA 19104
Attention: Vice President and Treasurer

SECTION 17. MISCELLANEOUS

(a) Counterpart Execution. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when so executed and delivered, shall be an original, but all such counterparts shall together constitute but one and the same instrument.

(b) Entire Agreement. This Agreement contains the entire agreements of the parties hereto with respect to the subject matter hereof and supersedes any and all prior agreements or understandings between the parties with respect to the subject matter hereof.

(c) Governing Law. This Agreement and shall be governed by, and be construed in accordance with the law of the Commonwealth of Pennsylvania.

(d) Separability of Provisions. In case any one or more of the provisions of this Agreement or any application thereof shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions hereof and any other application hereof shall not in any way be affected or impaired; provided however, that such remaining provisions do not increase the obligations or liabilities of Lessor or Lessee.

(e) Amendments, Supplements, etc. Neither this Agreement nor any of the terms hereof may be amended, supplemented, waived or modified orally, but only by an instrument in writing signed by the parties hereto.

(f) Headings. The headings of the sections and paragraphs of this Agreement have been inserted for convenience of reference only and shall in no way restrict or otherwise modify any of the terms or provisions hereof.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed by its officer

thereunto duly authorized as of the date first above written.

CONSOLIDATED RAIL CORPORATION

ATTEST [CORPORATE SEAL]

J. D. McGEHAN
Assistant Secretary

By: H. W. Brown
H. William Brown

Title: Vice President & Treasurer

ARMSTRONG WORLD INDUSTRIES, INC.

ATTEST [CORPORATE SEAL]

Assistant Secretary

By:

Title: Vice President & Treasurer

COMMONWEALTH OF PENNSYLVANIA :
: s.s.
COUNTY OF PHILADELPHIA :

On this 29th day of December, 1981, before me personally appeared, H.W. Brown, to me personally known, who being by me duly sworn, says that he is the Vice President and Treasurer of CONSOLIDATED RAIL CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution

of the foregoing instrument was the free act and deed of said Corporation.

Margaret B. Wilkinson
NOTARY PUBLIC

MARGARET B. WILKINSON
Notary Public, Phila., Phila. Co.
My Commission Expires Nov. 21, 1983

[Notarial Seal]

My Commission expires _____, 198_.

COMMONWEALTH OF PENNSYLVANIA :
: s.s.
COUNTY OF LANCASTER :

On this 30th day of December, 1981 before me personally appeared C. A. Walker, Jr., to me personally known, who, being by me duly sworn, says that he is the Vice President and Treasurer of ARMSTRONG WORLD INDUSTRIES, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Jane M. Singer
Notary Public

JANE W. SINGER, NOTARY PUBLIC
LANCASTER, LANCASTER COUNTY, PA.
MY COMMISSION EX...

[Notary Seal]

My Commission expires _____, 198_.

EXHIBIT A

Description of Property

Items of Property

All of the Additions and Improvements in respect of the Property described in the Supplement to this Exhibit A, and the supporting documents thereto, placed in service between November 1, 1981 and November 31, 1981, both inclusive.

Lessee's Basis and Purchase Price

For each Item of Property, the Lessee's Basis and the Purchase Price are as set forth in the above-referenced Supplement to this Exhibit A, and the supporting documents thereto, and are in the aggregate $3,053,144.

Asset Guideline Class/Useful Life

The ADR present class life ("midpoint") of each Item of Property is not less than 14 years, or if an Item of Property lacks an ADR present class life, such Item of Property has a useful life for purposes of Section 167 of the Code which is not less than 23.34 years.

Date Placed in Service

Each Item of Property was placed in service between November 1, 1981 and November 31, 1981, as set forth in the above-referenced Supplement to this Exhibit A, and supporting documents thereto.

ACRS Class Life

The ACRS class life for each Item of Equipment is five years.

Lease Term

The lease term shall be 21 years for each Item of Property.

SCHEDULE I
Schedule of Termination Values
with respect to $3,053,144 of
Additions and Improvements

Date	No.	Percentage Loss Values	Maximum Net Loss Values
6/1982	1	42.120967	1286014
12/1982	2	44.829922	1368722
6/1983	3	42.876842	1309092
12/1983	4	44.066524	1345414
6/1984	5	40.504644	1236665
12/1984	6	40.344666	1231781
6/1985	7	35.943129	1097395
12/1985	8	35.251409	1076276
6/1986	9	30.393545	927959
12/1986	10	29.522786	901373
6/1987	11	24.637964	752233
12/1987	12	23.741247	724854
6/1988	13	22.831331	697073
12/1988	14	21.910881	668971
6/1989	15	20.978439	640502
12/1989	16	20.037267	611767
6/1990	17	19.085721	582715
12/1990	18	18.127784	553467
6/1991	19	17.161597	523968
12/1991	20	16.191997	494365
6/1992	21	15.216878	464593
12/1992	22	14.242102	434832
6/1993	23	13.265271	405008
12/1993	24	12.293467	375337
6/1994	25	11.323955	345737
12/1994	26	10.365274	316467
6/1995	27	9.414291	287432
12/1995	28	8.481281	258946
6/1996	29	7.562647	230899
12/1996	30	6.670734	203667
6/1997	31	5.801398	177125
12/1997	32	4.969450	151724
6/1998	33	4.170105	127319
12/1998	34	3.421111	104451
6/1999	35	2.716928	82952
12/1999	36	2.078796	63469
6/2000	37	1.500294	45806
12/2000	38	1.006821	30740
6/2001	39	0.590900	18041
12/2001	40	0.282891	8637
6/2002	41	0.073944	2258
12/2002	42	-0.000003	0

SCHEDULE I

The Termination Value as of any Payment Date with respect to an Item of Property shall equal the portion of the total Purchase Price attributable to that Item of Property times the percentage loss value set forth opposite the applicable Payment Date.

The Lease Termination Date is 21 years from the date hereof, being December 31, 2002.

SCHEDULE II
Schedule of Deemed Loan Payments
with respect to $3,053,144 of
Additions and Improvements

Date	Takedown	Principal	Interest	Debt Service	Balance
12/1981	1,931,083.05	0.00	0.00	0.00	1,931,083.05
6/1982	0.00	4,785.50	173,797.47	178,582.97	1,926,297.55
12/1982	0.00	5,216.19	173,366.78	178,582.97	1,921,081.36
6/1983	0.00	5,685.65	172,897.32	178,582.97	1,915,395.71
12/1983	0.00	6,197.36	172,385.61	178,582.97	1,909,198.35
6/1984	0.00	6,755.12	171,827.85	178,582.97	1,902,443.23
12/1984	0.00	7,363.08	171,219.89	178,582.97	1,895,080.15
6/1985	0.00	8,025.76	170,557.21	178,582.97	1,887,054.39
12/1985	0.00	8,748.07	169,834.90	178,582.97	1,878,306.32
6/1986	0.00	9,535.40	169,047.57	178,582.97	1,868,770.92
12/1986	0.00	10,393.59	168,189.38	178,582.97	1,858,377.33
6/1987	0.00	11,329.01	167,253.96	178,582.97	1,847,048.32
12/1987	0.00	12,348.62	166,234.35	178,582.97	1,834,699.70
6/1988	0.00	13,460.00	165,122.97	178,582.97	1,821,239.70
12/1988	0.00	14,671.40	163,911.57	178,582.97	1,806,568.30
6/1989	0.00	15,991.82	162,591.15	178,582.97	1,790,576.48
12/1989	0.00	17,431.09	161,151.88	178,582.97	1,773,145.39
6/1990	0.00	18,999.88	159,583.09	178,582.97	1,754,145.51
12/1990	0.00	20,709.87	157,873.10	178,582.97	1,733,435.64
6/1991	0.00	22,573.76	156,009.21	178,582.97	1,710,861.88
12/1991	0.00	24,605.40	153,977.57	178,582.97	1,686,256.48
6/1992	0.00	26,819.89	151,763.08	178,582.97	1,659,436.59
12/1992	0.00	29,233.68	149,349.29	178,582.97	1,630,202.91
6/1993	0.00	31,864.71	146,718.26	178,582.97	1,598,338.20
12/1993	0.00	34,732.53	143,850.44	178,582.97	1,563,605.67
6/1994	0.00	37,858.46	140,724.51	178,582.97	1,525,747.21
12/1994	0.00	41,265.72	137,317.25	178,582.97	1,484,481.49
6/1995	0.00	44,979.64	133,603.33	178,582.97	1,439,501.85
12/1995	0.00	49,027.80	129,555.17	178,582.97	1,390,474.05
6/1996	0.00	53,440.31	125,142.66	178,582.97	1,337,033.74
12/1996	0.00	58,249.93	120,333.04	178,582.97	1,278,783.81
6/1997	0.00	63,492.43	115,090.54	178,582.97	1,215,291.38
12/1997	0.00	69,206.75	109,376.22	178,582.97	1,146,084.63
6/1998	0.00	75,435.35	103,147.62	178,582.97	1,070,649.28
12/1998	0.00	82,224.53	96,358.44	178,582.97	988,424.75
6/1999	0.00	89,624.74	88,958.23	178,582.97	898,800.01
12/1999	0.00	97,690.97	80,892.00	178,582.97	801,109.04
6/2000	0.00	106,483.16	72,099.81	178,582.97	694,625.88
12/2000	0.00	116,066.64	62,516.33	178,582.97	578,559.24
6/2001	0.00	126,512.64	52,070.33	178,582.97	452,046.60
12/2001	0.00	137,898.78	40,684.19	178,582.97	314,147.82
6/2002	0.00	150,309.67	28,273.30	178,582.97	163,838.15
12/2002	0.00	163,838.15	14,745.43	178,583.58	0.00
Total	1,931,083.05	1,931,083.05	5,569,402.30	7,500,485.35	

SCHEDULE III
Schedule of Deemed Rent Payments
with respect to $3,053,144 of
Additions and Improvements

Period Ends	Rental Cash
12/81	0
6/82	178,583
12/82	178,583
6/83	178,583
12/83	178,583
6/84	178,583
12/84	178,583
6/85	178,583
12/85	178,583
6/86	178,583
12/86	178,583
6/87	178,583
12/87	178,583
6/88	178,583
12/88	178,583
6/89	178,583
12/89	178,583
6/90	178,583
12/90	178,583
6/91	178,583
12/91	178,583
6/92	178,583
12/92	178,583
6/93	178,583
12/93	178,583
6/94	178,583
12/94	178,583
6/95	178,583
12/95	178,583
6/96	178,583
12/96	178,583
6/97	178,583
12/97	178,583
6/98	178,583
12/98	178,583
6/99	178,583
12/99	178,583
6/ 0	178,583
12/ 0	178,583
6/ 1	178,583
12/ 1	178,583
6/ 2	178,583
12/ 2	178,583

Information Return

Elections Under Section 168 (f) (8)

(A) Name, address, and taxpayer I.D. number of lessor and lessee

Lessor: Armstrong World Industries, Inc.
P. O. Box 3001
Liberty & Charlotte Streets
Lancaster, PA 17604
Federal EIN 23-0366390

Lessee: Consolidated Rail Corporation
1344 Six Penn Center
Philadelphia, PA 19104
Federal EIN 23-1989084

(B) District directors offices - Where tax returns are filed -

Lessor: District Director's Office - Philadelphia, PA
Service Center where return filed - Philadelphia, PA

Lessee: District Director's Office - Philadelphia, PA
Service Center where return filed - Philadelphia, PA

(C) Description of items of property with respect to which elections are made

Additions and Improvements
(See Exhibit A to the Agreement dated as of December 31, 1981, a copy of which is attached to this Information Return)

(D) Dates on which items of property were placed in service by Lessee

Between November 1, 1981 and November 31, 1981, both inclusive

(E) Date on which lease begins

December 31, 1981

(F) Term of the lease

21 years

(G) Recovery property class

5 year recovery property

(H) Lessor's total unadjusted basis in terms of property

$3,053,144

(I) Payment terms between the parties

36.751% of the Purchase Price was paid by Lessor to Lessee at closing. 63.249% of the Purchase Price was paid in the form of a nonrecourse deemed loan from Lessee to Lessor. The terms of this deemed loan provide for equal consecutive semi-annual installment payments, calculated on a level payment mortgage assumption. Payments by the Lessor to the Lessee of principal and interest on the deemed loan exactly offset the payments of deemed rent due from the Lessee to the Lessor.

(J) Additional information

Information concerning the payment of fees by the parties to arrange and carry out the lease under Section 168(f)(8), and such other information as may be required by the Regulations or by any applicable statute, will be exchanged by the parties as soon as possible after the closing of the transaction. Such information will be attached by the parties as Exhibit B to this Information Return and filed by each of the parties in compliance with the Regulations and any applicable statute.

Lessee:

Consolidated Rail Corporation

By _____
H. W. Brown
Title: Vice-President and Treasurer

Lessor:

Armstrong World Industries, Inc.

By _____
C. A. Walker, Jr.
Title: Vice-President and Treasurer

3913 - Buff
3913 - Green
4213 - White

SUPPLEMENT TO EXHIBIT A

SALE 4TH QUARTER 1981 TAX BENEFITS A&I PROJECTS (NOV)

			1	2	3	4	5	6	7	8	9	10	11	12	13
	FE	LOCATION	DESCRIPTION					IN-SERVICE DATE	CE-355	CAPITAL $	NON SECTION 38		SECTION 38 PROPERTY EXCL. FIT	SECTION 38 PROPERTY INCL. FIT	
1	JE 94	EASTERN REGION	1981 SIGNAL AND POLE LINE					NOV ONLY		233			233	233	1
2	JG 07	CENTRAL REGION	1981 SIGNAL AND POLE LINE					NOV ONLY		432			432	432	2
3	JG 12	CENTRAL REGION	1981 SIGNAL AND POLE LINE					NOV ONLY		4637			4637	4637	3
4	TD 26	NEWARK, N.J.	OAK ISLAND IMPROVEMENTS PHASE II					11-81	✓	2902564	1256617		2900944	2909608	4
5	HR 60	COBB, IND	U.G. BRIDGE 57.69 RAISE PARAPETS					11-20-81	✓	146899			146899	146899	5
6															6
7															7
8															8
9															9
10															10
11															11
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32															32
33															33
34															34
35															35
36															36
37															37
38		LESS ADJUSTMENT NEEDED TO BRING TOTAL TO $3,053,144.													38
39															39
40															40
41															41
42		TOTALS								30547	1256617		05 144	3061809	42

EXHIBIT
A

ARMSTRONG WORLD INDUSTRIES, INC.

ARTICLES OF INCORPORATION

1st. The name of the corporation is Armstrong World Industries, Inc.

2nd. The location and post office address of its registered office in this Commonwealth is Liberty and Charlotte Streets, Lancaster, Lancaster County, Pennsylvania.

3rd. The purpose or purposes for which the corporation is incorporated under the Business Corporation Law of the Commonwealth of Pennsylvania are to engage in, and do any lawful act concerning, any or all lawful business for which corporations may be incorporated under the Business Corporation Law, including, but not limited to, manufacturing, purchasing and selling a variety of interior furnishings, interior finish materials and related services for residential, commercial and institutional interiors, including resilient floors and carpeting, ceiling materials and ceiling systems, furniture and related accessory items; as well as insulation materials and industrial specialties; engaging in research and development, furnishing services, and acquiring, owning, using, and disposing of real property of any nature whatsoever.

4th. The term of its existence is perpetual.

5th. The authorized capital stock of the Corporation shall be 161,821 shares of No Par Preferred Stock (without par value), 1,500,000 shares of Voting Preferred Stock (without par value) and 60,000,000 shares of Common Stock of the par value of $1.00 per share.

A description of each class of shares and a statement of the preferences, voting powers, qualifications, limitations, restrictions and the special or relative rights granted to or imposed upon the shares of each class and of the authority vested in the Board of Directors of the corporation to establish series of the No Par Preferred Stock and series of Voting Preferred Stock and to fix and determine the variations in the relative rights and preferences as between the series of each class are as follows:

1. No Par Preferred Stock and Voting Preferred Stock shall each be issued in one or more series. Each series shall be designated by the Board of Directors so as to distinguish the shares thereof from the shares of all other series and classes. The Board of Directors is hereby authorized, by resolution, from time to time to divide shares of No Par Preferred Stock into series and to divide shares of Voting Preferred Stock into series and to fix and determine the number of shares and, subject to the provisions of this Article 5th, the relative rights and preferences of any series so established, provided that all shares of No Par Preferred Stock shall be identical to all other shares of No Par Preferred Stock and all shares of Voting Preferred Stock

shall be identical to all other shares of Voting Preferred Stock except, in each case, as to the following relative rights and preferences in respect of any or all of which there may be variations between different series, namely, the rate of dividend (including the date from which dividends shall be cumulative), the price at, and the terms and conditions on, which shares may be redeemed, the amounts payable on shares in the event of voluntary or involuntary liquidation, sinking fund provisions for the redemption or purchase of shares in the event shares of any series are issued with sinking fund provisions and the terms and conditions on which the shares of any series may be converted in the event the shares of any series are issued with the privilege of conversion. Each share of any series of No Par Preferred Stock and each share of any series of Voting Preferred Stock shall be identical with all other shares of such series, except as to date from which dividends shall be cumulative.

2. The holders of shares of No Par Preferred Stock of any series and the holders of shares of Voting Preferred Stock of any series shall be entitled to receive, when and as declared by the Board of Directors, out of funds legally available therefor, cumulative dividends at the rate of dividend fixed by the Board of Directors for such series as hereinbefore provided, and no more, payable quarter-yearly on the 15th day of March, June, September and December in each year, provided, however, that no dividend shall be declared or paid nor any distribution made on the Voting Preferred Stock so long as any of the No Par Preferred Stock remains outstanding, unless all quarter-yearly dividends accrued on the No Par Preferred Stock and the dividend thereon for the current quarter-yearly dividend period shall have been paid or declared and a sum sufficient for the payment thereof set apart. The dividends on any shares of No Par Preferred Stock or Voting Preferred Stock shall be cumulative from such date as shall be fixed for that purpose by the Board of Directors prior to the issue of such shares or, if no such date shall be so fixed by the Board of Directors, from the quarter-yearly dividend payment date next preceding the date of issue of such shares.

The holders of Common Stock shall be entitled to receive dividends, when and as declared by the Board of Directors, out of surplus legally available therefor, provided, however, that no dividend shall be declared or paid nor any distribution made on the Common Stock so long as any of the No Par Preferred Stock or Voting Preferred Stock remains outstanding, unless all quarter-yearly dividends accrued on the No Par Preferred Stock and the Voting Preferred Stock and the dividends thereon for the current quarter-yearly dividend period shall have been paid or declared and sums sufficient for the payment thereof set apart.

3. The corporation at the option of the Board of Directors may redeem the whole or any part of the No Par Preferred Stock or the Voting Preferred Stock, or the whole or any part of any series of either of them, at any time or from time to time, at such redemption price therefor as shall have been fixed by the Board of Directors as hereinbefore provided, plus all dividends which on the redemption date have accrued

on the shares to be redeemed and have not been paid or declared and a sum sufficient for the payment thereof set apart; provided, however, that if and whenever any quarter-yearly dividend shall have accrued on No Par Preferred Stock which has not been paid or declared and a sum sufficient for the payment thereof set apart, the corporation may not redeem any shares of No Par Preferred Stock unless all shares of such stock at the time outstanding are so redeemed and provided, further, that if and whenever any quarter-yearly dividend shall have accrued on Voting Preferred Stock which has not been paid or declared and a sum sufficient for the payment thereof set apart, the corporation may not redeem any shares of Voting Preferred Stock unless all shares of such stock at the time outstanding are so redeemed. Notice of every such redemption shall be published not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption in a daily newspaper printed in the English language and published and of general circulation in the Borough of Manhattan, City and State of New York. Notice of every such redemption shall also be mailed not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption to the holders of record of the shares of No Par Preferred Stock or Voting Preferred Stock to be redeemed at their respective addresses as the same appear upon the books of the corporation; but no failure to mail such notice or any defect therein or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares of No Par Preferred Stock or Voting Preferred Stock. In case of a redemption of a part only of any series of the No Par Preferred Stock or Voting Preferred Stock at the time outstanding, the corporation shall select shares so to be redeemed by lot or in such other manner as the Board of Directors may determine. Subject to the provisions herein contained, the Board of Directors shall have full power and authority to prescribe the manner in which and the terms and conditions on which the No Par Preferred Stock and the Voting Preferred Stock shall be redeemed from time to time. If notice of redemption shall have been published as hereinbefore provided and if before the redemption date specified in such notice all funds necessary for such redemption shall have been set apart so as to be available therefor, then on and after the date fixed for redemption the shares of No Par Preferred Stock or Voting Preferred Stock so called for redemption, notwithstanding that any certificate therefor shall not have been surrendered for cancellation, shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith cease and terminate except only the right of the holders thereof to receive upon surrender of certificates therefor the amount payable upon redemption thereof, but without interest; provided, however, that if the corporation shall, after the publication of notice of any such redemption and prior to the redemption date, deposit in trust for the account of the holders of the No Par Preferred Stock or Voting Preferred Stock to be redeemed with a bank or trust company in good standing, designated in such notice, organized under the laws of the United States of America or of the State of New York, doing business in the Borough of Manhattan, The City of New York, and having a capital, undivided profits and surplus aggregating at least five million dollars ($5,000,000), all funds

necessary for such redemption, then from and after the time of such deposit the shares of No Par Preferred Stock or Voting Preferred Stock so called for redemption, notwithstanding that any certificate therefor shall not have been surrendered for cancellation, shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith cease and terminate except the right of the holders of such shares to receive from such bank or trust company upon surrender of certificates therefor the amount payable upon redemption thereof, but without interest and except, in the case of shares of Voting Preferred Stock so called for redemption, the right to exercise before the close of business on the second full business day prior to the date fixed for redemption the rights, if any, of conversion not theretofore expiring.

All shares of No Par Preferred Stock so redeemed shall be cancelled and shall not be reissued.

4. In the event of any liquidation, dissolution or winding up of the affairs of the corporation then before any payment or distribution shall be made to the holders of the Voting Preferred Stock or Common Stock the holders of shares of No Par Preferred Stock shall be entitled to be paid in cash such amount as shall have been fixed by the Board of Directors as hereinbefore provided, plus all dividends which shall have accrued on the No Par Preferred Stock and have not been paid or declared and a sum sufficient for the payment thereof set apart. In the event of any such liquidation, dissolution or winding up then before any payment or distribution shall be made to the holders of the Common Stock the holders of shares of Voting Preferred Stock shall be entitled to be paid in cash such amount as shall have been fixed by the Board of Directors as hereinbefore provided, plus all dividends which shall have accrued on the Voting Preferred Stock and have not been paid or declared and a sum sufficient for the payment thereof set apart, and the remaining assets shall belong to and be divided among the holders of the Common Stock.

5. A. *No Par Preferred Stock.* The holders of No Par Preferred Stock shall have no voting rights except as otherwise required by law or hereinafter provided:

(a) If at any time the amount of any dividends on No Par Preferred Stock which have accrued and which have not been paid or declared and a sum sufficient for the payment thereof set apart shall be at least equal to the amount of six quarter-yearly dividends, the holders of No Par Preferred Stock, voting as a class, shall be entitled to elect two directors, in addition to the directors to be elected by the holders of other shares of the corporation entitled to vote for the election of directors, and in such event the authorized number of directors of the corporation shall, without further corporate action, be increased by two; provided, however, that such voting rights of the holders of No Par Preferred Stock shall continue only until all quarter-yearly dividends accrued on the No

Par Preferred Stock have been paid or declared and a sum sufficient for the payment thereof set apart, at which time the authorized number of directors shall, without further corporate action, be decreased by two and the terms of office of any directors so elected by the holders of No Par Preferred Stock shall then expire. In any such election the holders of No Par Preferred Stock shall be entitled to one vote per share. The directors to be elected by the holders of No Par Preferred Stock shall be elected at annual meetings of the shareholders of the corporation and, except as hereinbefore provided, shall serve until the next annual meeting of the shareholders and until their successors shall have been elected and qualified; provided, however, that if at any time there shall be a vacancy in any office of director to be elected by the holders of No Par Preferred Stock the Secretary of the corporation may, and upon the written request of the holders of record of ten (10) per cent or more of the number of shares of No Par Preferred Stock then outstanding shall, call a special meeting of the holders of No Par Preferred Stock for the purpose of filling any vacancy or vacancies then existing. If the Secretary of the corporation shall fail to call any such meeting within ten (10) days after any such request, such meeting may be called by any holder of No Par Preferred Stock designated for that purpose by the holders of record of ten (10) per cent. or more of the number of shares of No Par Preferred Stock then outstanding.

(b) Without the consent of the holders of at least fifty (50) per cent. of the number of shares of No Par Preferred Stock at the time outstanding, given in person or by proxy, either in writing or by vote at a meeting called for that purpose at which the holders of No Par Preferred Stock shall vote as a class,

(i) no additional class of stock ranking senior to or on a parity with the No Par Preferred Stock as to dividends or assets shall be authorized;

(ii) the authorized number of shares of No Par Preferred Stock or of any class of stock ranking senior to or on a parity with the No Par Preferred Stock as to dividends or assets shall not be increased;

(iii) the corporation shall not sell, lease or convey all or substantially all of its property or business or voluntarily liquidate, dissolve or wind up its affairs; and

(iv) the corporation shall not merge or consolidate with any other corporation if the corporation resulting from such merger or consolidation would have after such merger or consolidation any authorized class of stock ranking senior to or on a parity with the No Par Preferred Stock except the same number of shares of stock with the same rights and preferences as the authorized stock of the corporation immediately preceding such merger or consolidation.

(c) Without the consent of the holders of at least sixty-six and two-thirds (66-2/3) per cent. of the number of shares of No Par Preferred Stock at the time outstanding, given in person or by proxy, either in writing or by vote at a meeting called for that purpose at which the holders of No Par Preferred Stock shall vote as a class, no change shall be made in the rights and preferences of the No Par Preferred Stock as set forth in the Articles of Incorporation or as fixed by the Board of Directors so as to affect such stock adversely; provided, however, that if any such change would affect any series of No Par Preferred Stock adversely as compared with the effect thereof upon any other series of No Par Preferred Stock, no such change shall be made without the additional consent given as aforesaid of the holders of at least sixty-six and two-thirds (66-2/3) per cent. of the number of shares at the time outstanding of the No Par Preferred Stock of the series which would be so adversely affected.

B. *Voting Preferred Stock and Common Stock.* The holders of Voting Preferred Stock and the holders of Common Stock shall have one vote per share. In addition, the holders of Voting Preferred Stock shall have the following voting rights:

(a) If at any time the amount of any dividends on Voting Preferred Stock which have accrued and which have not been paid or declared and a sum sufficient for the payment thereof set apart shall be at least equal to the amount of six quarter-yearly dividends, the holders of Voting Preferred Stock, voting as a class, shall be entitled to elect two directors, in addition to the other directors to be elected by the holders of shares of the corporation entitled to vote for the election of directors, and in such event the authorized number of directors of the corporation shall, without further corporate action, be increased by two; provided, however, that such voting rights of the holders of Voting Preferred Stock shall continue only until all quarter-yearly dividends accrued on the Voting Preferred Stock have been paid or declared and a sum sufficient for the payment thereof set apart, at which time the authorized number of directors shall, without further corporate action, be decreased by two and the terms of office of any directors so elected by the holders of Voting Preferred Stock shall then expire. In any such election the holders of Voting Preferred Stock shall be entitled to one vote per share. The directors to be elected by the holders of Voting Preferred Stock shall be elected at annual meetings of the shareholders of the corporation and, except as hereinbefore provided, shall serve until the next annual meeting of the shareholders and until their successors shall have been elected and qualified; provided, however, that if at any time there shall be a vacancy in any office of director to be elected by the holders of Voting Preferred Stock the Secretary of the corporation may, and upon the written request of the holders of record of ten (10) per cent. or more of the number of shares of Voting Preferred Stock then outstanding shall, call a special meeting of the holders of Voting Preferred Stock for the purpose of

filling any vacancy or vacancies then existing. If the Secretary of the corporation shall fail to call any such meeting within ten (10) days after any such request, such meeting may be called by any holder of Voting Preferred Stock designated for that purpose by the holders of record of ten (10) per cent. or more of the number of shares of Voting Preferred Stock then outstanding.

(b) Without the consent of the holders of at least fifty (50) per cent. of the number of shares of Voting Preferred Stock at the time outstanding, given in person or by proxy, either in writing or by vote at a meeting called for that purpose at which the holders of Voting Preferred Stock shall vote as a class,

(i) the Articles of Incorporation shall not be changed to authorize any additional class of stock ranking on a parity with the Voting Preferred Stock as to dividends or assets or to increase the authorized number of shares of Voting Preferred Stock or of any class of stock ranking on a parity with the Voting Preferred Stock as to dividends or assets;

(ii) the corporation shall not sell, lease or convey all or substantially all of its property or business or voluntarily liquidate, dissolve or wind up its affairs.

For purposes of the preceding clause (i) of this subdivision (b), any merger or consolidation to which the corporation shall be a party shall be deemed to involve a change of the Articles of Incorporation to the articles of incorporation of the corporation surviving or resulting from such merger or consolidation.

(c) Without the consent of the holders of at least sixty-six and two-thirds (66-2/3) per cent. of the number of shares of Voting Preferred Stock at the time outstanding, given in person or by proxy, either in writing or by vote at a meeting called for that purpose at which the holders of Voting Preferred Stock shall vote as a class, the Articles of Incorporation shall not be changed,

(i) so as to affect adversely the rights and preferences of the Voting Preferred Stock as set forth therein or as fixed by the Board of Directors; provided, however, that if any such change would affect any series of Voting Preferred Stock adversely as compared with the effect thereof upon any other series of Voting Preferred Stock, no such change shall be made without the additional consent given as aforesaid of the holders of at least sixty-six and two-thirds (66-2/3) per cent. of the number of shares at the time outstanding of the Voting Preferred Stock of the series which would be so adversely affected; or

(ii) to authorize any additional class of stock ranking senior to the Voting Preferred Stock as to dividends or assets or to increase the authorized number of shares of any class of stock ranking senior to the Voting Preferred Stock as to dividends or assets.

For purposes of this subdivision (c) any merger or consolidation to which the corporation shall be a party shall be deemed to involve a change of the Articles of Incorporation to the articles of incorporation of the corporation surviving or resulting from such merger or consolidation.

6. Shares of any series of Voting Preferred Stock redeemed through the operation of a sinking fund or otherwise or converted into shares of the corporation of another class, if issued with the privilege of conversion, shall cease to be shares of such series and shall become authorized and unissued shares of Voting Preferred Stock.

7. The corporation may issue shares of stock, option rights or securities having conversion or option rights, without first offering them to the holders of No Par Preferred Stock, Voting Preferred Stock, or Common Stock.

8. The Board of Directors may in its discretion, at any time or from time to time, issue or cause to be issued all or any part of the authorized and unissued shares of No Par Preferred Stock, all or any part of the authorized and unissued shares of Voting Preferred Stock and all or any part of the authorized and unissued shares of Common Stock for consideration of such character and value as the Board shall from time to time fix or determine.

$3.75 Cumulative Preferred Stock

(a Series of No Par Preferred Stock)

(1) The shares of such series shall be designated as $3.75 Cumulative Preferred Stock.

(2) The rate of dividend payable upon the shares of $3.75 Cumulative Preferred Stock shall be $3.75 per share per annum and the dividends upon shares thereof issued prior to December 15, 1945, shall be cumulative from September 15, 1945.

(3) The redemption prices applicable to the shares of $3.75 Cumulative Preferred Stock shall be as follows: if redeemed on or before September 15, 1948, $105.75 per share; if redeemed after September 15, 1948, and on or before September 15, 1949, $105.25 per share; if redeemed after September 15, 1949, and on or before September 15, 1950, $104.75 per share; if redeemed after September 15, 1950, and on or before September 15, 1951, $104.25 per share; if redeemed after September 15, 1951, and on or before September 15, 1952, $103.75 per share; if redeemed after September 15, 1952, and on or before September 15, 1953, $103.25 per share; and if redeemed after September 15, 1953, $102.75 per share, plus in each case dividends which have accrued and have not been paid or declared and a sum sufficient for the payment thereof set apart, as provided in said Article 5th of the Articles of Incorporation, as amended.

(4) The amounts payable to the holders of $3.75 Cumulative Preferred Stock in the event of any voluntary liquidation, dissolution or winding up of the affairs of the Corporation, before any distribution shall be made to the holders of Common Stock, shall be as follows: if such dissolution, liquidation or winding up shall occur on or before September 15, 1948, $105.75 per share; if such dissolution, liquidation or winding up shall occur after September 15, 1948, and on or before September 15, 1949, $105.25 per share; if such dissolution, liquidation or winding up shall occur after September 15, 1949, and on or before September 15, 1950, $104.75 per share; if such dissolution, liquidation or winding up shall occur after September 15, 1950, and on or before September 15, 1951, $104.25 per share; if such dissolution, liquidation or winding up shall occur after September 15, 1951, and on or before September 15, 1952, $103.75 per share; if such dissolution, liquidation or winding up shall occur after September 15, 1952, and on or before September 15, 1953, $103.25 per share; and if such dissolution, liquidation or winding up shall occur after September 15, 1953, $102.75 per share, plus in each case dividends which have accrued and have not been paid or declared and a sum sufficient for the payment thereof set apart as provided in said Article 5th. In the event of any involuntary liquidation, dissolution or winding up of the affairs of the Corporation the amount payable to the holders of $3.75 Cumulative Preferred Stock, before any payment or distribution shall be made to the holders of Common Stock, shall be $100 per share, plus dividends which have accrued and have not been paid or declared and a sum sufficient for the payment thereof set apart, as provided in said Article 5th.

AFE Number: JE94

Location: ROCKPORT, PA.

Project Description: REMOVE POLE LINE & INSTALL C&S UNDERGROUND CABLE. M.P. 136.90

SECTION 38 PROPERTY : $ 233

ADR mid-point life: 14 years

NON-SECTION 38 PROPERTY: $ —

EXPENSES INCIDENT: $ —

TOTAL EXPENDITURE: $ 233

ACRS life: 5 years

Date facility placed in service: _____

I.C.C. Primary Accounts: 27

Prepared by: M. A. Vondette

Date: 12/17/81

Office of Accounting & Analysis
Car & Property Accounting
Consolidated Rail Corporation
Philadelphia, Pa.

NOTE

NOVEMBER 1981 CHARGES ONLY

AFE Number: JG07

Location: BRIDGE, PA.

Project Description: OHIO CONNECTING & WYE INSTALL SWITCH MACHINES.

SECTION 38 PROPERTY : $ 432

ADR mid-point life: 14 years

NON-SECTION 38 PROPERTY: $ —

EXPENSES INCIDENT: $ —

TOTAL EXPENDITURE: $ 432

ACRS life: 5 years

Date facility placed in service: _____

I.C.C. Primary Accounts: 27

Prepared by: M. A. Venditti

Date: 12/17/81

Office of Accounting & Analysis
Car & Property Accounting
Consolidated Rail Corporation
Philadelphia, Pa.

NOTE

NOVEMBER 1981 CHARGES ONLY.

AFE Number: JG12

Location: PORT HOMER, OHIO

Project Description: INSTALL CABLE M.P. 1.0 TO 2.4

SECTION 38 PROPERTY : $ 4,637

ADR mid-point life: 14 years

NON-SECTION 38 PROPERTY: $ —

EXPENSES INCIDENT: $ —

TOTAL EXPENDITURE: $ 4,637

ACRS life: 5 years

Date facility placed in service: _____

I.C.C. Primary Accounts: 27

Prepared by: M. A. Venditti

Date: 12/17/81

Office of Accounting & Analysis
Car & Property Accounting
Consolidated Rail Corporation
Philadelphia, Pa.

NOTE

NOVEMBER 1981 CHARGES ONLY.

AFE Number: TD26

Location: NEWARK, N.J.

Project Description: OAK ISLAND YARD IMPROVEMENTS
PHASE II
V.S. 8201

SECTION 38 PROPERTY : $ 2,900,944 (EXCL. FIT MAT'L)

ADR mid-point life: 14 years

NON-SECTION 38 PROPERTY: $ 1,256,617

EXPENSES INCIDENT: $ —

TOTAL EXPENDITURE: $ 4,157,561

ACRS life: 5 years

Date facility placed in service: 11/81

I.C.C. Primary Accounts: 3,6,8,9,10,11,12,16,26,27,29,45

Prepared by: M. A. Vendetti

Date: 12/17/81

Office of Accounting & Analysis
Car & Property Accounting
Consolidated Rail Corporation
Philadelphia, Pa.

Newark N.J. - AFE # TD-26

This project covered improvement, modification and expansion of the Oak Island Yard Facility at valuation section #8201.

Included in this project were track connections and crossovers, and track redesign to increase car handling capacity.

Also included in this project were air lines for charging of train brake systems and communicated systems for the humping operation.

AFE Number: HR60

Location: COBB, IND.

Project Description: U.G. BRIDGE 57.59 RAISE PARAPETS

SECTION 38 PROPERTY : $ 146,899

ADR mid-point life: 30 years

NON-SECTION 38 PROPERTY: $ —

EXPENSES INCIDENT: $ —

TOTAL EXPENDITURE: $ 146,899

ACRS life: 5 years

Date facility placed in service: 11/20/81

I.C.C. Primary Accounts: 6

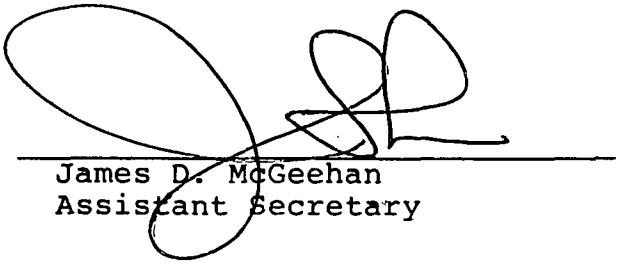
Prepared by: M. A. Vendetti

Date: 12/17/81

Office of Accounting & Analysis
Car & Property Accounting
Consolidated Rail Corporation
Philadelphia, Pa.

SECRETARY'S CERTIFICATE

The undersigned, James D. McGeehan, Assistant Secretary of Consolidated Rail Corporation, a corporation organized under the laws of the Commonwealth of Pennsylvania ("Lessee"), pursuant to the Agreements dated as of December 31, 1981 between Lessee and Armstrong World Industries, Inc., does hereby certify that all certifications contained in the Secretary's Certificate dated December 17, 1981, a copy of which is attached hereto (without the Annexes thereto), are true and correct as of the date hereof.



James D. McGeehan
Assistant Secretary

Date: December 31, 1981

SECRETARY'S CERTIFICATE

The undersigned, Allan Schimmel, Secretary of Consolidated Rail Corporation, a corporation organized under the the laws of the Commonwealth of Pennsylvania ("Lessee"), pursuant to the Agreements dated as of December 17, 1981 (the "Agreements") between Lessee and Armstrong World Industries, Inc. does hereby certify that:

1. Attached hereto as Annex A is a true and complete copy of the Restated Articles of Incorporation of Lessee as now in effect and as in effect at all times since October 1, 1981; and there are no proceedings pending or contemplated for the liquidation or dissolution of Lessee.

2. Attached hereto as Annex B is a true and complete copy of the By-laws of Lessee, as now in effect and as in effect at all times since October 1, 1981.

3. Attached hereto as Annex C is a true and correct copy of a Certificate of Corporate resolutions duly adopted by the Board of Directors of Lessee at a meeting duly called and held on December 16, 1981; such resolutions have not been amended, modified or rescinded and remain in full force and effect; and such resolutions are the only resolutions adopted by the Board of Directors of Lessee or any committee thereof relating to the Agreements or any other instrument or agreement delivered in connection therewith to which it is a party or the transactions contemplated thereby.

4. The persons named below are and have been at all times since October 1, 1981, duly qualified and acting officers of Lessee, duly elected or appointed to the offices set forth opposite their respective names, and the signatures set opposite the names of said persons are true copies of their respective signatures:

Name	Office	Signature
H. William Brown	Vice President and Treasurer	
Robert V. Wadden	Vice Presidnet and Controller	
John A. Warner, III	Director-Equipment Financing	

IN WITNESS WHEREOF, I have hereunto signed my name and affixed the seal of Lessee this 17th day of December, 1981.

Allan Schimmel
Secretary

The undersigned, James M. Munro, of Consolidated Rail Corporation, a corporation organized under the laws of the Commonwealth of Pennsylvania ("Lessee"), does hereby certify that Allan Schimmel is the duly elected, qualified and acting Secretary of Lessee and that the signature appearing is his genuine signature.

IN WITNESS WHEREOF, I have hereunto signed my name this 17th day of December, 1981.

ASSISTANT SECRETARY

LESSEE'S OFFICER'S CERTIFICATE

I, H. W. Brown, the duly qualified, acting and elected Vice President and Treasurer of Consolidated Rail Corporation, a Commonwealth of Pennsylvania corporation (the "Lessee"), DO HEREBY CERTIFY, in connection with the Agreements dated as of December 31, 1981 between Armstrong World Industries, Inc. and the Lessee, that all the certifications contained in the Lessee's Officer's Certificate dated December 17, 1981, a copy of which is attached hereto, are true and correct as of the date hereof.

H. W. Brown
Vice President and Treasurer

Date: December 31, 1981

LESSEE'S OFFICER'S CERTIFICATE

I, H. W. BROWN, the duly qualified, acting and elected Vice President and Treasurer of Consolidated Rail Corporation, a Commonwealth of Pennsylvania corporation (the "Lessee"), DO HEREBY CERTIFY, in connection with the three Agreements dated as of December 17, 1981, between Armstrong World Industries, Inc. and the Lessee (the "Agreements") that:

(i) Due Organization. Lessee is duly organized and validly existing as a corporation in good standing under the laws of the Commonwealth of Pennsylvania, and has full power and authority to carry on its business as presently conducted and to enter into and perform its obligations under the Agreements.

(ii) Due Authorization. The execution, delivery and performance by Lessee of the Agreements have been duly authorized by all necessary corporate action.

(iii) Due Execution. The Agreements have been duly executed and delivered by Lessee, and constitute the legal, valid and binding obligation of Lessee, enforceable against Lessee in accordance with their terms, except that such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights.

(iv) No Violation. Neither the execution or delivery of the Agreements, nor the consummation of the transactions contemplated thereby, nor the performance by Lessee of its obligations thereunder, violates or will violate any law, governmental rule or regulation or any judgment, order or decree of any court, administrative agency or other governmental authority, or conflicts or will conflict with, or results or will result in a breach of any of the terms, conditions or provisions of, or constitutes or will constitute a default under, or results or will result in the creation or imposition of any Lien upon any of the properties

or assets of Lessee pursuant to its Restated Articles of Incorporation or By-laws or any agreement or instrument to which it is subject or is a party or by which it or its properties are bound, or requires or will require the consent or approval of any trustee or holders of its indebtedness or obligations, except such as have been duly obtained and copies of which have been delivered to Lessor.

(v) No Registration, etc. No consent or approval of, giving of notice to, registration with, or taking of any other action in respect of or by, any Federal, state or local governmental authority or agency or other Person is or will be required in connection with the execution, delivery or performance by Lessee of, or the consummation by Lessee of the transactions contemplated by, the Agreements, except such as have been duly obtained, given or accomplished.

(vi) Title to Property. Lessee is the owner of each Item of Property free and clear of all Liens.

(vii) No Similar Agreement. Lessee has not entered into, and will not during the Lease Term enter into, any contract, agreement or understanding of any nature or description relating to any Item of Property which treats or purports to treat a Person other than Lessor as owner of such Item of Property for Federal income tax purposes.

(viii) Federal Income Tax Characteristics of the Property.

(A) Each Item of Equipment is "qualified leased property" within the meaning of section 168(f)(8) of the Code and, further, is "5-year property" as indicated on Exhibit A within the meaning of section 168(c)(2)(B) of the Code with respect to which Recovery Deductions in the respective percentages of Lessor's cost set forth in section 168(b)(1)(A) of the Code are allowable in each recovery year.

(B) Lessee's Adjusted Basis in each Item of Property, for purposes of section 168(f)(8)(D)(ii)(III) of the Code, is not less than the Purchase Price with respect to such Item of Property.

(C) Each Item of Property identified in Exhibit A hereto is "new section 38 property" within the meaning of section 48(b) of the Code, and an amount equal to 10 percent of the Purchase Price constitutes the amount of the Investment Credit allowable under section 46 of the Code.

(D) Each Item of Property was, but for the provisions of section 168(f)(8)(D)(ii) of the Code, placed in service by Lessee after September 30, 1981 and on or before the date hereof.

(E) The Lease Term for any Item of Property does not exceed the greater of (i) 90 percent of the useful life of such Item of Property for purposes of section 167(m) of the Code, or (ii) 150 percent of the present class life ("midpoint") of such Item of Property under section 167(m) of the Code applicable as of January 1, 1981 (without regard to section 167(m)(4) of the Code), as published in Rev. Proc. 77-10, 1977-1 C.B. 548, as amended.

(ix) Compliance. The Lessee is in compliance with all terms and provisions of the Agreements as of the date hereof.

All capitalized terms used herein and not defined shall have the respective meanings set forth in the Agreements.

IN WITNESS WHEREOF, I have hereunto set my hand this 17th day of December, 1981.

H. W. BROWN
Vice President & Treasurer

RESOLUTION OF THE
BOARD OF DIRECTORS OF THE
UNITED STATES RAILWAY ASSOCIATION

December 3, 1981

WHEREAS, the United States Railway Association ("Association"), acting jointly with the Finance Committee of the Board of Directors of the Association ("Finance Committee"), and the Consolidated Rail Corporation ("Conrail") are parties to the Amended and Restated Financing Agreement dated May 10, 1979 ("Financing Agreement");

WHEREAS, Section 1147 of the Northeast Rail Service Act of 1981, provides that the Board of Directors of the Association ("Association Board") shall assume the functions of the Finance Committee;

WHEREAS, the Financing Agreement is in the process of being revised and amended;

WHEREAS, by letter dated November 24, 1981, Conrail has informed the Association Board that Conrail proposes to enter into certain lease transactions in order to obtain economic benefits from transferring certain of its investment tax credits and depreciation allowances pursuant to the provisions of the Economic Recovery Tax Act of 1981;

WHEREAS, in the letter of November 24, 1981, Conrail has requested the Association Board to waive compliance with certain provisions of the Financing Agreement that would impede or prohibit such proposed lease transactions:

WHEREAS, on October 21, 1981, Conrail's Board of Directors was informed that Conrail intended to enter into such a transaction in December 1981, and at its December 16, 1981, meeting will be requested to approve a resolution authorizing Conrail to enter into such lease transactions which close on or before December 31, 1981, as well as subsequent such lease transactions, and to authorize the Chairman and Chief Executive Officer (and his delegates) to take such action as may be necessary to complete such transactions;

WHEREAS, Conrail is prohibited by

(a) section 6.02(d)(1) of the Financing Agreement from issuing any securities, with certain exceptions not applicable to the proposed transactions;

(b) section 6.02(f) of the Financing Agreement from incurring Debt, as that term is defined in section 1.01 of the Financing Agreement, with certain exceptions not applicable to the proposed transactions;

(c) section 6.02(h) of the Financing Agreement from allowing any security interests, liens or other encumbrances or title retention arrangements securing any Debt to exist on any of its assets, with certain exceptions not applicable to the proposed transactions;

(d) Section 6.02(i) of the Financing Agreement from agreeing to furnish funds for the payment of the indebtedness or obligation of any Person, as that term in defined in section 1.01 of the Financing Agreement, in excess of $25,000,000;

(e) section 6.02(j) of the Financing Agreement from incurring any obligation to pay rent under a lease, with certain exceptions not applicable to the proposed transactions;

(f) section 6.02(l)(9) of the Financing Agreement from disposing of assets in excess of a specified amount;

(g) section 6.02(n) of the Financing Agreement from entering into sale and leaseback transactions, with certain exceptions not applicable to the proposed transactions; and

(h) section 6.02(o) of the Financing Agreement from making loans with certain exceptions not applicable to the proposed transactions;

unless otherwise authorized by a modification by the Association Board or a waiver by the Association Board pursuant to section 216(e) of the Regional Rail Reorganization Act of 1973, as amended ("Rail Act");

WHEREAS, section 216(e) of the Rail Act, in part, provides that:

> The Finance Committee [Association Board] may, in its discretion and upon a finding that such action is necessary or appropriate to achieve the purposes of this Act or the goals of the final system plan, waive compliance with any term, condition, provision of covenant of the securities of the Corporation held by the Association, . . . , or any term or condition governing the purchase of such securities.

NOW, THEREFORE, BE IT RESOLVED THAT:

(1) The Association Board hereby finds that a waiver of the requirements of sections 6.02(d)(1), 6.02(f), 6.02(h), 6.02(i), 6.02(j), 6.02(l)(9), 6.02(n), 6.02(o), and such other provisions of the Financing Agreement that would prohibit or otherwise restrict Conrail from effectuating lease transactions of the kind described in the November 24, 1981, letter that are completed before the execution of a revised and amended financing agreement is necessary to achieve the purpose of the Rail Act;

(2) The Board hereby waives the application of sections 6.02(d)(1), 6.02(f), 6.02(h), 6.02(i), 6.02(j), 6.02(l)(9), 6.02(n), 6.02(0), and the other provisions of the Financing Agreement to the extent and only to the extent these sections and other provisions would prohibit or otherwise restrict Conrail from effectuating lease transactions of the kind described in the November 24, 1981, letter as such lease transactions are completed before the execution of a revised and amended financing agreement; provided, however, that this waiver shall not be effective unless and until the Conrail Board of Directors shall have approved such lease transactions.

CERTIFICATE OF SECRETARY

I, PETER J. GALLAGHER, Secretary of the United States Railway Association, do hereby certify that the above resolution was duly adopted by the Board of Directors of the United States Railway Association at its meeting on December 3, 1981, and that it has not been amended or rescinded.

Peter J. Gallagher
Secretary

SEAL

Dated: December 15, 1981

Commonwealth of Pennsylvania

December 29, 1981

To All to Whom These Presents Shall Come: Greeting:

I DO HEREBY CERTIFY, That from an examination of the indices and corporate records of this department, it appears that on December 30, 1891 *a Certificate of Incorporation was issued to a Pennsylvania corporation entitled*

"ARMSTRONG WORLD INDUSTRIES, INC." formerly
'Armstrong Brother and Company Incorporated'

I DO FURTHER CERTIFY, That no proceedings in dissolution adversely affecting the corporate existence of the foregoing have subsequently been filed.

WHEREFORE, it appears that this corporation remains a presently subsisting corporation as of the date hereof.

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the Great Seal of the Commonwealth to be affixed, the day and year above written.

William R. Davis

Secretary of the Commonwealth

DSCB-59 (REV.8-75)

Commonwealth of Pennsylvania

December 24, 1981

To All to Whom These Presents Shall Come: Greeting:

I DO HEREBY CERTIFY, That from an examination of the indices and corporate records of this department, it appears that on February 10, 1976, *a Certificate of Incorporation was issued to a Pennsylvania corporation entitled*

'Merger Rail Corporation' now

"CONSOLIDATED RAIL CORPORATION"

I DO FURTHER CERTIFY, That no proceedings in dissolution adversely affecting the corporate existence of the foregoing have subsequently been filed.

WHEREFORE, it appears that this corporation remains a presently subsisting corporation as of the date hereof.

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the Great Seal of the Commonwealth to be affixed, the day and year above written.

William R. Davis

Secretary of the Commonwealth

DSCB-59 (REV.8-75)

BUCHANAN, INGERSOLL, RODEWALD, KYLE & BUERGER,
PROFESSIONAL CORPORATION
ATTORNEYS AT LAW

PAUL G. RODEWALD
DAVID B. BUERGER
DONALD L. McCASKEY
ALEXANDER BLACK
EDWARD H. SCHOYER
GEORGE E. FLINN
JOHN P. McCOMB, JR.
ROBERT F. PATTON
JAMES G. PARK
JAMES D. MORTON
WILLIAM Y. RODEWALD
JACK G. ARMSTRONG
LOUIS EMANUEL, III
ROBERT L. FRANTZ
ROBERT D. RANDOLPH
JOHN J. McLEAN, JR.
K. SIDNEY NEUMAN
WILLIAM R. NEWLIN
DONALD T. O'CONNOR
WILLIAM J. McCORMICK
A. BRUCE BOWDEN
GEORGE L. CASS
LARRY E. PHILLIPS
JAMES R. SWEENY
STEPHEN A. GEORGE
C. RICHTER TAYLOR, JR.
THOMAS M. THOMPSON

CALVIN R. HARVEY
M. BRUCE McCULLOUGH
ROBERT A. JOHNSON
GREGORY A. PEARSON
THOMAS L. VANKIRK
BRUCE A. AMERICUS
RONALD W. FRANK
ROBERT A. KING
VINCENT C. DELUZIO
JAMES W. UMMER
R. DELL ZIEGLER
CHARLES G. KNOX
MICHAEL J. FLINN
P. JEROME RICHEY
MARTHA A. ZATEZALO
LEWIS U. DAVIS, JR.
SAMUEL W. BRAVER
R. MICHAEL DANIEL
JOHN R. JOHNSON
MELVIN L. MOSER, JR.
STEPHEN P. NASH
JOHN S. BRENDEL
DAN ALTMAN
KAREN M. BARRETT
MICHAEL A. SNYDER
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COUNSEL

FRANK B. INGERSOLL
1893-1977

SUE F. SINGER
RUTH S. PERFIDO
JOSEPH J. BARNES
THOMAS E. BOYLE
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CHARLES T. BARKER*
NATHALIE L. HUGHES*

*NOT ADMITTED IN PENNSYLVANIA

December 31, 1981

Consolidated Rail Corporation
Six Penn Center Plaza
Philadelphia, PA 19104

Gentlemen:

In connection with those certain Agreements dated December 31, 1981 (the "Agreements") between Armstrong World Industries, Inc., a Pennsylvania corporation ("Armstrong") and Consolidated Rail Corporation, a Pennsylvania corporation, we are familiar with the following:

1. The Agreements;

2. The Articles of Incorporation and By-laws of Armstrong;

3. The proceedings of the Board of Directors of Armstrong and of its Executive Committee pertaining to the authorization of the execution and delivery of the Agreements; and

4. Certificates of certain public officials.

In the examination of such documents we have assumed the genuineness of all signatures and the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as certified or xerographic copies. We have relied upon the aforesaid certificates with respect to the accuracy of material factual matters contained therein which were not independently established. We have made no independent examination of the Articles of Incorporation and the By-laws of Armstrong as now in effect and of the corporate proceedings taken by the Directors of Armstrong.

Based upon the foregoing, we are of the opinion that:

(a) Armstrong is duly organized and validly existing as a corporation in good standing under the laws of the State of Pennsylvania, and has full power and authority to carry on its business as presently conducted, to purchase the Tax Benefits as defined in the Agreements, to own or hold property under lease and to enter into and perform its obligations under these Agreements.

(b) The execution, delivery and performance by Armstrong of the Agreements have been duly authorized by all necessary corporate action.

(c) The Agreements have been duly executed and delivered by Armstrong and constitute the legal, valid and binding obligation of Armstrong, enforceable against Armstrong in accordance with their terms, except that such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights.

Very truly yours,

BUCHANAN, INGERSOLL, RODEWALD, KYLE & BUERGER,
Professional Corporation

By: George E. Phillips

PEPPER, HAMILTON & SCHEETZ
ATTORNEYS AT LAW
123 SOUTH BROAD STREET
PHILADELPHIA, PENNSYLVANIA 19109
215-893-3000

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WRITER'S DIRECT DIAL NUMBER

1777 F STREET, N. W.
WASHINGTON, D. C. 20006
202-842-8100

10 SOUTH MARKET SQUARE
HARRISBURG, PA 17108
717-233-8483

606 SOUTH OLIVE STREET
LOS ANGELES, CA 90014
213-617-8151

100 RENAISSANCE CENTER
DETROIT, MI 48243
313-259-7110

512 HAMILTON STREET
ALLENTOWN, PA 18101
215-434-0104

255 SOUTH ORANGE AVENUE
ORLANDO, FL 32801
305-422-2446

December 31, 1981

Armstrong World Industries, Inc.
P.O. Box 3001
Liberty & Charlotte Streets
Lancaster, PA 17604

Dear Sirs:

We are counsel to Consolidated Rail Corporation (the "Company"). As such, we are familiar with the Company's Restated Articles of Incorporation and By-Laws and are generally familiar with the affairs of the Company and the actions taken by the Company in connection with certain agreements dated as of December 31, 1981 (the "Agreements") between you and the Company relating to the transfer for Federal income tax purposes only of certain Property, as defined therein, from the Company to you. We understand that the Company and you intend that the Agreements be characterized as leases for Federal income tax purposes pursuant to Section 168(f)(8) of the Internal Revenue Code, as amended.

For purposes of rendering this opinion, we have examined originals, or copies certified or otherwise identified to our satisfaction, of such records, documents, certificates and other instruments as in our judgment are necessary or appropriate to enable us to render the opinion expressed below. In connection therewith, we have also relied upon the opinions of the Company's in-house counsel as to certain

matters covered herein. Terms used herein as defined terms shall have the meaning set forth in the Agreements unless the context requires otherwise.

Based upon the foregoing, it is our opinion that:

1. The Company is duly organized and validly existing as a corporation in good standing under the laws of the Commonwealth of Pennsylvania, and has full power and authority to carry on its business as presently conducted and to enter into and perform its obligations under the Agreements. The execution, delivery and performance by the Company of the Agreements have been duly authorized by all necessary corporate action. The Agreements have been duly executed and delivered by the Company, and constitute the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with their terms, except that such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights.

2. To the best of our knowledge, neither the execution or delivery of the Agreements, nor the consummation of the transactions contemplated thereby, nor the performance by the Company of its obligations thereunder, violates or will violate any law, governmental rule or regulation or any judgment, order or decree of any court, administrative agency or other governmental authority, or conflicts or will conflict with, or results or will result in a breach of any of the terms, conditions or provisions of, or constitutes or will constitute a default under, or results or will result in the creation or imposition of any Lien upon any of the properties or assets of the Company pursuant to its Restated Articles of Incorporation or By-laws or any agreement or instrument to which it is subject or is a party or by which it or its properties are bound, or requires or will require the consent or approval of any trustee or holders of its indebtedness or obligations, except such as have been duly obtained and copies of which have been delivered to you.

3. No consent or approval of, giving of notice to, registration with, or taking of any other action in respect of or by, any Federal, state or local governmental

authority or agency or other Person is or will be required in connection with the execution, delivery or performance by the Company of, or the consummation by the Company of the transactions contemplated by, the Agreements, except such as have been duly obtained, given or accomplished.

Very truly yours,

PEPPER, HAMILTON & SCHEETZ

By: _____
A Partner

CERTIFICATE OF ASSISTANT SECRETARY

I, John H. Miller, Jr., hereby certify that I am the Assistant Secretary of Armstrong World Industries, Inc., a Pennsylvania corporation ("Armstrong"), and as such am duly authorized to execute this Certificate on behalf of Armstrong, and further certify as follows:

(a) Attached hereto as Exhibit "A" is a true and correct copy of the Articles of Incorporation of Armstrong, together with all amendments thereto, and no proceeding has been taken for the further amendment of the Articles of Incorporation of Armstrong.

(b) Attached hereto as Exhibit "B" is a true and correct copy of the By-Laws of Armstrong, together with all amendments thereto, and no proceeding has been taken for the further amendment of the By-Laws of Armstrong.

(c) Attached hereto as Exhibit "C" are true and correct copies of resolutions duly adopted by the Board of Directors of the Company at the annual meeting duly called and held on April 27, 1981; an extract of certain language appearing in the minutes of a meeting of the Board of Directors duly called and held on November 30, 1981; and resolutions duly adopted by the Executive Committee of the Board of Directors of the Company at a meeting duly called and held on December 14, 1981; at each of such meetings a quorum was present and acting throughout, such resolutions and language constitute the only resolutions and language adopted by the Board of Directors of the Company, the Executive Committee of the Board of Directors, or any other committee of the Board of Directors relating to the subject matter thereof; and none of such resolutions and language has been rescinded or otherwise modified and each is in full force and effect on the date hereof.

(d) The persons listed below are on the date hereof duly qualified and acting officers of the Company, duly elected to the offices set opposite their respective names, and the signatures set opposite the office of each of such persons is a true specimen of the genuine signature of such person:

Name	Office	Signature
C. A. Walker	Vice-President & Treasurer	
L. A. Pulkrabek	Vice-President & Secretary	

IN WITNESS WHEREOF, I have hereunto set my hand and seal of said corporation as of the 31st day of December, 1981.

John H. Miller, Jr.
Assistant Secretary

By-Laws of Armstrong

ARMSTRONG WORLD INDUSTRIES, INC.
LANCASTER, PENNSYLVANIA
EFFECTIVE JANUARY 1, 1981

ARTICLE I

Office

The principal office of the Company shall be in Lancaster, Pennsylvania.

All meetings of directors and stockholders shall be held at the principal office of the Company unless the Board of Directors shall decide otherwise, in which case such meetings may be held within or without the Commonwealth of Pennsylvania as the Board may from time to time direct.

ARTICLE II

Stockholders' Meetings

The annual meeting of the stockholders shall be held on the last Monday in April in each year at 10 o'clock A.M., Standard Time or Daylight Time, whichever is in effect, for

the election of directors and the transaction of such other business as may properly come before the meeting.

Special meetings of the stockholders, other than special meetings of the holders of No Par Preferred Stock or the holders of Voting Preferred Stock for the purpose of electing directors, may be called at any time by the President, or the Board of Directors, or stockholders entitled to cast at least one-fifth of the votes which all stockholders are entitled to cast at the particular meeting. At any time, upon written request of any person or persons who have duly called a special meeting, it shall be the duty of the Secretary to fix the date of the meeting, to be held not more than sixty days after the receipt of the request, and to give due notice thereof. If the Secretary shall neglect or refuse to fix the date of the meeting and give notice thereof, the person or persons calling the meeting may do so.

Special meetings of the holders of No Par Preferred Stock or the holders of Voting Preferred Stock for the purpose of electing directors may be called as provided in the Articles of Incorporation, as amended.

Written notice of the place, day, and hour of all meetings of stockholders and, in the case of a special meeting, of the general nature of the business to be transacted, shall

be given to each stockholder of record entitled to vote at the particular meeting either personally or by sending a copy of the notice through the mail, or by telegram, charges prepaid, to the address of the stockholder appearing on the books of the Company or supplied by him to the Company for the purpose of notice. Except as otherwise provided by these by-laws or by law, such notice shall be given at least five days before the date of the meeting by the President, Vice-President, or Secretary. A waiver in writing of any written notice required to be given, signed by the person entitled to such notice, whether before or after the time stated, shall be deemed equivalent to the giving of such notice. Attendance of a person, either in person or by proxy, at any meeting shall constitute a waiver of notice of such meeting, except where a person attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

At any meeting of the stockholders the presence, in person or by proxy, of stockholders entitled to cast at least a majority of the votes which all stockholders are entitled to cast upon any matter shall constitute a quorum, for the transaction of business upon such matter, and the stockholders present at a duly organized meeting can continue to do

business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. If a meeting cannot be organized because a quorum has not attended, those present may, except as otherwise provided by law, adjourn the meeting to such time and place as they may determine, but in the case of any meeting called for the election of directors those who attend the second of such adjourned meetings, although less than a quorum, shall nevertheless constitute a quorum for the purpose of electing directors.

Except as otherwise provided in the Articles of Incorporation, as amended, or by law, every stockholder of record shall have the right, at every stockholders' meeting, to one vote for every share standing in his name on the books of the Company. In each election of directors every stockholder entitled to vote shall have the right to multiply the number of votes to which he may be entitled by the total number of directors to be elected and he may cast the whole number of such votes for one candidate or he may distribute them among any two or more candidates.

Every stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for him by proxy. Every proxy shall be executed in writing by the stockholder or by his duly

authorized attorney in fact and filed with the Secretary of the Company.

All questions shall be decided by the vote of the stockholders present, in person or by proxy, entitled to cast at least a majority of the votes which all stockholders present are entitled to cast, unless otherwise provided by the Articles of Incorporation, as amended, or by law.

Elections for directors need not be by ballot except on demand made by a stockholder at the election and before the voting begins. In advance of any meeting of stockholders, the Board of Directors may appoint judges of election who need not be stockholders to act at such meeting or any adjournment thereof, and if such appointment is not made, the chairman of any such meeting may, and on request of any stockholder or his proxy shall, make such appointment at the meeting. The number of judges shall be one or three; and if appointed at a meeting on request of one or more stockholders or proxies, the majority of the shares present and entitled to vote shall determine whether one or three judges are to be appointed. No person who is a candidate for office shall act as a judge. In case any person appointed as judge fails to appear or fails or refuses to act, the vacancy may be filled by appointment made by the Board of Directors

in advance of the convening of the meeting or at the meeting by the person or officer acting as chairman. On request of the chairman of the meeting or of any stockholder or his proxy, the judges shall make a report in writing of any challenge or question or matter determined by them and execute a certificate of any fact found by them.

ARTICLE III

Directors

SECTION 1. The business and affairs of the Company shall be managed by a Board of Directors. The directors need not be stockholders of the Company. The Board shall consist of fourteen directors, in addition to any directors that the holders of No Par Preferred Stock or the holders of Voting Preferred Stock, voting as a class, may be entitled to elect as provided in the Articles of Incorporation, as amended.

The directors, other than the directors to be elected by the holders of No Par Preferred Stock or the holders of Voting Preferred Stock, voting as a class, shall be classified in respect to the time for which they shall severally hold office by dividing them into three classes, each consisting, as nearly as possible, of one-third of the whole number of such directors. At each annual meeting the successors to the class of directors whose terms expire that year shall be elected

to hold office for the term of three years. Each such director shall hold office for the term for which he is elected and until his successor shall have been elected and qualified. Any vacancy in the office of any such director shall be filled by an election by the Board for the unexpired term.

Directors to be elected by the holders of No Par Preferred Stock or the holders of Voting Preferred Stock, voting as a class, shall be elected and hold office as provided in the Articles of Incorporation, as amended.

SECTION 2. The Board of Directors shall hold an annual meeting, without notice, immediately following the annual meeting of the stockholders and shall elect a President, such number of Vice-Presidents as the Board may deem advisable, a Secretary, a Treasurer, a Controller, and such Assistant Secretaries and Assistant Treasurers as the Board may deem advisable. The Board may also at its discretion elect a Chairman of the Board. Unless sooner removed by the Board, all officers shall hold office until the next annual meeting of the Board and until their successors shall have been elected. The Board shall also, from time to time, elect such other officers and agents as it deems advisable.

The President and the Chairman of the Board, if elected, must be selected from the members of the Board of Directors, but the

other officers may but need not be directors.

Any two or more offices may be held by the same person except the offices of President and Secretary, but in no case shall the same person act in the same matter in two such official capacities.

SECTION 3. All vacancies in office shall be filled by the Board of Directors and the Board shall have power to define the duties of all officers and agents and fix their compensation and may remove at its discretion any officer or agent.

SECTION 4. The Board of Directors shall hold meetings at such times and places as it may determine. Directors may participate in a meeting of the Board or a Committee thereof by conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. No notice of regular meetings of the Board need be given. Special meetings of the Board may be called by the President or a Vice-President, or the Secretary or by any two directors by giving written notice at least twenty-four hours in advance of the time of the meeting to each director, either personally or by telegram, charges prepaid, or by sending a copy of the notice through the mail at least two days before the day of the meeting, to the director's address appearing on the books of the Company or supplied by the director to the Company for the purpose of notice.

Attendance at any meeting of the Board shall be a waiver of notice thereof. If all the members of the Board are present at any meeting no notice shall be required. A majority of the whole number of the directors shall constitute a quorum for the transaction of business, but if at any meeting a quorum shall not be present, the meeting may adjourn from time to time until a quorum shall be present.

SECTION 5. The Board of Directors shall cause to be sent to the stockholders, within 120 days after the close of each fiscal year, financial statements which shall include a balance sheet as of the close of such year, together with statements of income and surplus for such year, prepared so as to present fairly its financial condition and results of its operations. Such financial statements shall have been examined in accordance with generally accepted auditing standards by a firm of independent certified public accountants selected by the Board and shall be accompanied by such firm's opinion as to the fairness of the presentation thereof.

SECTION 6. The Board of Directors may, by resolution adopted by a majority of the whole Board, designate one or more comittees, each committee to consist of two or more of the directors of the Company. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified

member at any meeting of the committee. Any such committee to the extent provided in such resolution shall have and exercise the authority of the Board in the management of the business and affairs of the Company.

ARTICLE IV

OFFICERS

President

SECTION 1. The President shall be the chief executive officer of the Company. He shall preside at all meetings of the stockholders and, in the absence of a Chairman of the Board, at all meetings of the Board of Directors at which he is present. He shall be ex-officio a member of all standing committees. He shall have the custody of the corporate seal or may entrust the same to the Secretary. He shall make reports of the Company's business to the Board at such times as the Board shall require. He shall perform all the usual duties incident to the office of President.

Vice-Presidents

SECTION 2. In the absence or disability of the President his duties shall be performed by one or more Vice-Presidents designated by the Board of Directors. They shall perform such other duties as may be assigned to them by the Board.

Chairman of the Board

SECTION 3. The Chairman of the Board, if elected, shall preside at all meetings of the Board of Directors at which he is present. He shall perform such other duties as may be assigned to him by the Board.

Secretary

SECTION 4. The Secretary shall attend the meetings of the stockholders and Board of Directors and keep minutes thereof in suitable books. He shall send out notices of all meetings as required by law or these by-laws. He shall be ex-officio an Assistant Treasurer. He shall perform all the usual duties incident to the office of Secretary.

Assistant Secretaries

SECTION 5. In the absence or disability of the Secretary his duties shall be performed by the Assistant Secretaries. They shall perform such other duties as may be assigned to them by the Board of Directors.

Treasurer

SECTION 6. The Treasurer shall have custody of funds of the Company and keep or cause to be kept accurate accounts of all money received or payments made in books kept for that purpose. He shall deposit all money received by him in the name and to the credit of the Company in such bank or

other place or places of deposit as the Board of Directors shall designate. He shall be ex-officio an Assistant Secretary. He shall perform all the usual duties incident to the office of Treasurer.

Assistant Treasurers

SECTION 7. In the absence or disability of the Treasurer his duties shall be performed by the Assistant Treasurers. They shall perform such other duties as may be assigned to them by the Board of Directors.

Controller

SECTION 8. The Controller shall have general charge of the accounting of the Company, and shall perform all the usual duties incident to the office of Controller.

Bonds

SECTION 9. Such officers and employees of the Company as the Board of Directors shall determine shall give bond for the faithful discharge of their duties in such form and for such amount and with such surety or sureties as the Board shall require. The expense of procuring such bonds shall be borne by the Company.

ARTICLE V

Seal

The Company shall have a seal which shall contain the words "Armstrong World Indus-

tries, Inc." in a circle within which the words "Incorporated Dec. 30, 1891" shall be contained.

ARTICLE VI

Stock Certificates and Transfers

Stock certificates shall be in such form as the Board of Directors may from time to time determine and shall either be signed by the President or one of the Vice-Presidents or other officer designated by the Board, and counter-signed by the Treasurer or an Assistant Treasurer and sealed with the seal of the Company, or, if not so signed and sealed, shall bear the engraved or printed facsimile signatures of the officers authorized to sign and the engraved or printed facsimile of the seal of the Company.

The Board of Directors may appoint for any class of stock one or more incorporated banks or trust companies in the city of New York, New York, or elsewhere, to act as Registrar or Registrars, and also one or more incorporated banks or trust companies in the city of New York, New York, or elsewhere, to act as Transfer Agent or Transfer Agents. No certificate of stock of any class for which a transfer Agent and Registrar have been appointed shall be valid or bind-

ing unless counter-signed by a Transfer Agent and registered by a Registrar before issue.

The shares of the capital stock of the Company shall, upon the surrender and cancellation of the certificate or certificates representing the same, be transferred upon the books of the Company at the request of the holder thereof, named in the surrendered certificate or certificates, in person or by his legal representatives or by his attorney duly authorized by written power of attorney filed with the Company's Transfer Agent. In case of loss or destruction of a certificate of stock another may be issued in lieu thereof in such manner and upon such terms as the Board shall authorize.

The Board of Directors may fix a time, not more than seventy (70) days prior to the date of any meeting of the stockholders, or the date fixed for the payment of any dividend or distribution or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock will be made or go into effect, as a record date for the determination of the stockholders entitled to notice of, or to vote at, any such meeting, or entitled to receive payment of any such dividend or distribution, or to receive any such allotment of rights, or to exercise the rights in respect to any such

change, conversion, or exchange of capital stock. In such case, only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to notice of, or to vote at, such meeting, or to receive payment of such dividend or distribution, or to receive such allotment of rights, or exercise such rights, as the case may be, notwithstanding any transfer of stock on the books of the Company after any record date fixed as aforesaid.

ARTICLE VII

Fiscal Year

The fiscal year of the Company shall end on the 31st day of December.

ARTICLE VIII

Amendments

These by-laws may be amended by a vote of two-thirds of the members of the Board of Directors at any regular or special meeting duly convened after notice of that purpose, subject always to the power of the stockholders to change such action.

EXHIBIT C

(From the annual meeting of the Board of Directors of Armstrong World Industries, Inc. held Monday, April 27, 1981)

RESOLVED That under Article III, Section 6, of the By-Laws of the Company, an Executive Committee of five members is hereby appointed, consisting of the following directors of the Company, namely: Harry A. Jensen, Chairman, James H. Binns, F. S. Donnelly, Jr., Tom A. Finch and Joseph L. Jones; said Executive Committee to serve until the next annual meeting of the Board of Directors, subject to the action of the Board from time to time, and to have all the powers and rights of the Board of Directors when the Board is not in session - three members to constitute a quorum.

EXHIBIT C

(From the meeting of the Board of Directors of Armstrong World Industries, Inc. held Monday, November 30, 1981)

The Treasurer stated that it appeared desirable from time to time to enter into arrangements whereby the Company acquires tax ownership of equipment by paying cash and incurring nonrecourse installment obligations and, simultaneously, leasing the equipment at aggregate rental amounts equal to the Company's installment obligations, as contemplated by Section 168(F)(8) of the Internal Revenue Code as added by the Economic Recovery Tax Act of 1981; and that such action might be undertaken prior to the January Board meeting. After general discussion, the directors, by unanimous vote, authorized the Executive Committee to take appropriate and necessary action with respect to such arrangements in an aggregate amount not to exceed $100,000,000 in original equipment cost.

EXHIBIT C

(From the meeting of the Executive Committee of the Board of Directors of Armstrong World Industries, Inc. held Monday, December 14, 1981)

RESOLVED That the Treasurer or the Assistant Treasurer and, the Secretary or an Assistant Secretary are hereby authorized to execute and deliver an Agreement or Agreements between the Company and Consolidated Rail Corporation whereby the Company shall acquire all of Consolidated Rail Corporation's right to claim Investment Credit and Recovery Deductions with respect to certain "qualified leased property," as defined in the Agreement(s) and in Section 168(f)(8) of the Internal Revenue Code of 1954, as amended, in an amount(s) not to exceed in the aggregate $100,000,000, under such terms and conditions as the Treasurer or the Assistant Treasurer, with the advice of legal counsel, shall deem reasonably necessary and appropriate.

FURTHER RESOLVED That the Company agrees to characterize the said Agreement(s) as a separate lease (or leases) between the Company as Lessor and Consolidated Rail Corporation as Lessee, for federal income tax purposes only, with respect to each item of such "qualified leased property" and irrevocably elects to have the provisions of Section 168(f)(8) of the Internal Revenue Code of 1954, as amended, apply thereto.

FURTHER RESOLVED That the Treasurer, Assistant Treasurer, Secretary or Assistant Secretary is hereby authorized to execute and deliver such other documents and to take such other actions as may be reasonably necessary and appropriate to implement the intent of the foregoing resolutions, including the performance by the Company under the Agreement(s).

CERTIFICATE AS TO REPRESENTATIONS AND WARRANTIES

This is intended to and shall serve as the Certificate of Armstrong World Industries, Inc. required by Section 15(b)(ii) of those certain Agreements dated as of December 31, 1981 (the "Agreements") between Armstrong World Industries, Inc., a Pennsylvania corporation ("Armstrong") and Consolidated Rail Corporation, a Pennsylvania corporation.

The undersigned, who is a Vice-President and the Treasurer of Armstrong, hereby certifies that the following representations and warranties of Armstrong are correct in all material respects on and as of the date hereof:

(1) Armstrong is duly organized and validly existing as a corporation in good standing under the laws of the Commonwealth of Pennsylvania, and has full power and authority to carry on its business as presently conducted, to purchase the Tax Benefits as defined in the Agreements, to own or hold property under lease and to enter into and perform its obligations under the Agreements.

(2) The execution, delivery and performance by Armstrong of the Agreements have been duly authorized by all necessary corporate action.

(3) The Agreements have been duly executed and delivered by Armstrong and constitutes the legal, valid and binding obligation of Armstrong enforceable against Armstrong in accordance with its terms, except that such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to creditors' rights.

(4) Armstrong will not include any amount other than the Purchase Price as defined in the Agreements with respect to any Item of Property as defined in the Agreements in its basis for Federal income tax purposes of such Item and will currently deduct or amortize on a straight-line basis over the term of the Agreements the amount of any costs or expenses incurred by it in connection with entering into the transactions contemplated by the Agreements.

(5) Armstrong agrees to timely file the information return required to be filed by Section 5c.168(f)(8)-2 of the Regulations as defined in the Agreements.

(6) Armstrong is, and will continue to be, a "qualified lessor," within the meaning of Section 5c.168(f)(8)-3(a) of the Regulations (or any comparable successor regulations), and Section 168(f)(8)(B)(i) of the Code as defined in the Agreements.

IN WITNESS WHEREOF, the undersigned has duly executed this Certificate as of the 31st day of December, 1981.

ARMSTRONG WORLD INDUSTRIES, INC.

By: _____
C. A. Walker, Jr.

MARSH & MCLENNAN, INCORPORATED

163 Madison Avenue
Morristown, New Jersey 07960

CERTIFICATE OF INSURANCE

This is to certify to See Below

Address See Below

that the following described policies are in force at this date.

NAME OF INSURED

CONSOLIDATED RAIL CORPORATION, ET AL

Policy No. Various Expiring 10-1-84

Armstrong World Industries, Inc.
P. O. Box 3001
Liberty and Charlotte Streets
Lancaster, Pa. 17604

Attn: Vice President & Treasurer

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LIMITS AND DESCRIPTION OF COVERAGE:

All Risks of Direct Physical Loss or Damage on all Property-$48,000,000 per occurrence excess of a $750,000 self-insured retention per occurrence except on loss or damage from Collision and Derailment where a $2,000,000 self-insured retention shall apply. Coverage for track, roadbed and signal equipment limited to Named Perils for the first $10,000,000, all risks coverage excess of $10,000,000.

It is recognized that the above Certificate Holders will be given thirty (30) days' notice of cancellation or material change to the insuring policies.

This Certificate of Insurance does not amend, extend, or otherwise alter the terms and conditions of insurance contained in the participating policies.

MARSH & MCLENNAN, INC.

Date Issued December 23, 1981

William S. Smythe
Vice President

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CERTIFICATE OF INSURANCE

ISSUED TO Armstrong World Industries, Inc.
P. O. Box 3001, Liberty and Charlotte Sts.
ADDRESS Lancaster, PA 17604 - ATTN: Vice President & Treasurer

THIS CERTIFIES

that Various Companies

have issued Policy/ies No/s TBA Cover Note/s No/s .....

covering as stated which is in force as of the date hereof.

NAMED ASSURED: Consolidated Rail Corporation
1528 Walnut Street

LOCATION: Philadelphia, Pennsylvania 19102

TERM OF INSURANCE: 12:01 A.M. April 1, 1981 to 12:01 A.M. April 1, 1982

DESCRIPTION OF COVERAGE

Liability of the Insured for Personal Injury and Property Damage including liability assumed under any contract, arising out of any occurrence growing out of the Insured's operations and all operations incidental thereto; in the following amount:

$50,000,000 any one occurrence in excess of $2,000,000 S.I.R. any one occurrence.

MARSH & McLENNAN, INC.
163 MADISON AVENUE
MORRISTOWN, NEW JERSEY 07960

PER: Francis E. Hayes
Vice President

In the event of any material change in or cancellation of said insurance Marsh & McLennan, Inc. will give 30 days notice to the party to whom this certificate is issued of such change or cancellation, but Marsh & McLennan Inc., assumes no responsibility by reason of any failure to do so.

This certificate does not amend, extend or alter the coverage afforded by the above insurance.

December 23, 1981